

| ISLE OF ANGLESEY COUNTY COUNCIL | |
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| Report to: | FULL COUNCIL |
| Date: | 30 SEPTEMBER 2014 |
| Subject: | COUNCIL'S RESPONSE TO THE WELSH GOVERNMENT'S CONSULTATION ON ITS WHITE PAPER – "DEVOLUTION, DEMOCRACY AND DELIVERY WHITE PAPER – REFORMING LOCAL GOVERNMENT" PUBLISHED 8 JULY 2014 WITH RESPONSES DUE BY 1 OCTOBER 2014 |
| Portfolio Holder(s): | LEADER OF THE COUNTY COUNCIL |
| Report Author: | CHIEF EXECUTIVE |

1. PURPOSE OF THE REPORT

The meeting of the Full Council on 30th September 2014 is requested to resolve on its position in respect of providing a response to the Welsh Government, by 1 October 2014, on the contents of its White Paper, published in July 2014 on Reforming Local Government in Wales. The consultation paper is structured in the form of requesting responses to a series of questions relating to democracy, scrutiny, performance, partnership and collaboration etc., but the key issue to this Council is the proposals relating to merger which brings the future of the Isle of Anglesey County Council as the Local Authority for the Island into question. Given that the Council, in its response to the Williams Commission consultation in 2013 has already responded to many of the wider issues, it is recommended that this report concentrates on the merger proposal and that Welsh Government be informed of its previous response to Williams on the other matters. It is also noted that the Council of the Welsh Local Government Association (WLGA) is to consider detailed responses to the comprehensive list of questions raised by the Welsh Government at its meeting on 26 September 2014 and the Isle of Anglesey County Council could consider endorsing this response.

2. BACKGROUND

2.1 In 2013 the Welsh Government established a Commission, chaired by Sir Paul Williams, to conduct an independent review of the public services in Wales, and in January 2014 the report of the Commission on “Public Service Governance and Delivery” was published. It contained in excess of 60 recommendations but the main focus of the response to these was in relation to the proposal to merge the existing 22 Local Authorities in Wales into 10 or 12 larger Authorities.

2.2 In July 2014 the Welsh Government published two documents in response to the Williams Commission recommendations, namely: “Devolution, Democracy and Delivery – Improving Public Services for the People in Wales” and “Devolution, Democracy and Delivery White Paper – Reforming Local Government”. The latter of these two outlines the Welsh Government’s statement of intent regarding the future of Local Government in Wales and invites Authorities to consider voluntary mergers on the basis of the Williams recommendations. This provides for four options or pattern of mergers along 10 or 12 new Authorities avoiding the need to redraw boundaries and co-terminus with the boundaries of the respective Health Boards in Wales. There was no encouragement for Authorities to consider options which went across these boundaries.

On 18th September 2014, the Welsh Government published a further document “Invitation to Principal Local Authorities in Wales to submit proposals for voluntary mergers” outlining, in the format of a prospectus, the offer from Welsh Government in support of those Authorities prepared to consider voluntary mergers in advance of any binding legislation, and requesting expressions of interest from such Authorities by 28 November, 2014 in the first instance, with a full merger proposal, in the form of a business case by 30 June 2015.

2.3 In addition to the documents and statements issued by the Welsh Government in relation to Local Government Reform, the WLGA, in August 2014 produced its own discussion paper offering an alternative and different approach to the Williams recommendations under the title of “An Alternative Approach to the Williams Report – The Creation of Four Combined Authorities for Wales?”, which is in part predicated on the model adopted in some areas in England, notably the Greater Manchester Combined Authority. This model allows for the sovereignty of the current 22 Authorities to be retained with Services being commissioned through a regional joint committee with four such Committees serving the four Welsh regions.

3. WHAT IS ON OFFER IN RESPECT OF THE OPTIONS AVAILABLE?

3.1 In his response to the Williams Report, the First Minister, speaking on behalf of his Government stated that the case for reform of Local Government was compelling and that Local Authority mergers would protect and improve Services locally, by improving the capacity of organisations to respond to the growing challenges they face and making them more sustainable and fit for the future. In this context, therefore, Welsh Government have formed a view that the status quo is not an option on the one hand, and that merging existing authorities and not redrawing boundaries on the other, would allow for a smoother, seamless transition from the existing structure to the new without too much legislative complexity. This would be delivered in a two stage process namely the voluntary merger of some early adopter authorities pre 2016, and full merger of all other Authorities. This would enable Welsh Government to overcome the problem of insufficient time to develop, plan and legislate for a full programme of mergers before the next National Assembly Elections in 2016.

3.2 To facilitate the programme of merging Authorities, the Welsh Government has outlined its proposed programme and timeline as follows:-

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|------------------|---|
| October 2014 | Reforming Local Government White Paper Consultation closes |
| November 2014 | Deadline for expressions of interest in voluntary mergers |
| January 2015 | Local Government Bill 1 |
| June 2015 | Submission of voluntary merger proposals |
| November 2015 | Local Government Bill 1 – Royal Assent |
| November 2015 | Final voluntary merger proposals submitted |
| May 2016 | National Assembly Elections |
| September 2014?? | Local Government Bill 2 |
| May 2017 | Elections to continuing Authorities |
| June 2017 | Local Government Bill 2 – Royal Assent |
| April / May 2018 | Vesting Day / elections for Authorities merging voluntarily |
| May 2019 | Elections to Authorities merged under Local Government Bill 2 to operate as a shadow until vesting day April 2020 |
| May 2022 | Elections to all Authorities |

It should be noted above that these Authorities entering a voluntary merger will not have elections in 2017 but a year later in May 2018 when the new merger Authorities become operative.

3.3 To assist and support the above timeline of events, the Welsh Government in its prospectus for early adopters on a voluntary merger basis in its newly published document “Invitation to Principal Local Authorities in Wales to Submit Proposals for Voluntary Merger”, is offering to provide specialist and expert advice to support the capacity and capability required to design the new merged Authority. It outlines a series of incentives for Authorities to become early adopters, many of which are covered in the paragraphs below outlining the advantages and risks to early merger. It was widely believed that there would be a substantial financial incentive for early adopters but the prospectus document is very unclear about the offer in this regard. It seems that the key financial strategy is for the Authorities themselves to reduce their costs by becoming a more efficient merged Authority and that there would be some commitment to identify appropriate financial resources could be no more than relaxing the constraints on current grants, the Local Authority Borrowing Initiative, and Invest-to-Save funds. However, more clarity is required from the new Minister for Public Services in Wales about this aspect and Members may consider it desirable to engage specifically with the Minister on the matter.

4. THE ISLE OF ANGLESEY COUNCIL'S RESPONSE TO DATE

4.1 In August 2014, the Council established a politically balanced Task and Finish Group to consider, with the support of the Senior Leadership Team, the implications for Anglesey in the Government's proposals and having already declared its response to the Williams Commission recommendations on the case for public service reform in some detail.

The Group has met on two occasions to date and has scrutinized in detail all the relevant documentation, the presentations made by senior officers, together with the emerging views within the region and on a national basis. In its deliberations the Group gave due consideration to the following:-

- a) Matters of principle upon which the Council would not be compromised:-
 - Losing governance administration in Anglesey for the first time in many Centuries of local administration.
 - Creating an outflow of job opportunities from the Island to the mainland
 - Increasing Council Tax to the people of Anglesey
 - Jeopardising the current Social Housing stock arrangements
 - Creating inequality in terms of Members voting powers and electorate representation.

- b) The advantages and disadvantages of challenging the sustainability of the status quo arrangements in the context of the financial forecast and need to undertake stringent austerity measures.

- c) The available data which evidences the current diversity across Services and activity areas between Anglesey and neighbouring Authorities.
- d) The need for proper public engagement to solicit the views and aspirations of the people of Anglesey and the mandate, or otherwise, to effect changes on the scale proposed.

4.2 On the recommendation of both the Task and Finish Group and Group Leaders, a Seminar was held for all Members of the Council, and again supported by senior officers, on 18 September 2014 to provide information regarding the Government White Paper on Local Government Reform and to raise awareness of key issues to be addressed from the Anglesey perspective. During the Seminar Cross-party group discussions and plenary were held to enable Members to articulate their initial thoughts and viewpoints. The Seminar emphasized in particular:-

- a) The need for effective public engagement prior to any decision to resolve on a preferred option
- b) The need for a face-to-face discussion with the Minister to better understand the offer from Welsh Government and the non-negotiable areas in respect of developing alternative options to the current proposals.
- c) The need to continue with informal discussion and to keep an open mind at this stage and to empower the Leader and the Chief Executive to engage in informal discussions with partners to promote the interests of Anglesey with the proviso that they report back to Council, through the agreed channels on the outcome of those discussions.

4.3 Stakeholder Events

The Leader, Chief Executive and senior officers have attended stakeholder consultation fora at regional and national level. In addition, individual Members have engaged in discussions within their respective political groups and organisations. Information from these events has been disseminated through the Task Group and Seminar to the wider audience of Members and officers and have assisted in the presentation of this report to Council. It is envisaged that many more such discussions will be undertaken over the coming months. To date, however, there has not been any formal or informal discussions undertaken, at either political or officer level, with individual or neighbouring authorities on the proposals for the early adoption of merger.

5. THE REGIONAL AND NATIONAL CONTEXT

5.1 As outlined above, there has been no approach to, or from Anglesey, with other Authorities, either formally or informally to discuss views and aspirations regarding merger. The Williams Commission recommended a merger of Anglesey and Gwynedd authorities and consequently it is likely and fair to assume that this would be the preferred model by Welsh Government at present. This has not, however, been subjected to examination and scrutiny by both Authorities jointly. At the time of writing it is not known how Gwynedd are responding to the consultation. The initial and informal standpoint expressed by many Anglesey Members in discussion fora to date is that a more sub-regional approach which would include Anglesey, Gwynedd and Conwy should be given detailed consideration in the event of the status quo being totally rejected and dismissed as an option by Welsh Government – but these informal discussions carry no status prior to any steer and guidance issued by determination of the Full Council.

5.2 It is reported that other Authorities in the region, with the exception of Gwynedd, have already resolved on their position in respect of the White Paper consultation. The contents of the reports presented to Wrexham, Denbighshire, Flintshire and Conwy Councils have been taken into consideration and the resolutions adopted have been noted, during the deliberations here in Anglesey together with the implications therein to resolving on our position. At the time of writing only Denbighshire and Conwy seem to be giving active consideration to becoming early adopters of a merged Authority and only so within certain conditions, and in particular that the Welsh Government will provide a sufficient financial incentive to persuade them to proceed to the expression of interest stage.

5.3 As referred to above, the WLGA has not been persuaded that the Williams recommendations provide the best solution to Local Government Reform in a coherent and sustainable manner. It has produced an alternative approach with an outline plan for the establishment of four regional combined Authorities acting as a joint – Authority comprising the current Councils, which would retain their democratic sovereignty and commission the larger services from the regional body. This would enable the existing Authorities to create the capacity needed for service improvement and to ensure sustainability, in the face of continuing financial challenges, when maintaining the current level of service provision, across the wide range of Local Government activity areas is becoming increasingly difficult. Critics, however, draw attention to the extra tier of bureaucracy that this model creates and the unclear real costs of a two tier system. Our informal discussion internally here in Anglesey has emphasized, nevertheless, that this model is worthy of consideration and should be further developed and scrutinized if retaining the status quo is not a viable option. The Alternative Approach need not depend entirely on a buy-in from all 22 Authorities, it could be adapted to a more sub-regional arrangement if required.

6. MATTERS TO BE TAKEN INTO CONSIDERATION BY COUNCIL

6.1 General Principles

Council is requested to consider the following general principles that should underpin its approach to the proposals for Local Government Reform:-

- Any change to the status quo should better equip the Council to meet the financial challenge and constraints on budgets it is facing over the next four years and beyond.
- The linguistic, cultural and economic characteristics of the communities on Anglesey, and the Island as a whole, needs to be safeguarded as one of the highest priorities.
- Any change to the status quo needs to be demonstrably better in terms of service delivery, performance and sustainability and not lead to further changes and reorganization in the foreseeable future.
- Anglesey citizens should not be disadvantaged through any process of equalization consequent to a merger with any other Authority or Authorities.

6.2 Early adoption of a merger proposal

Council is requested to give due regard to the advantages and disadvantages of becoming an early adopting Authority in respect of a proposal to merge.

Some of the advantages can be summarized as follows:-

- Availability of targeted expert support and advice from Welsh Government and their appointed consultants to address the complexities of implementation.
- Contribution of efficiency savings consequential on improved capacity and better efficiency enabling the Authority to manage its financial challenge and austerity measures more effectively and with more pace
- Eliminating the uncertainty for staff and the recruitment challenges in long-term reorganization processes.
- Only one set of elections in 2018 for merged Authorities compared to elections in 2017 and 2019 for other Authorities
- Reputational credit for being a progressive forward-looking Authority.

Some of the disadvantages can be summarized as follows:-

- No guarantee of extra funding to cover the implementation costs of a merger
- Uncertainty regarding the political structure of the Welsh Assembly, post the 2016 Assembly elections, and the policy to be adopted by a new in-coming Government if there was a substantial change in the nature of Government in Wales.
- The impact that the amendments to the Silk recommendations for more devolved power to Wales, will have on the capacity of the Welsh Government to support Local Government reform.
- The reduced opportunity for proper engagement with the local electorate to seek their views regarding proposals that, at present, could be interpreted as not having the required mandate for implementation at neither local or national level.

7. RECOMMENDATIONS

On the basis of the facts of the matters outlined in this report, and having regard to all the background information provided, Members of Council are required to resolve on the following recommendations:-

- 7.1 Request further information from Welsh Ministers regarding the options available for consideration by this Council, before determining its position on proposals for merger with other Authorities and, in particular, to seek better clarity around the financial incentives to become an early adopter Authority and, to that end, request that the Minister for Public Services be invited to a meeting of the Full Council to discuss these matters at his earliest convenience.
- 7.2 That in its response to the series of questions raised in the White Paper on Local Government Reform:-
- a) The Council draws attention to its previous response to the Williams Commission Report which covers most of the issues to which the consultees are invited to respond.
 - b) The Council endorses the response to the consultation produced by WLGA and presented to the WLGA Council on 26 September 2014.
- 7.3 That the Council authorises the Leader of the Council and the Chief Executive to engage in informal discussions at local, regional and national level to promote the interests of Anglesey citizens, with partner organisations, as the agenda for reform develops and to report the outcome of these discussions, as appropriate, to Council through the Task and Finish Group, the Group Leaders meetings and the Senior Leadership Team of officers, with a view to making a formal presentation to Council for determination prior to implementing any decisions.

7.4 That the Leader and Chief Executive are authorized to establish effective communication and community engagement strategies to gain the views of the citizens and communities of Anglesey prior to the Council adopting its standpoint on Local Government Reform and its implications for Anglesey.

7.5 That the Council, having given proper consideration to the matters outlined in Section 6 above, resolves on its initial position regarding Local Government Reform, and in particular whether or not to give further consideration to development a viewpoint regarding declaring an expression of interest in becoming an early adopter of a merged Authority, by the closing date of 28 November 2014, provided it could negotiate an agreement with a neighbouring authority, or authorities, to this effect.

8.0 BACKGROUND PAPERS RELEVANT TO THE RECOMMENDATIONS IN THIS REPORT

8.1 Devolution, Democracy and Delivery – White Paper Reforming Local Government. Issued by Welsh Government on 8 July 2014

8.2 Invitation to Local Authorities in Wales to submit proposals for voluntary merger issued by Welsh Government on 18 September 2014.

8.3 Reforming Local Government White Paper – Response to consultation – Issued by WLGA to WLGA Council on 26 September 2014

8.4 An Alternative Approach to the Williams Report The Creation of Four Combined Authorities for Wales? Discussion Paper Issued by WLGA to Welsh Local Authorities on 21 July 2014.

8.5 Devolution Democracy and Delivery – Improving Public Services for the People of Wales Issued by Welsh Government on 8 July 2014.

Richard Parry Jones
Chief Executive
21 September 2014



Llywodraeth Cymru
Welsh Government

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Devolution,
Democracy and
Delivery

White Paper – Reforming Local Government

Date of issue: 8 July 2014

Responses by: 1 October 2014 @ 23:59

Overview

The White Paper 'Reforming Local Government' is the Welsh Government's statement of intent about the future of Local Government. The White Paper also responds to the Local Government aspects of the report of the Commission on Public Service Governance and Delivery. The White Paper seeks views on whether our vision is the right one, and suggestions on how it could be further developed.

How to respond

To respond to the consultation please either complete the online form or complete the questionnaire at the back of the document and return it either by email to

ReformingLG@Wales.gsi.gov.uk

or by post to

Reforming Local Government
Welsh Government
Cathays Park
Cardiff
CF10 3NQ

Further information and related documents

Large print, Braille and alternative language versions of this document are available on request.

Contact details

For further information:

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Welsh Government
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Data protection

How the views and information you give us will be used

Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about. It may also be seen by other Welsh Government staff to help them plan future consultations.

The Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. This helps to show that the consultation was carried out properly. If you do not want your name or address published, please tell us this in writing when you send your response. We will then blank them out.

Names or addresses we blank out might still get published later, though we do not think this would happen very often. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 allow the public to ask to see information held by many public bodies, including the Welsh Government. This includes information which has not been published. However, the law also allows us to withhold information in some circumstances. If anyone asks to see information we have withheld, we will have to decide whether to release it or not. If someone has asked for their name and address not to be published, that is an important fact we would take into account. However, there might sometimes be important reasons why we would have to reveal someone's name and address, even though they have asked for them not to be published. We would get in touch with the person and ask their views before we finally decided to reveal the information.

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Foreword by the Minister for Local Government and Government Business



Local Government provides services many people depend on and we all expect to be there when we need them. These include the services which educate our children, care for and support the most vulnerable members of our families and communities, fix our roads and collect our waste. However, Local Government does not exist simply to provide services. We have a strong tradition of community participation in Wales and we know the public want to be involved in designing the future for their area and the services provided. We all pay for public services through our taxes, so we all have a stake in their future.

The environment for public services is almost unrecognisable from where we were 50, 20 or even 10 years ago. Times are tough financially, demand is increasing for many services and the public expect instant access to information. The Commission on Public Service Governance and Delivery confirmed what we already knew – our current arrangements are not fit for purpose. Reform must be significant and sustainable.

In this White Paper I give you my initial thoughts on a vision for Welsh Local Government fit for the 21st Century and beyond.

It proposes a new relationship between Local Government and communities. We need communities and Authorities to work together to tackle issues and create joint solutions. I have already introduced measures to promote better engagement, greater openness and transparency, however, we need to do more.

It sets out action to ensure our elected representatives reflect the communities they serve. I am passionate about increasing diversity in Local Government.

It will strengthen governance and make it clear how decisions are made and who took them. It will help local Councillors provide effective challenge and scrutiny. It will encourage innovation and the sharing of best practice, to drive excellent performance and services which meet people's needs.

The White Paper starts to set out the changes to structure needed to empower Authorities to rise to the challenge of leading their areas. It reminds us not to forget about collaboration.

However, 'the devil is in the detail'. To crystallise my vision, to add broader perspectives and to come up with detailed plans and timetables for implementation, I need your views. I will set up arrangements for a frank and open debate and I expect a mature and constructive conversation. Local Government must take the lead in designing its own destiny. We must work together, in partnership, over the coming months to build Local Authorities designed for Wales, in Wales.

A handwritten signature in grey ink that reads "Lesley Griffiths".

Introduction

1. We know the people of Wales place great value on their public services. These include the services provided by Local Government which educate our children, care for our older people, support those who are ill or disabled, watch over the most vulnerable, and collect our waste. Some people in our communities particularly depend on these services and we all expect them to be there at the times in our lives when we need them. We all appreciate the thousands of dedicated public servants who work hard to deliver these services and would want their efforts to be recognised and appreciated. We all pay for public services through our national and local taxes, so we all have a stake in their future. But public services mean more to us than delivery of specific services. They are part of the communities in which we all live and provide the background against which daily life in Wales takes place.
2. We have a strong tradition of local democracy and community action and participation, and we know the Welsh public wants to be involved in the decisions about how the future of our communities is planned and how services are designed and delivered. We know people recognise this is not just about the here and now, but also about how we make public services sustainable so they deliver effectively for future generations.
3. However, Wales and its public services face complex and unprecedented challenges. Many of these are a legacy from the past, but this generation must not leave them as challenges for the next. The funding available for public services is under pressure, and will continue to be, whilst more and more people are likely to need these services. We cannot sustain this, and we know something has to change. This White Paper invites a wide engagement with the reality of the situation we face – the need to reform not just our structures and our services, but the terms of engagement with our public services and our expectations of them.
4. It was for this reason we established the Commission on Public Service Governance and Delivery (“the Commission”), and asked it to produce an honest, independent and robust report on how our public services are governed and delivered now, how this needs to change in order to meet the needs of people today, and how we can build a sustainable basis for the future.
5. The Commission has provided a detailed, authoritative report, with a series of recommendations for action. Some of it makes uncomfortable, challenging reading – for the Welsh Government, for Local Government, and for other public services. However, we cannot be defensive, or deny the existence of the challenges the Commission has identified. We may not agree with every detail in the report, but we recognise the problems of wide variation in performance and efficiency, of scrutiny and governance which does not support and drive improvement, of basic standards and principles of governance not being applied consistently and effectively, and of excessive complexity.
6. We are very grateful to the Commission for its work. Its report is an important stimulus for change, and this White Paper is a positive response to the challenges the Commission poses for the future of Local Government in Wales, and its contribution to high-quality, responsive and efficient public services. However, we want this paper to be more than a response to the Commission. It is our statement of intent about the Local Government we want, Local

Government which improves the well-being of Wales by contributing towards shared long-term outcomes. We want to ensure a proper relationship between those who provide a service and those who rely on it, through stronger local democracy, and more effective scrutiny, and enabling local Councillors to properly hold those responsible for services to account, on behalf of the communities they serve. We want well-run Local Authorities which operate transparently and openly, which plan effectively, which use the resources available to them to best effect, and which work collaboratively and in partnership with others wherever this will benefit the people they serve. And we want people themselves to have a stronger voice, and more influence over how services are designed and delivered. To deliver this, Local Authorities will also need to be continually assessing and improving their own performance. This paper does not cover every aspect of how we will achieve this – in some areas we are continuing to develop our plans, and more details will follow in the coming months.

7. This Paper also responds to some of the Commission's findings which have implications beyond Local Authorities, such as those relating to partnership and collaboration, and it addresses recommendations for Fire and Rescue Authorities relating to scrutiny and governance, and to boundary changes.

8. Since the Commission published its report, discussion has focused on whether we have too many Local Authorities, and whether we should reduce the number by merging some of them. The Commission's proposals have provoked much comment and debate. Some have suggested we should be focusing our efforts and resources on improving services, rather than changing boundaries. This misses the point: merging Authorities is an essential component – though not the only one – of improving services, making Authorities more efficient and enhancing their capability, and putting them on a stable financial footing to meet the challenges ahead. The Commission is clear its proposals are a package: we agree, even if we do not agree with every detail of the recommendations. We know we cannot just merge Authorities into larger units, then sit back and expect things to improve. However, without a reduction in the number of Authorities, it is clear many will not be sustainable and will struggle to meet the challenges they face now and in the future.

9. The proposals for Local Authority mergers represent the single biggest change recommended by the Commission and, if we are to deliver at the pace the Commission called for, we need to start immediately. This paper therefore focuses on the actions we intend to take between now and the end of the current Assembly in May 2016 to facilitate a programme of Local Authority mergers. However, we remain clear mergers are only part of the story. So this White Paper also sets out a wider vision for the future of Local Government and the services it delivers. Ultimately, we want a Local Government which is fit for the 21st Century, which is connected to its communities, and which delivers improved well-being and effectively prioritises and delivers services to a high standard. However, we need your views about the Local Government Wales wants as well: we want to be sure our plans and ambitions are the right ones, and we have included questions throughout this Paper, inviting views and comments on some of the proposals for action we have set out.

10. In parallel with this White Paper, we have also issued 'Devolution, Democracy and Delivery - Improving public services for people in Wales'. This sets out a comprehensive, Government-wide response to the challenges articulated by the Commission on Public Service Governance and Delivery, as well as a vision for the future of the devolution settlement, following the report of the Commission on Devolution in Wales. 'Devolution, Democracy and Delivery - Improving public services for people in Wales' ranges far more widely than this Local Government White Paper, but many of the actions proposed will have implications for Local Government as part of a wider devolved public services, in relation to matters such as leadership, performance, developing new models of public services (including co-production), and the concept of 'one public service', as well as our response to the Commission's specific proposals for Powys, and for integration of health and social care in other areas.

The findings of the Commission on Public Service Governance and Delivery

11. It is important to emphasise again this White Paper is more than just a response to the findings of the Commission. Rather, it is a statement of purpose about how we propose to deliver the changes necessary, if we are to have consistently excellent local public services. Nonetheless, responding to the Commission's work and its findings is a central part of this Paper, so we start by restating the Commission's key findings.

12. The Commission found the financial pressures on public services to be severe and unsustainable. Even the most positive projections indicate public expenditure will not return to 2011 levels until around 2022. In the meantime, the number of older people will continue to grow relative to the rest of the population (as will the younger population in some parts of Wales), so demand for Local Authority services will continue to grow. The Commission notes these pressures and challenges are not unique to Wales, or the UK: they exist across the developed world.

13. The Commission finds performance is poor and patchy, with a wide difference between best and worst, and significant variations in efficiency. The Commission accepts some variation in performance is inevitable, because different Local Authorities face different challenges of demography, deprivation, and geography. However, it describes the differences as 'often inexplicable'. Given the future financial challenges, weaknesses in performance will only increase unless we act.

14. The Commission identifies a number of shortcomings which contribute to these problems of performance. It finds too much effort is wasted on managing complex public sector systems and relationships rather than on providing quality services. This is a particular issue for Local Authorities because they are unique, multi-service organisations, linked inextricably with the rest of the public sector. Its solution is to reduce complexity of the public sector, by simplifying accountability, removing duplication, streamlining partnerships and ensuring organisations work together effectively.

15. The Commission finds compelling evidence many Local Authorities are too small to address the risks and pressures they face. This does not necessarily mean larger Authorities perform

consistently better than smaller ones, and the Commission does not suggest this. However, it finds breadth and depth of capacity to be a real challenge, with small scale often creating unacceptable risks to governance and delivery. The Commission therefore proposes a reduction in the number of Authorities to between 10 and 12, through mergers of existing Authorities. This, it believes, will combat the serious problems of small scale and make it easier for Local Authorities to work with other public service organisations in the public interest. It will also create significant long-term savings, which will help protect services.

16. The Commission highlights the importance of governance, scrutiny and accountability in driving improvement, but it finds governance arrangements within organisations are too often unclear, and scrutiny and other accountability mechanisms are under-valued and ineffective. It recommends changes to make organisations more responsive, with accountability mechanisms which are better informed, more complementary, more effective and less burdensome. It also recommends measures to improve leadership, and calls for development of a shared, collaborative and citizen-centred set of public service values.

17. The Commission found the number and scale of Town and Community Councils to be problematic and they expressed concerns around their accountability, representativeness and their ability to understand and articulate local needs. They concluded the Community Council sector is in need of reform. The Commission recognised the importance of harnessing the voice of the citizen as a force for improvement but acknowledged the processes and practices for doing so were sporadic, inconsistent and often ineffective.

18. Finally, the Commission finds the wealth of performance data collected by the public sector is not being properly used to deliver improved outcomes, and recommends a single and concise set of national outcomes, with local partnerships and organisations feeding into them.

19. The Commission recognises there are examples of good performance, highlighting the success of Fire and Rescue Services in reducing fire casualties (which have more than halved since 2004-05), and the achievements of Local Authorities in meeting targets for waste and recycling. Nonetheless, we agree performance needs to improve, and recognise fundamental change to the way we prioritise, organise, manage and deliver services is necessary for this to happen.

The future of Local Government – what should we expect of Local Authorities?

20. The Welsh Government's ambition is to make Wales a better place, to deliver real change to improve the lives of people now, and leave a better legacy for our children and grandchildren. This means a Wales which is more equal, prosperous, and innovative; with healthier people living in safe, cohesive and resilient communities, who have more opportunities to use the Welsh language.

21. We – and particularly those who rely more heavily on public services – expect our services to play a full and central part in achieving the Wales we want. In February 2014 we set out a vision for a sustainable future for Wales – The Wales we want in 2050. The Well-being of

Future Generations (Wales) Bill introduced into the National Assembly for Wales on 7 July 2014 proposes a new legislative framework to agree a set of long-term well-being goals for Wales, and a stronger sustainable development framework with public bodies at its heart. This means thinking more about the long term, working better together, taking early action and engaging with people on this journey.

22. One of the aims of the Bill is to ensure Local Authorities work together, and with other parts of the public service, to improve the lives of people, both now and in the future, through the delivery of a shared set of long-term goals for improving social, economic and environmental well-being. These long-term well-being goals for Wales will help us address the call from the Commission for reform to be nationally driven and co-ordinated across the public sector, with suggestions for a clear and concise statement of all-Wales outcomes, to which all public sector organisations contribute. The Bill will also secure key governance approaches of prevention and collaboration, consistent with the Commission's broader findings about the importance of prevention and co-production in developing and delivering services.

23. We know Authorities are committed to actively promoting and improving well-being in the way envisaged by the Well-being of Future Generations (Wales) Bill, as well as delivering services, but this has to start with doing those things the public can reasonably expect of them. What are these expectations?

24. The evidence tells us people want Local Authorities capable of providing the services they need, and which are able to respond quickly and effectively when they need them. Services should be high performing, simple for people to access and use (in English and in Welsh), resilient enough to cope with increasing demand, and able to adapt to new challenges through innovation. Authorities should work with communities and individuals on service design, involving other partners and particularly the Third Sector, as well as their own staff, many of whom are keen to be more closely involved in designing innovative solutions to the delivery challenges they see every day.

25. However, Authorities should also be anticipating and managing demand, identifying and dealing with problems early, to prevent those problems getting worse and in turn placing greater demands on already stretched services. We and Local Government also need to be open and honest about the limits of what Local Authorities can provide, particularly in light of growing financial constraint. Whilst Local Authority services must always be there to help the vulnerable, and to support those who may be in crisis, they cannot (and should not) be there to solve every problem which might arise. People have a role to play and a responsibility for their own well-being. And some services might more effectively be provided in a different way.

26. We also know people want to see and understand how Local Authorities make decisions about their local services, and be part of the decision-making process, with their voices heard and their views taken into account. This means Authorities need to be open, telling people what they are doing, involving people in what is important to them through regular and active engagement, and providing easy access to the information people need to help them engage effectively.

27. People pay for their local services through their taxes (national and local), and they want to know their money is being used properly and effectively, with robust and effective processes in place to ensure this happens. Local Authorities need to be well-run, making decisions properly and transparently, and complying with all financial and legal requirements, so people can have confidence the money they provide is always used to best effect.

28. People want their Councillors to represent the diversity of the communities which elect them, and they want to be confident their own Councillor is working to make services better. This means effectively representing the views of individuals and communities, and holding the Authority's leadership to account both on the delivery of services, and the longer term work to improve social, economic and environmental well-being.

29. Finally, we know people expect Authorities to be responsive when services fall below the required standard. People understand things will sometimes go wrong, but when this happens they expect a prompt response, effective action, and for lessons to be learned, so the same mistakes are not repeated.

Do Local Authorities meet these expectations?

30. Unfortunately, these expectations are not always met. The Commission has highlighted poor and patchy performance in the delivery of many services, and wide variations in efficiency. It cannot be right for disabled people in one Authority to have to wait over a year longer for adaptations to their homes than those in another. Nor, in a climate of continuing financial austerity, can we ignore a difference in annual corporate management costs between two neighbouring Authorities equal to over £50 per resident, or a cost difference of £90 per ton of waste collected between one Welsh Authority and another. Many of our Authorities are, or have recently been, in special measures for education. And even where an Authority does perform well in one area of service, it is often unable to replicate this performance across the range of its responsibilities. And this is not just a matter of indicators and targets. The National Survey for Wales 2012-13 found 43% of people in Wales do not 'agree' their Council provides high quality services; in addition, 59% of people did not agree their Local Authority was good at letting them know how it was performing.¹

31. Authorities are becoming more open and transparent, but there are still too many examples of decisions being made without proper consultation, and we have seen a series of failures of governance in a number of Authorities. Even if the actual sums of money involved are relatively modest in the context of an Authority's total budget, these failures damage significantly the trust people have in their Local Authority, to use local taxpayers' money properly and effectively.

32. The National Survey found 47% of people want to be more involved in the decision-making of their Council. Local Authorities are facing difficult decisions about future budgets and there are some excellent examples of how they have engaged with their communities, but there

¹ National Survey for Wales, Headline results April 2012– March 2013, 23 May 2014. <http://wales.gov.uk/statistics-and-research/nationals-survey/?lang=en#/statistics-and-research/nationals-survey/?lang=en>

needs to be more. The Wales Audit Office (WAO)² has found many Councils did not engage effectively when planning budgets, or did not take account of the results of the engagement which took place. As a result, the WAO concludes some Councils may not be reflecting the needs, priorities and expectations of their communities.

33. We are still a long way from having a body of Elected Members who fully reflect the communities they serve, and who effectively scrutinise and hold their Authorities to account. The people who make decisions on our behalf need to be in tune with and representative of their communities, and understand their needs, but the majority of Councillors in Wales are over 60 years of age, less than a third are women, and 99 in every 100 is white.

34. Scrutiny is improving, but the Commission – and more recently the WAO³ – have found there is much more to do in order to increase public accountability in decision-making. And the Welsh Government's postbag reveals continuing dissatisfaction about the way in which Authorities respond to complaints made to them, whilst the Public Service Ombudsman for Wales has highlighted the problems of delays by Local Authorities and other public services in responding to complaints.⁴

35. Authorities need to rise to these challenges, but we recognise there are challenges for us as well, and we know Government has a role to play. Like all national Governments, we must set the outcomes we want to see attained, and we must enable and support Local Authorities and others to do so. But we do not need to manage the detail of Local Authority business. We can, and should, leave more autonomy and decision-making with those who manage the delivery of services. Our approach to developing policies needs to recognise the strengths of being more joined up, and needs to take a more consistent approach to practical issues of delivery. And, we need to remove some of the burden we place on Authorities through excessive performance measurement, detailed planning requirements, and financial constraints. In return, we would expect performance and the delivery of our priorities to improve.

Q: 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?

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

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

² Meeting the Financial Challenges Facing Local Government in Wales, Wales Audit Office, January 2014. <https://www.wao.gov.uk/publication/meeting-financial-challenges-facing-local-government-wales>

³ Good Scrutiny? Good Question! - Auditor General for Wales improvement study: Scrutiny in Local Government, May 2014. <https://www.wao.gov.uk/publication/good-scrutiny-good-question-auditor-general-wales-improvement-study-scrutiny-local>

⁴ The Ombudsman's Casebook Issue 15, January 2014. <https://www.ombudsman-wales.org.uk/en/publications/The-Ombudsmans-Casebook.aspx>

Moving Forward

36. It is easy to argue we should be concentrating on sorting out these problems, not changing structures. However, we must have a system of governance at national and local level which puts us in the best possible position to put these things right, and to have organisations which are capable of performing. Our core aim is not a restructuring of Local Government, it is Local Authorities delivering services which continually improve and strive for excellence, whose performance is visible and transparent to the communities they serve, and which is able to be compared against the best. This means best in class, not just best in Wales: local aspiration to be better than the Wales average is not enough.

37. This White Paper sets out the necessary steps towards the merging of Local Authorities into larger, more sustainable organisations. However, merging Authorities will only meet these aims if accompanied by a wider package of Local Government reform, because simply combining together the Authorities we have now into larger bodies which carry on doing the same things in the same way will not deliver better services or better outcomes. We need to lay the groundwork now if we are to deliver coherent, comprehensive and fully planned reform. The remainder of this paper therefore sets out our vision for Local Authorities, and how we intend to deliver it.

Reforming Local Government – Strengthening democracy, sustaining and improving services

38. As we describe in the Introduction, we want Local Authorities fit for the 21st Century. We want a proper relationship between those who provide a service and those who rely on it, through stronger local democracy, and more effective scrutiny, enabling local councillors to properly hold those responsible for services to account, on behalf of the communities they serve. We want this to include planning for the long-term, not simply focusing on short-term decision-making. We also want to see a renewed drive amongst Local Authorities for greater collaboration and partnership working, with each other, with other parts of the public service, and with the Third Sector, where this represents the best way of delivering for communities.

How do we make Local Government more accountable and transparent? – Democracy and Scrutiny

39. Local Authorities have an essential role in delivering services for the communities they serve. However, we do not want Local Authorities simply to be the managers of a series of individual services, we need them also to lead the drive for improving the full range of their services so the services work together to secure the wider well-being of their communities. This requires healthy and robust local democracy, where Councillors see themselves as champions of people and communities and are recognised as such, and where they are responsible for decision-making, and for effectively holding each other to account. They also have clear roles to play in delivering and improving services for the public they serve and represent.

40. To ensure Local Authorities are able to support this aim, we intend to fundamentally review how Authorities are constituted, in order to build a new constitutional settlement for reformed Local Authorities in the future. This will capitalise on the connection between Elected Members and their communities, ensure openness and transparency and have clear accountability for decision making at its heart. We intend to examine scrutiny arrangements, governance arrangements and the role of audit, inspection and regulation as part of this review.

41. Scrutiny and governance arrangements will therefore be re-designed to ensure greater openness, transparency and accountability. For example, we have made changes to require all Local Authority jobs which attract a salary of over £100,000 to be advertised publicly, for decisions on senior pay to be made by full Council, and for any adjustment to the pay of Chief Executives to be referred to the Independent Remuneration Panel. We have improved access to Council business and provided funding to help Authorities introduce live broadcasting of full meetings of principal Councils and Committees, and we intend to introduce a mandatory requirement on all Authorities to do so.

42. We also want to ensure our Locally Elected Members are truly representative of the communities they serve: the Report of the Expert Group on Diversity in Local Government⁵ has demonstrated we are still a long way from achieving this. We have developed, and will implement, an Action Plan in response to the Expert Group's report, and we will work closely with all political parties to deliver priority targets, such as the aim for at least 40 per cent of Councillors being female. A group has been established to steer this work up to the Local Government elections in 2017. The group includes representatives from a range of organisations including the Welsh Local Government Association (WLGA), One Voice Wales and political parties. It will be supported by an expert seconded into the Welsh Government to take forward the Action Plan put to the National Assembly for Wales by the Minister for Local Government and Government Business and a network of Elected Member champions from each of the existing Local Authorities.

43. The Commission made a number of recommendations which seek to reduce the complexity associated with audit, inspection and regulation,⁶ and strengthen the alignment between local scrutiny and the public service audit and inspection regime. Our review of audit and inspection will support these recommendations. This review has already begun and the findings will inform the way the audit and inspection regime is developed. In the meantime, we agree with the Commission that auditors and inspectors who report on Local Authorities should do so directly to the appropriate scrutiny or audit committee, and we expect them to begin to do so immediately.

44. We also accept the Commission's recommendations about reinforcing the status and value of scrutiny, and we agree organisations need to view scrutiny as an investment which can deliver both better services and future efficiencies. Our existing programme of support for scrutiny has already had an impact on the status and effectiveness of Local Authority scrutiny. During the recent Local Authority budget-setting process for 2014-15, a number of Authorities

⁵ <http://wales.gov.uk/topics/localgovernment/publications/expert-group-report/?lang=en>

⁶ The key bodies include the Wales Audit Office, the Care and Social Services Inspectorate Wales, and Estyn

established successful engagement strategies to inform the scrutiny of budget proposals made in response to reductions in available resources. This has highlighted the value of engagement and scrutiny when Local Authorities have to make difficult decisions, in particular the impact of those decisions on service users. The Scrutiny Development Fund is also supporting a project to develop principles of the effective scrutiny of services delivered collaboratively.

45. We intend to continue with the current programme, but we are also examining how we may be able to extend its scope, in order to provide additional support specifically to deliver the Commission's recommendations in this regard. We expect to see public service organisations in Wales providing similar investment in scrutiny functions, ensuring appropriate training to ensure scrutiny is effective, and engaging with service users to ensure the value of scrutiny is well understood. In addition, having placed a duty in the Local Government (Wales) Measure 2011 on Local Authorities to engage effectively with service users in delivering their scrutiny functions, we encourage other public bodies to ensure service users can engage in their scrutiny processes.

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

Q: How should the scrutiny support programme be shaped to support improvements in the effectiveness of scrutiny?

Q: In what other ways should scrutiny be strengthened to drive service improvement?

Scrutiny and Governance – Fire and Rescue Authorities

46. The importance of governance and scrutiny in driving continuous improvement even where there is good performance, applies to Fire and Rescue Authorities as much as it does to other public services. The Commission report recommended a reconstitution of Fire and Rescue Authorities so as to hold Chief Fire Officers (CFOs) to account and strengthen the governance and scrutiny of strategic service and financial decisions. Each CFO would be given legal responsibilities for planning, managing and delivering an effective Fire and Rescue Service for the relevant area. This Commission recommendation will require primary legislation. The proposals we make below to create larger more resilient Local Authorities through mergers would, in any case, require us to consider how these changes affected the constitution of Fire and Rescue Authorities.

Q: How might governance and scrutiny of strategic service and financial decisions of Fire and Rescue Authorities be best secured?

How can we give people a stronger voice in decisions affecting them? - Community Governance

47. The Commission recognised the voice of the citizen, either directly or mediated through effective representation, must be harnessed as a force for improvement but there was widespread recognition that processes and practices for doing so were sporadic, inconsistent and often ineffective. We agree. People need a clear and powerful voice to help shape local

services, and we believe strengthened community governance is also essential for strong democracy. This requires a strong and coherent voice which impacts upon decision-making in Local Authorities, and ensures services are designed and delivered in a way which reflects the needs of communities as a whole, as well as individual service users.

48. Town and Community Councils are one element of community governance, but the Commission's recommendations also acknowledge the value of emerging neighbourhood management approaches. We do not believe these approaches are incompatible with each other. However, we do believe there are important factors, such as the distinctive and valued role of the ward Councillor in Principal Authorities, and Principal Authority Area Committees, which require further examination. This is set against a background where many communities are being empowered to act for themselves outside traditional democratic governance models, through community action and regeneration groups, and through use of modern technology.

49. We agree with the Commission about the need for reform and improvement. We agree some Town and Community Councils are too small, and lack capacity and capability. As an initial step, we will consider whether any Principal Authority Areas in Wales would benefit from a review of their Communities and arrange for either the Principal Council or the Local Democracy and Boundary Commission for Wales to conduct these. However, we believe the role of Town and Community Councils must be considered in the context of larger Principal Authorities and the role of ward Councillors within those Authorities. We do not want to recreate a two-tier system of Local Government in Wales. Our proposals in the Well-being of Future Generations (Wales) Bill for local well-being plans, and the many other ways in which communities come together to create an effective voice for their needs and concerns, must also be considered. Therefore, we will issue a further paper this Autumn in order to consult with stakeholders and communities on options for strengthening community governance so it is effective and fit for purpose for the 21st Century.

Q: What suggestions do you have to ensure communities have an effective voice in the decision making of the new Authorities?

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

Partnership and Collaboration

50. If we are to tackle many of the current and future delivery challenges we face, Local Authorities – however many there are and whatever their size – will need to continue to work together, with other parts of the public sector, and with other partners (including the Third Sector). Collaboration and partnership working will remain essential if the public are to receive the services they can reasonably expect. Whilst some services are best delivered at a very local level, others require investment or expertise which cannot be replicated in every local community. We continue to believe in the value of collaboration, and in the principle of public bodies working in partnership wherever there are benefits in doing so. Local Authorities have a critical role, as the local democratic heart of collaboration across public services.

51. The Commission recognised the importance of collaboration, because delivery challenges are rarely contained within organisational or geographical boundaries. However, it also considered voluntary collaboration had not driven change forward at the pace required, and had in some cases added to complexity by creating a further set of processes to be followed and relationships to manage, which could themselves divert attention away from delivery.

52. The Welsh Government has encouraged and invested in local collaboration, but has never considered collaboration to be an end in itself. We believe there is a need for greater pace and commitment in progressing collaborative initiatives. There have been good examples of collaborative activity delivering benefits (both financially and in terms of improved delivery), but we do not believe partners have taken all the opportunities available. It is the role of Government to set the strategic outcomes, and for partnerships then to deliver these outcomes.

53. In 2011, Local Authorities and the Welsh Government agreed a programme of collaborative activity and projects to drive service improvement.⁷ We agree some of these service reconfigurations have taken too long to implement, and have been hampered by excessive discussion and consideration by those involved, at the expense of action. The final report on the implementation of the programme, published in October 2013, set out those proposals for regional service delivery which are considered to be worth pursuing, following the business cases developed by the projects. We agree with the Commission that implementation of those remaining collaboration proposals should fall within the same governance arrangements as the main programme for Local Government mergers, once these are in place. We are also commissioning an evaluation of funding streams which supported collaborative working, which will report at the end of 2015 and will provide evidence on outcomes for public services, for service users, and any impact on the wider public.

54. Local Service Boards (LSBs) are partnerships where the leaders of local public and Third Sector organisations come together to take collective action to ensure public services are effective, and focused on the needs of people and communities. We firmly believe LSBs have (and will continue to have) a vital role in bringing local public service organisations together, but we recognise there is scope for further improvements, as highlighted by the Commission. For this reason, provisions for the reform of LSBs will form a key part of our Well-being of Future Generations (Wales) Bill. The Bill will implement the key recommendations of the Commission by:

- putting LSBs on a statutory footing, comprising senior representatives from each organisation, with consistent and more effective governance arrangements;
- requiring LSBs to prepare local well-being plans to identify local priorities which need multi-agency action, based on an analysis of need and engagement with the area's people and communities;

⁷ A Compact for Change between the Welsh Government and Welsh Local Government, December 2011 <http://wales.gov.uk/topics/improving-services/publication-events/publications/compact/?lang=en>

- requiring the plans to set out the actions necessary to achieve the priorities, by whom and when;
- placing local well-being planning within the wider framework of national well-being goals and indicators set by the Bill, ensuring local well-being plans implement the sustainable development principles of long-term thinking, integration, collaboration, prevention and citizen engagement;
- ensuring the LSB is held to account, and monitored for the effectiveness of its well-being plan and its governance arrangements by a designated Local Government democratic scrutiny committee.

National Partnership arrangements

55. We agree the Partnership Council for Wales (PCfW) and the Public Service Leadership Group (PSLG) need to be reviewed and reformed to reflect the new model of public services.⁸ We also agree the PCfW should own the programme of work required to implement the reforms we set out in this paper. Our intention is for the PCfW to provide political accountability and leadership for many of the elements of the new public service reform agenda, including Local Authority mergers. We envisage it will be supported by a number of sub and advisory groups, designed to focus on particular technical aspects of the merger process. The details of these work-streams will be developed in consultation with PCfW. We believe the current remit of PCfW, as set out in the Government of Wales Act 2006, is sufficiently broad to accommodate the refocused purpose we envisage.

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

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

56. Identifying ways in which to improve the performance of public services was one of the core aims of the Commission's work. The Commission has presented strong evidence about how complex arrangements for performance management have distracted services from the central purpose of helping the people of Wales to enjoy better lives.

57. Performance reporting arrangements have often grown in an unmanaged way and we agree a more focused approach is required. However, even the best performance information,

⁸ The Partnership Council for Wales (PCfW) promotes joint working and cooperation between Welsh Government and Local Government. It is chaired by the Minister for Local Government and Government Business, and its key responsibilities are:

- encouraging dialogue between the Welsh Ministers and Local Government on matters affecting Local Government in Wales; and
- providing collective political accountability for action to improve the effectiveness and efficiency of public services.

The Public Service Leadership Group (PSLG) provides national leadership for collaboration. It too is chaired by the Minister for Local Government and Government Business, and comprises senior leaders from across public services in Wales.

on its own, does not improve performance. This only happens when the right information is used effectively – to diagnose where there is room for improvement, to inform decisions, to shape solutions, to monitor progress and to measure impact. And this relies not just on having the right information and the analytical capability to interpret and challenge it, but on setting performance information and management within a context of clear strategic purpose, priorities and direction.

58. The Welsh Government’s Programme for Government (PfG) remains central to our strategic approach to improving performance and delivery. It represents a real commitment to delivery, and a move away from an approach of measuring success which placed too much emphasis on the amount of money spent, or the number of policies implemented, rather than the impact Government is actually having on people’s lives. The Commission recognised the importance of Government setting out its strategic outcomes and how progress should be assessed. However, it found current measurement frameworks are complex, and considerable effort is needed to make an assessment of progress from the performance information which arises from them.

59. We believe the Well-being of Future Generations (Wales) Bill will provide the framework for achieving clarity of purpose for the longer term, and thus will be the first step towards delivering improvements. 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 those goals.

60. The more effective performance management regime the Commission calls for across the whole public sector would represent an ambitious system-wide change. Grasping the opportunity presented by this Bill is a starting point for reform, and we intend to make further early progress by formulating principles and standards for performance management to apply across the public sector in Wales.

61. In the meantime, we want to see Local Authorities taking full responsibility for the performance of their services, for promoting well-being through preventative as well as reactive action, and for corporate improvement, with scrutiny committees providing effective challenge to how their Authority performs. The onus should be on Authorities actively identifying and responding to emerging issues of performance or governance, before they are highlighted by auditors or inspectors. We know this happens in some Authorities for some service areas, but it is by no means widespread. Too often it appears there is only an effective response to a service or governance issue once it has been formally identified by inspectorates or by the WAO. We intend to review the Local Government (Wales) Measure 2009 to see whether there is scope for it to be changed so as more effectively to support service improvement, and to ensure the relationship between self assessment and external inspection is made clearer.

62. We also want to see Local Authorities providing information in an accessible and transparent way to their communities, to enable those communities to be informed about and engaged in the way their services are managed. This requires a commitment to openness from leaders and senior officers, but it also requires a strong and capable strategic function within each Authority. This will require proper investment in the leadership and analytical capacity and capability needed to interpret evidence, to identify the longer term trends in well-being which Authorities

should be seeking to address and to formulate ways of dealing with them. We recognise smaller Authorities may find it difficult to support and retain the necessary capacity and capability, but larger and merged Authorities should find it easier to do so. This will also support more effective local scrutiny by Elected Members.

63. Outcome indicators and performance measures will continue to be an important part of managing and improving Local Government performance. However, we intend to put in place clear and shared outcomes, which focus more effectively on longer term improvements in people's well-being. We also intend to reduce the complexity of service-level performance measurement. We also want Local Authorities to make better use of qualitative information about how services are performing, which might for example mean using focus groups, or looking at what the nature of complaints says about what people think of a particular service, as well as what the performance measures say about whether service-level targets are being met.

64. The Welsh Government currently makes a significant investment to support Local Authority improvement, through a variety of interventions and initiatives. We intend to review the way in which we use such funding, to see how we can more effectively support Authorities in focusing on prevention and longer term well-being, as well as on service improvement and good governance.

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

Q: What should be the principles and standards for performance management and performance reporting across Local Authorities, and the broader public sector?

Q: In what ways could we more effectively use the money we invest in supporting Local Authority improvement?

Reforming Local Government - Merging Local Authorities

65. We have begun to set out above a vision for the future of Local Government, based on healthy democracy, robust scrutiny and governance, and continued collaboration and partnership wherever appropriate. However, we cannot ignore the fundamental challenges of sustainability, scale and capability facing our Local Authorities, and we do not believe it is feasible to continue with 22. We therefore accept the Commission's recommendations to reduce the number of Authorities through mergers, and the remainder of this paper provides more detail about how we intend to begin the process of doing so.

What is the case for reducing the number of Local Authorities?

66. The Commission has set out a compelling case for a reduction in the number of Local Authorities. The remit did not require them to do this, nor did the Commission begin with any preconceptions about how Local Government should be structured. It is clear it has come to this conclusion based on the evidence it gathered in the course of its work.

67. In its consideration of the scale and capability of public service organisations, the Commission recognised smaller organisations do not necessarily provide worse services. However, it did find areas where small scale creates risk to governance and delivery. It also found these risks necessarily arose more often in Local Authorities than other public service providers because of the breadth of their work. The Commission was very clear structural changes alone will not result in the public services we want, but they are a necessary part of the change which needs to happen.

68. The Commission has highlighted the lack of resilience in smaller organisations, making it more difficult to effectively manage internal and external risk and adapt to a changing environment. Smaller organisations may lack expertise across the breadth of the area of their work, due to a lack of demand or resource for specialists in all areas. Depth of capacity is also more challenging in smaller organisations, which may also struggle to manage both the strategic and operational challenges they face. The Commission stressed the importance of leadership, but found it is harder for smaller organisations to recruit and retain high-calibre leaders.

69. The Commission recognised economies of scale exist in Local Government, and corporate overheads and the unit costs of delivering certain services are necessarily higher in smaller Local Authorities. This means larger Authorities are able to provide frontline services more efficiently because these costs are lower. In the present context of unprecedented pressure on service budgets, the Commission argued realising any potential savings in overheads and unit costs is essential.

70. The Commission considered how well Local Authorities are likely to manage future challenges, as well as current ones. Demographic changes in the next 20-25 years will not be equal across Wales; the Commission found smaller Authorities are more likely to experience a decline in population and a higher relative age of residents. Smaller Authorities will experience a greater increase in demand for services and lower levels of resources to support this increased need.

71. As a result of the pressures smaller Authorities are facing on funding, leadership, and expertise, the Commission found it is more difficult for them to respond flexibly to emerging pressures, or to have capacity to innovate. As a result, the Commission suggested smaller organisations tend to focus on providing day-to-day services in established ways, making service improvement more difficult. As the pressures of increasing demand and decreasing resources become more severe, the need for innovation and flexibility will be greater. The Commission believed smaller Authorities will find it very difficult to meet this need.

72. The Commission also found the risks smaller organisations face cause risks for the whole system. A large number of smaller organisations lead to greater competition for the best leaders, managers and professionals. As a result, the Commission found talent in Wales is being spread too thinly. And organisations which operate on a larger scale, such as the NHS and the police, have to work with many Local Government partners, making partnership working more challenging. To minimise the risks of scale Local Authorities have collaborated to achieve

the necessary capacity and expertise, but significant management capacity is required if this collaboration is to be successful, which smaller Authorities may not have.

73. The Commission was clear the status quo is not a viable option for the future delivery of public services in Wales. The Commission considered options for structural reform including more extensive and permanent collaboration; returning to a two-tier structure, and mergers. The Commission found voluntary collaboration had progressed only slowly in Wales, and suggested it has not delivered the benefits which were hoped for. It found a two-tier structure would add complexity, and cost, and would spread leadership more thinly. The Commission therefore did not recommend either of these options. It recommended Local Authority mergers, on the basis local democracy would be maintained, and resilience would be increased, with the least possible impact on delivery of front-line services during transition.

74. In making specific recommendations for mergers, the Commission argued Local Authorities must be big enough to minimise the risks of small scale, but not so big as to become unmanageable, unrepresentative, or too distant from their communities to have an effective relationship with them. The Commission took into consideration several criteria which could affect the ability of Local Government to respond to the needs of citizens and communities. These included shared heritage and culture, particularly language; levels of deprivation; population density; council tax levels; and patterns of commuting and economic growth.

75. The Commission also sought to enhance coherence and coterminosity between Local Authorities and other major service-providers. The Commission recommended mergers should take place within the boundaries of larger organisations, such as Local Health Boards and police forces, to reduce the number of Local Authorities those organisations have to work with. The Commission felt this was particularly important to support the integration of health and social care. The Commission also argues it would be unwise to combine areas which currently qualify for EU convergence funding with those which do not, as this could risk those which currently qualify losing eligibility for future funding.

76. The Commission was very clear in recommending mergers rather than any redrawing of boundaries. It will be much quicker and easier to plan for and implement mergers, and achieve the benefits, without the more significant disruption and cost which would result from redrawing boundaries.

77. The Commission recognised the strength of local identities, but creating new administrative units need neither create new loyalties and senses of community, nor destroy old ones. The Commission received a lot of evidence arguing “people do not care who delivers a service as long as it is a good service” and the Commission concluded structural change is needed, in order to deliver services which meet the needs of people and communities now and in the future.

78. We accept the Commission’s assessment, and its recommendation for a reduction in the number of Local Authorities through a programme of mergers. As we have described above, we want to create Authorities which are fit to meet the challenges of the 21st Century. In particular, we want them to manage excellent, high-performing services, resilient enough to

cope with increasing demand. We want them to be better connected and more representative of our communities. We also want them to be able to support Elected Members effectively.

79. In addition, they need to be able to adapt to new challenges through innovation, fully exploiting the opportunities presented by digital technology and communications, and to be able to access and retain the necessary specialist skills and knowledge. All of these attributes are essential in our increasingly complex and fast-paced world.

80. However, there is compelling evidence some Authorities are simply too small to be able to meet these challenges. We recognise there is a wide range of views about how Local Government should be restructured to make it more resilient, and able to meet the challenges of the future, but we believe there is wide (if not unanimous) agreement something has to change: the status quo is not an option, and the number of Authorities has to be reduced. The next section of the paper focuses on how we intend to achieve this.

The future shape of Local Government

81. Reducing the number of Authorities through a process of mergers avoids many of the complexities and challenges which would be associated with a redrawing of boundaries, but it nonetheless represents a significant undertaking. We do not believe there is sufficient time to develop, plan and legislate for a full programme of mergers before the next National Assembly elections in May 2016.

82. A Bill to merge Authorities will not therefore be introduced to the National Assembly during this Assembly term, which ends in April 2016. However, we do intend in Autumn 2015 to publish a draft Bill for consultation, which will set out our intentions for the merging of Authorities. This draft Bill will be accompanied by a detailed draft Regulatory Impact Assessment setting out the rationale for our preferred merger options, as well as impact assessments covering Equality, the Welsh Language, Rural Proofing and the Rights of the Child as appropriate. This will provide the public, Authorities and others with the opportunity to comment on our proposals, informed by a full assessment of the likely impacts, costs and benefits. The Welsh Government which takes office in May 2016 will then be in a position to make early decisions on how it wishes to proceed, with the benefit of a developed legislative proposition, and assisted by a full understanding of the views of stakeholders.

83. As stated above, we intend to issue this draft Bill for consultation in Autumn 2015. However, we want to provide clarity now about this Welsh Government's current intentions for the future shape of Local Government in Wales.

84. As we have said, the Commission undertook extensive research and evidence gathering on public service delivery structures, including considering a wide range of responses to its calls for evidence from public service providers and users. As a result of this and its assessment of the evidence, it identified four potential options for merging authorities, leading to between 10 and 12 Local Authority areas. It argued that reducing the number of Local Authority areas to at most 12 was the minimum extent of mergers necessary to systematically address problems of scale. We agree with the Commission's assessment and its judgement on the upper limit

for the number of Local Authority areas. Of the four options presented we consider that the Commission's first option, leading to 12 Local Authorities, provides a coherent overall template and strikes a balance between building organisational capability and ensuring local democratic responsiveness, in terms of being more connected with, and representative of, their communities.

85. In setting out a preference in relation to its options, we note the Commission's powerful argument that the boundaries of merged Local Authorities should support integrated service delivery through aligning with health board and police force boundaries. In our view the strength of the argument is such that there would have to be an exceptional case made not to adhere to this principle. In addition, the Commission argues convincingly that the reforms should be based on mergers to avoid the upheaval involved in splitting existing Authorities. This argument is well made and we are clear that existing Authorities must not be split, but rather used as "building blocks" to create the stronger, more resilient Authorities we are seeking. The Commission also identified an issue of alignment with the West Wales and the Valleys 'convergence' area, which has links to EU funding and state aid allowances. This last point may be a relevant consideration, though in our view it should not override a strategic, long-term case for mergers, particularly if the Local Authorities involved accepted the issues and potential risks.

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 Taf and Merthyr Tydfil
- Cardiff and the Vale of Glamorgan
- Blaenau Gwent, Caerphilly and Torfaen
- Monmouthshire and Newport
- Carmarthenshire
- Powys
- Swansea

86. Since the Commission reported, some Local Authorities have suggested they might prefer alternative merger configurations, although we have not seen any specific proposals backed up by evidence and supported by all the existing Local Authorities affected directly and indirectly. As we develop the legislation necessary to underpin a programme of mergers, we will remain open to considering possible alternatives, but it would be vital that any alternative proposal matches the key principles described above. We would expect that if an alternative proposal – particularly if it were to be one seeking to make an exceptional case to the principle of alignment with health board and police force areas – is supported by all Local Authorities directly and indirectly affected, their commitment to the proposal would be reflected in a commitment by them to early, voluntary mergers.

87. Proposals for draft legislation establishing the new merged Authorities will be the subject of formal consultation at the appropriate time. However, as both the Commission and Local Authorities themselves have said, early clarity is important in minimising uncertainty and realising the benefits of change sooner. In view of the compelling strategic case for urgent action, we are clear there is no place for procrastination nor parochialism in this process. We will therefore continue to develop the programme of mergers at pace. This will include allowing Local Authorities which wish to merge voluntarily on the basis of the preferred option indicated in this document – or a worked up alternative which addresses the key issues outlined above – to do so more quickly. Provision for early voluntary mergers will be included in legislation which we will introduce into the Assembly early next year, and a ‘prospectus’ setting out how we will help and what we expect from those Local Authorities wishing to merge voluntarily will be published this summer. We outline more detail about voluntary mergers below.

88. We recognise the benefits of consistent boundaries across public service organisations to support effective partnership working for the benefits of the citizens of Wales. As the Commission recommended, we will consider the boundary between the South Wales and the Mid and West Fire and Rescue Authorities, taking account of mergers between Local Authorities.

What are the timescales for mergers?

89. We will be setting out detailed programme and governance arrangements for the programme of mergers in due course, but the key milestones are likely to include:

- In January 2015, we will introduce into the Assembly a first Bill which will provide the powers necessary to enable and facilitate important preparatory work for a programme of mergers, but it would not contain specific merger proposals. Details of the proposed content of the first Bill can be found below.
- The proposed new powers would, amongst other things, enable the Welsh Ministers to require the Local Democracy and Boundary Commission for Wales (LDBCW) to start work on considering and making recommendations for electoral arrangements for proposed new Authorities.

- It is anticipated, subject to this first Bill being passed by the Assembly, it would receive Royal Assent in November 2015.
- In Autumn 2015, we will publish a second Bill in draft for consultation. This second Bill would in due course establish the new Authorities to be created through merger.
- Shortly after the May 2016 elections to the Assembly we will introduce this second Bill into the Assembly, and subject to Assembly consideration we envisage the Bill would receive Royal Assent in Summer 2017.
- In May 2017, Local Government elections (postponed from May 2016) to the existing Local Authorities would take place (but see below). Councillors elected to Authorities which are to be merged will serve a term of three years. Councillors of continuing Authorities (i.e. those unaffected by merger) will serve a term of five years.
- Elections to Town and Community Councils would take place on the same day in May 2017.
- In May 2019, the first elections for the new Authorities, merged under the provisions of the second Bill, would be held, with Councillors elected for three year terms. The resulting Councils would exist as Shadow Authorities⁹ until Vesting Day on 1 April 2020, when they would assume full functions, with the old constituent Authorities abolished.
- In May 2022, full Local Government elections for all Authorities would be held, for a proposed term of five years.

90. We believe this timetable is ambitious but achievable, and balances the need to move at pace with the need to ensure we get it right. In parallel, the governance arrangements we will establish for mergers will oversee a comprehensive programme of work necessary to deal with the wide range of practical, logistical and financial questions which will need to be addressed. We will work in partnership with Local Government and other stakeholders to deliver this programme of work, and we will consult closely with them about the range of matters which will need to be determined.

Voluntary mergers

91. We set out the main proposed milestones for the main programme of mergers. However, the Commission also recommends the Welsh Government should support and incentivise those Authorities who wish to begin a voluntary process of merger. We agree, and we are committed to facilitating voluntary mergers in whatever way we can.

92. Firstly and importantly, we will make specific legislative provision in the first Bill which will allow willing and committed Authorities to move at pace. Our proposals for this are set out

⁹ Shadow Authorities would have responsibility for matters which have to be determined before a new Authority formally comes into being, such as agreeing a budget and setting a council tax for the first year, appointing staff, developing service delivery plans, acquisition and disposal of assets, and establishment of committees. The precise scope of a Shadow Authority's functions would be set out in subordinate legislation, using powers included in the Bill to be introduced at the beginning of the next Assembly.

below, and we believe this will enable these new Authorities to be in place by April 2018. A possible timetable for Authorities who wish to merge voluntarily would look like this:

- The first Bill introduced to the Assembly in January 2015 would include a power for the Welsh Ministers to merge Authorities who wish to do so voluntarily.
- Authorities wishing to voluntarily merge must submit detailed expressions of interest by November 2014 and fully developed cases for merger by June 2015 to the Welsh Ministers for consideration. The Authorities and Welsh Ministers will work together in considering the cases to enable Authorities to submit statements of confirmation of intention to proceed to voluntary mergers by November 2015. The Welsh Ministers will, by February 2016, develop the necessary subordinate legislation for approval by the Assembly.
- There would be no elections in May 2017 to Authorities merging voluntarily. Instead, the subordinate legislation providing for voluntary merger would extend the terms of existing councillors to May 2018.
- In October 2017, a shadow Authority and shadow Council for the merging Authorities would be established, consisting of the full body of serving Councillors on the constituent Councils. Its functions in preparing for the creation of the new Authority would be specified by Order.
- Vesting day for the new voluntarily merged Authorities would be 1 April 2018. First elections to the new Authorities would then be held in May 2018, based on new wards following an electoral review of the whole of the new Authority, with new Councillors assuming responsibility four days after the elections. They would serve for four years, until a full round of Local Government elections take place in May 2022.
- Elections and terms for Community and Town Councils in Authorities which merge voluntarily will be changed to coincide with the arrangements for establishing the new merged Authority.

93. We would thus provide early legislative certainty for these Authorities, and the pace and voluntary nature of merger will reduce the need for many of the transitional provisions we believe will be essential for mergers more widely. It would mean one fewer set of elections en route to the new structures, the stability of an additional year for existing Councils to plan for transition, and a more limited period of shadow operation, based on existing Councils. Those who move early should be fully vested two years ahead of remaining Authorities, allowing them more quickly to realise efficiencies, and to begin to accrue the savings which can then be reinvested in better services.

94. However, our offer is more than simply introducing legislation. We will continue to expect all Authorities to seek improvement through service and back office redesign; but we 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 we wish to see. This could also involve testing of approaches to workforce challenges such as the harmonisation of Terms and Conditions, equal pay agreements, and pension arrangements. We will also consider providing practical support to early movers who are prepared to act as

'model' Authorities, developing innovative approaches to scrutiny and public engagement, to increased democratic participation, and to greater diversity of representation.

95. Together, these incentives would provide Authorities with an opportunity to shape themselves for the future, show their ability to innovate, and take some key decisions which put them ahead of other Authorities.

96. The Commission sets out a persuasive case for reducing the complexity faced by Local Government, and for funding arrangements which are simpler, and focused on achieving outcomes. The Commission also calls for our ongoing review of audit, inspection and regulation to identify ways to reduce complexity and deliver greater focus, and we know this is a matter of keen interest for many Local Authorities.

97. We agree with the Commission's findings, and we believe there is scope to go further. 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. So Authorities merging early have the potential to work with us to achieve more quickly the increased autonomy envisaged by the Commission.

98. We will work with Authorities who wish to merge voluntarily to determine in more detail what support and assistance we can provide, in order to help them move toward early mergers. In the meantime, we intend this Summer to issue a 'prospectus' for voluntary mergers, which will set out what we expect from Authorities who wish to merge voluntarily, and how we will help.

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

Facilitating and incentivising voluntary merger

99. The Commission recommends incentivisation of early candidates for voluntary merger; we agree, and we have set out above some of the non-legislative mechanisms by which we intend to achieve this. We consider the Welsh Ministers already have powers which would enable them to incentivise and provide support for voluntary mergers, but, if need be, will propose taking new powers through the first Bill.

100. In order to give legal effect to voluntary mergers, the first Bill will include powers to enable the Welsh Ministers to merge two or more Local Authorities to form a single new Authority, from a date to be specified. The Bill will set out the procedure and timescale for initiating and considering proposals for voluntary merger. The Bill will also make provision about the exercise of the powers for voluntary merger, so as to make clear in any exercise of the power:

- The date a new Authority comes into existence, and its name and status;
- Electoral arrangements for a new Authority, the date of first elections and the length of term of office for Councillors elected in first elections and thereafter;

- Establishment, composition and functions of shadow Authority and shadow Executive;
- Abolition of existing Authorities and standing down of Councillors of these Authorities;
- Cancellation of elections to current Authorities;
- Postponement of Community Council elections in areas affected by proposed merger and extension of terms of sitting Community Councillors;
- Duty on existing Authorities to collaborate in preparing for new Authority and to work with its shadow Authority or Executive; and
- Set out arrangements for achieving the timely transfer of property, the continuation of rights and liabilities;
- Staff matters; and
- Financial matters.

Q: Does anything else need to be covered in a power to achieve a voluntary merger?

Q: Is your Authority considering submitting a proposal for voluntary merger?

Local Authority electoral wards

101. The Local Democracy and Boundary Commission for Wales (LDBCW) will have a crucial role in considering and making recommendations for electoral arrangements for the merged Local Authorities.

102. The LDBCW needs sufficient time to review an individual Local Authority, research the circumstances of an area, consider the views of local communities, draw up and publicise proposals and consult fully before submitting recommendations. This process takes on average at least 18 months. The existing legislation does not allow the LDBCW to start work on reviewing a new Authority until the new Authority has been formally established. This would mean a lengthy delay before the first elections could be held for the new Authority. Our proposal is to take powers in the first Bill to enable the LDBCW to start its work as soon as we have been able to confirm our intention to establish a new Authority.

103. The first Bill will therefore make provisions to enable the LDBCW to start considering and making recommendations in respect of proposed new Authorities. We intend the first Bill to provide the Welsh Ministers with powers to require the LDBCW to consider and make recommendations:

- for electoral arrangements for proposed new Authorities which are the subject of proposals for voluntary merger;

- for electoral arrangements for proposed new Authorities as described in an instructions given to the LDBCW. This would be in preparation for the second Bill which would be introduced during the next Assembly term.

104. The first Bill will also amend the Local Government (Democracy) (Wales) Act 2013, so the LDBCW's statutory review cycles take account of the creation of new Authorities.

Q: 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?

Remuneration of Elected Members

105. The Independent Remuneration Panel (IRP) will need to have considered and made determinations on levels of payments to members of proposed new Authorities, in readiness for these Authorities to come into being. However, it can currently make determinations only in respect of payments to members of established Authorities. Therefore, the first Bill will also include provision to enable the IRP to start work early to make determinations about payments to be made to members of new Local Authorities and shadow Authorities. Specifically, the new powers will enable the IRP to

- Consider and make determinations for payments to be made to members of proposed new Local Authorities to be established by merger, whether voluntarily or by virtue of the second Bill;
- Consider and make determinations for payments to be made to members of shadow Authorities for proposed new Local Authorities;
- Set the maximum proportion of payments to be made to members of shadow Authorities who are also members of existing Local Authorities, in order to ensure such members are not paid twice for doing essentially the same job.

Q: 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?

Disposal of property and assets

106. During the reorganisation which followed the Local Government (Wales) Act 1994, a Residuary Body was established to divest and distribute Local Authority assets. This was necessary because the 1994 reorganisation reduced Local Government to a single tier and involved the redrawing of boundaries. A Residuary Body was required to deal with issues where there was no obvious successor Authority, such as the distribution or disposal of property which served more than one area, or involved functions provided by different bodies; or land or buildings which straddled the boundaries of two or more Authorities. As the current proposals are for mergers of existing Authorities, with no redrawing of boundaries, we do not anticipate

any requirement for the divesting and distributing of property and assets. However, provision to enable or require merged Authorities to realise asset-related savings may be required. We therefore will consider including in the first Bill a power enabling the Welsh Ministers to provide assistance to new Authorities on these issues.

Q: 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?

Q: What sort of assistance or guidance might Local Authorities need?

Collaboration, cooperation and preparation in advance of mergers

107. To help facilitate the joint planning between merging Authorities which will be essential as they prepare for merger, we intend to include in the first Bill a power to enable the Welsh Ministers to require Local Authorities to establish joint transition committees to ensure they co-operate and work together for the specific purpose of jointly planning and preparing for merger.

108. The power would enable the Welsh Ministers to specify certain required preparatory tasks for the joint transition committees, for example to scope out the existing service delivery arrangements, workforce structures, properties and other assets across the merging Authorities. The power would also allow the transition committees to consider any other matter which they consider necessary to prepare effectively for the new Authority.

Q: Is there anything else which should be specified for joint transition committees to do in preparing for a merger of their Authorities?

109. We also intend to include in the first Bill provision to prevent activities by current Authorities, shadow Authorities or new Authorities which might bring financial or reputational damage to any new Authority. This is likely to include:

- Restrictions on current Authorities to prevent prejudicial or inappropriate disposal of land or buildings;
- Restrictions on current Authorities to prevent them entering into prejudicial or inappropriate long-term contracts;
- Restrictions on the use of reserves;
- Extending to shadow Authorities the requirements in the Localism Act 2011 to prepare and publish pay policy statements;
- Extending to shadow Authorities the existing powers in the Local Government (Democracy) (Wales) Act 2013 for the IRP to make recommendations about salaries of Chief Executives;

- Extending the existing powers in section 141(2) of the Local Government Act 1972 to enable the Welsh Ministers to require a Shadow Authority to provide information within its possession (to inform any purpose linked to a merger).

Q: What other powers might the Welsh Ministers require to prevent damaging behaviour?

Staffing matters

110. We do not believe reducing the number of Local Authorities through mergers will create as many staffing and workforce issues as has been the case when Local Government has been reorganised. We also know some Authorities already face difficult decisions about their workforce regardless of any structural changes to Local Government, as the competing pressures of reducing resources, increasing demand and rising expectations require changes to the ways frontline services are delivered. Nonetheless, we recognise these changes will be unsettling for the Local Government workforce, and there will be staffing matters requiring action and resolution.

111. We therefore intend to establish a Staff Commission to advise the Welsh Ministers on staff matters related to proposed Local Government mergers. As a minimum, we envisage the Staff Commission needing to provide authoritative advice and guidance on workforce matters. Initially, we will establish the Staff Commission on a non-statutory basis. However, we intend as part of the second Bill to put the Commission on a statutory footing. We envisage the second Bill would:

- Set out the status and composition of the Staff Commission;
- Define its remit, primarily the provision of advice to the Welsh Ministers, current Authorities, shadow Authorities, and new Authorities on specified matters relevant to the merger of Local Authorities;
- Provide the Staff Commission with powers it requires in order to fulfil its statutory functions, such as a power to require an existing Local Authority to supply it with information;
- Give powers to the Welsh Ministers to enable them to give directions to the Staff Commission, and to direct an authority to act on the advice of the Staff Commission.

112. We will consider further how the work of the Staff Commission might be aligned with the Welsh Ministers' existing powers to issue guidance on pay policy statements under section 40 of the Localism Act 2011, and the IRP's responsibilities in respect of Chief Executives' pay in section 143A of the Local Government (Wales) Measure 2011.

Q: What should be the role and responsibilities of the Staff Commission?

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

Financial considerations – the costs and benefits of merging Local Authorities

113. The potential cost of merging Local Authorities has attracted a great deal of comment since the Commission published its report. We understand this, and the Commission and the Welsh Local Government Association (WLGA) have produced very different estimates of the possible costs, to which we return below. However, it is essential to put any cost implications into context.

114. Firstly, the Commission sets out starkly the severe and unsustainable financial pressures on our public services. These pressures are likely to continue for at least the next decade, whilst the demand for some services increases. Faced with these challenges, inaction is not an option. Costs will rise in any event as services begin to buckle under the strain. Neither can we afford to wait until a more favourable financial climate returns before we act.

115. Secondly, the severe financial pressures also mean it is not realistic to expect the Welsh Government to provide large injections of cash to meet the cost of mergers as central Government has often done in the past when Local Government has been restructured. One of the principles guiding these mergers must be to manage them in such a way to maximise the benefits and minimise the costs.

116. Thirdly, we have always been clear this is not just about pounds and pence. It is about improved performance, better governance, and stronger democracy, as well as making better use of limited resources. Efficiency and value for money are very important, but they are not the sole yardstick by which we will measure success.

117. The WLGA, based on work it commissioned from Deloitte, estimated the cost of mergers at between £200 million and £400 million, with recurrent annual savings of between £92 million and £100 million. The Commission examined the WLGA figures and concluded for a number of reasons they overestimated both the costs and potential savings. The Commission suggested the upfront costs might be between £80 million and £100 million, with recurrent savings of £60-£80 million per year.

118. The substantial variance in these figures is not surprising: the estimates of costs depend on the assumptions made in producing them, but as there is no precedent for the merger programme we are proposing, it is not possible to determine with certainty whether either approach is appropriate. However, we do recognise the need to assess the potential costs and benefits as far as reasonably practicable, and we will produce a draft Regulatory Impact Assessment which will accompany the draft Bill we intend to publish in the Autumn.

119. In the meantime, some important points need to be made. We have to put any potential costs of merger in the context of the £8 billion which Local Government in Wales spends every year. The WLGA's upper cost estimate equates to around 0.5% of this annual expenditure. In addition, Local Authorities will have a key role in ensuring these up-front costs are minimised. Some costs may be unavoidable, but other costs can be avoided or managed down, particularly if Authorities start to take account now of the likelihood of mergers as they make budgetary

decisions, and do not make decisions which will generate unnecessary future costs. This means thinking very carefully for example before entering into new arrangements, and before making major spending decisions about accommodation and other assets.

120. Our overall aim is to help create Authorities fit for the 21st Century, and to create a new model for Local Government which will last at least a generation. In this context, even if mergers were to cost £400 million (the WLGA's upper estimate) and recurrent savings were £92 million (the WLGA's lowest estimate), this still suggests a direct payback period of under five years, for the creation of Authorities which we hope will last at least 25 years and which will deliver more effective services. We believe this represents a more than acceptable return on investment.

Local Government Funding – how local services are funded in the future

121. Local Government in Wales spends over £8 billion a year (revenue and capital) in delivering services. This spending is funded from a number of sources. These include Welsh Government general and specific grants, other grants, council tax and non-domestic rates income, fees and charges, receipts and borrowing. The largest single source is the Welsh Government's Revenue Support Grant (RSG) which currently contributes around £3.3 billion.

122. The various parts of the Local Government finance system operate as a whole and are closely interdependent. It is also closely connected to the way policing in Wales is funded. As such, it is not feasible to redesign parts of the system in isolation. We will need to review the system to ensure the funding arrangements serve new merged Authority structures. In particular, we will explore the scope to develop stronger links between funding, performance and the delivery of the strategic outcomes identified through the Well-being of Future Generations (Wales) Bill. This will mean looking at what Local Government does and how this needs to adapt to reflect the new financial environment. We will also seek to simplify the current funding arrangements where this is practicable and to ensure Local Government's funding and budgeting arrangements are more inclusive and transparent.

123. There are also a number of other relevant developments which will be happening in parallel, not least the Financial Reform agenda and devolution of selected taxes set in train by the first report of the Silk Commission on Devolution in Wales, and its second report on the National Assembly's legislative powers. The other business of Government will also continue during this period and it is likely our legislative programme will continue to introduce new powers and duties for Local Government. The scale and nature of these developments bring great opportunities, but they also bring significant risks if the financial implications are not fully considered and addressed. As such, we do not anticipate making major changes to the main features of the Local Government finance system in advance of legislation. There are certain aspects of the current system which we already recognise will warrant particular attention.

Local Government Funding – Council Tax

124. In addition to overall costs, the prospect of Local Authority mergers has also provoked much comment about the likely impact on levels of council tax. Again we understand this: although council tax represents a small proportion of the overall tax ‘take’, it is one of the very few taxes which people are charged directly, as opposed to taxes which are deducted from salaries, or are included within the cost of goods or services. It is also a tax which can vary considerably, depending on where someone lives and in what kind of property. The Commission recognised council tax as being an important factor, and one of particular interest to the public, when developing its proposals for merger.

125. We do not believe it would be helpful to speculate on the precise impact on council tax at this stage. The current funding arrangements take account of a wide range of indicators which fluctuate from year to year. Any estimates produced at this stage are likely to be misleading, given we do not anticipate any mergers taking effect until at least April 2018.

126. Nonetheless, it is very important to recognise 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 consequence of mergers. Indeed, mergers should be implemented to deliver efficiencies where possible. Since it is unrealistic to expect a repeat of the large injections of new money which were provided during previous restructures to limit the impact on individual Authority council tax levels, we will, instead, be looking for solutions which avoid creating and/or minimise significant local impacts.

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

Local Government Funding – Welsh Government Support

127. When considering the potential impacts of mergers, we understand much attention will focus on council tax, as we have described above. However, a far greater proportion of the revenue available to Local Authorities is provided by the Welsh Government, through the RSG. This is distributed using a needs-based distribution formula, which is developed in consultation with Local Government.

128. A programme of mergers will require the development of a new basis for distributing this funding, to take account of the social and economic characteristics of all Welsh Authorities. It may be possible to retain the existing distribution for the merged Authorities for a limited time, but this is not likely to be sustainable in the longer term. We will therefore work with Local Government and others to develop the needs-based mechanism for distributing Welsh Government funding.

129. We also recognise what the Commission had to say about the degree to which funding is earmarked (“hypothecated”) for particular purposes. However, the performance challenges outlined by the Commission and reflected elsewhere in this document mean this cannot simply be a question of immediately de-hypothecating all existing funding streams. As mentioned earlier, we will take the opportunity to review our approach to funding with a view to making

it simpler and more accessible, and focused on outcomes, with clear responsibilities and accountabilities for delivering those outcomes.

Conclusion

130. In this paper, we have attempted to set out our ambitions for Local Government in Wales in the 21st century. We want high performing, well-run Local Authorities which operate transparently and openly, which plan effectively, and make best use of the resources available to them, resources which will continue to face significant pressure in the years to come. We also want a proper relationship between those who provide a service and those who rely on it, through stronger local democracy and more effective scrutiny. We know this will not be easy: all our public services face complex and unprecedented challenges, as the Commission has described. The merging of Local Authorities is an essential part of delivering this vision, but done in isolation, mergers will deliver nothing. We are clear these reforms are a package.

131. The Welsh Government cannot deliver the change we need on its own – we need Local Authorities, other public services, and communities themselves to work together. We also need views on whether our vision is the right one, and suggestions on how it could be further developed.

Consultation Response Form

Your name:

Organisation (if applicable):

email / telephone number:

Your address:

The future of Local Government – what should we expect of Local Authorities?

Question 1: 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?

Question 2: What more could the Welsh Government do to assist Authorities with this dialogue to improve their performance in the delivery of priority services?

Question 3: What specific suggestions do you have for reducing and simplifying administration which would free up time and resources to deliver and improve services?

Reforming Local Government – Strengthening democracy, sustaining and improving services

Question 4: What specific changes should be made to the way in which Local Authorities are currently constituted to ensure openness, transparency and clarity of accountability?

Question 5: How should the scrutiny support programme be shaped to support improvements in the effectiveness of scrutiny?

Question 6: In what other ways should scrutiny be strengthened to drive service improvement?

Scrutiny and Governance – Fire and Rescue Authorities

Question 7: How might governance and scrutiny of strategic service and financial decisions be best secured?

Question 8: What suggestions do you have to ensure communities have an effective voice in the decision making of the new Authorities?

Question 9: What sort of consultation, engagement and feedback processes should the new Authorities have with communities?

National Partnership arrangements

Question 10: How can we best engage with Local Government to take forward a programme of Local Government reform?

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

Question 11: How can we help and encourage Local Authorities to be more proactive in identifying and responding to delivery or governance issues?

Question 12: What should be the principles and standards for performance management and performance reporting across Local Authorities, and the broader public sector?

Question 13: In what ways could we more effectively use the money we invest in supporting Local Authority improvement?

The future shape of Local Government

Question 14: Do you have specific suggestions for powers and responsibilities which could be considered for devolution to the new Authorities?

Facilitating and incentivising voluntary merger

Question 15: Does anything else need to be covered in a power to achieve a voluntary merger?

Question 16: Is your Authority considering submitting a proposal for voluntary merger?

Local Authority electoral wards

Question 17: Is there anything else we need to do in order to ensure LDPCW is able to effectively consider and make recommendations for electoral arrangements in the proposed Authorities?

Remuneration of Elected Members

Question 18: 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?

Disposal of property and assets

Question 19: 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?

Question 20: What sort of assistance or guidance might Local Authorities need?

Collaboration, cooperation and preparation in advance of mergers

Question 21: Is there anything else which should be specified for joint transition committees to do in preparing for a merger of their Authorities?

Question 22: What other powers might the Welsh Ministers require to prevent harmful damaging behaviour?

Staffing matters

Question 23: What should be the role and responsibilities of the Staff Commission?

Question 24: Is anything else needed to prepare the way for merging Local Authorities?

Local Government Funding – Council Tax

Question 25: What would be the most equitable approach to raising revenues for local services?

Other issues

Question 26: 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:



Llywodraeth Cymru
Welsh Government

www.cymru.gov.uk

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

Date of issue: 18 September 2014

Action required: Responses by 28 November 2014

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1. INTRODUCTION

In Wales, we place great value on our public services and we expect them to be there for us when we need them. However, Wales and its public services are facing complex and unprecedented challenges, particularly the increasing demand for services at a time when we face continuing downward pressure on the budgets which support them. Recognising these challenges, in May 2013, the Welsh Government set up the Commission on Public Service Governance and Delivery to undertake a comprehensive review of public services in Wales. The Commission collected, analysed and considered extensive evidence from a range of devolved and non-devolved public services including Local Authorities, the NHS, and the Police and Crime Commissioners and police forces. It also gathered evidence from stakeholders such as the Welsh Government's statutory partners in the third sector and business.

The Commission produced a detailed and authoritative report, which provides us with compelling evidence of the scale of the inescapable challenges facing public services. In response, it set out the case for a radical and comprehensive programme of public service reform to address these challenges and improve public services in Wales. In particular, it recommended a reduction in the number of Local Authorities through a programme of mergers, and presented a number of options for doing so. However, their recommendations are far more wide-ranging and extend to all parts of public services and all aspects, from leadership and performance management to capacity and capability. It is in this context the Commission's recommendations relating to Local Authority mergers should be considered. Structural change is not an end in itself; the aim is to deliver better services to the people of Wales. We all want our children to be able to benefit from the valuable and unique contribution which Local Authorities make to Wales' communities. The status quo is not an option and attachment to existing structures and boundaries is not an argument to maintain it.

The Welsh Government accepts the Commission's diagnosis and we are clear about the need for fundamental change to address these challenges and for the service and organisational transformation on which success will depend.

We have already published two significant responses to the Commission's findings. *Devolution, Democracy and Delivery: Improving Public Services in Wales* sets out our response to the broad range of the Commission's recommendations, and the White Paper, *Devolution, Democracy and Delivery: Reforming Local Government* contains our specific proposals about Local Government, the nature of the reform needed and the form it will take¹.

Both papers set out our preferred current option, from those set out in the Commission's Report, for a series of Local Authority mergers which would result in 12 Local Authorities (the Commission's 'Option 1').

¹ (<http://wales.gov.uk/topics/improving-services/devolution-democracy-delivery/?lang=en>).

In *Reforming Local Government* White Paper, we also note there is insufficient time before the next elections to the National Assembly for Wales in 2016, to legislate for all of these mergers and reforms. We will, therefore, bring forward a Draft Bill in Autumn 2015 for consultation. Full implementation and further legislation will be a matter for the new Government after May 2016 and the Assembly which is returned at those elections.

However, we agree with the Commission's recommendation, we should support and incentivise those Authorities who wish to begin a voluntary process of merger, and in 'Reforming Local Government' we committed to issue a 'prospectus' for voluntary mergers. In this document we focus on our commitment to supporting and working with Local Authorities to come forward for voluntary, early merger and also working with those Authorities whose boundaries will remain unchanged, to shape the future of Local Government in Wales. By this we mean more than working through the practical challenges the merger process will entail. We mean shaping the role of Local Government within our collective ambition to improve services and outcomes for the people of Wales.

Taking the opportunity to merge voluntarily ahead of the main legislative programme will offer Authorities a range of opportunities to shape their own futures as well as extra flexibility to respond to current pressures across the public service. We understand and acknowledge change requires investment of time, effort and, sometimes, money, to make it work effectively so as to deliver a new approach, which is both better and sustainable.

We will work closely with those Authorities who wish to voluntarily merge to provide advice and support through the initial and subsequent stage of developing and setting out their case. During the preparation of the case, we will be considering the new freedoms and flexibilities which might be offered, as well as the potential for financial investment. We intend to make resources available, distinct and separate from the Revenue Support Grant, in order to support voluntary mergers. We understand local conditions may give rise to different cases and therefore a range of different support packages will be required. It is unlikely there will be a single 'one size fits all' solution.

We encourage those who are interested to contact us at the earliest opportunity so we can begin to explore the potential benefits early merger may bring and the potential support we might offer. We are not expecting a fully worked up Merger Proposal supported by detailed evidence or extensive financial modelling by 28 November 2014. The purpose of developing the Expression of Interest is to provide a clear structure for moving forward with the merger process. The aim is to provide a framework for thinking about core issues such as developing an integrated and transformative approach to planning for service delivery, the workforce, organisational development, financial management and shared support services. It

will also allow the proposals to be published so partners and the public can begin to express their ideas and views.

However, there is more to merger than structures and systems. There are people and services to be considered too. We will be setting up a Staff Commission to provide staff with the support and assurance they need and to offer employers advice. We also want to ensure the process of change realises the opportunities to integrate services across the new Authority effectively and to enable the new Authority to work with partners in new and innovative ways. The knowledge and expertise of staff will be critical to supporting the transition.

Our aim is to work with the whole of Local Government to deliver this Programme, however, those volunteering for early merger and those 'standing alone' following consultation on the Welsh Government's preferred option as set out in *Reforming Local Government*, will have a unique opportunity to shape the future at a practical level. They will be in a position to show how their leadership and vision has set the pace and shape of reform. They will be well placed to deliver better services and better outcomes for their communities, from the moment they take the decision to realise the opportunities for transformation and change offered by early, voluntary merger, and the Reforming Local Government Programme as a whole.

2. OUR OFFER

In *Reforming Local Government*, we said we would welcome discussions with and proposals from Local Authorities wishing to merge early on a voluntary basis. We also said we would publish a prospectus to set out what we expect from these Authorities and the assistance they could expect from us. We want to help Authorities realise the benefits from merger as early as possible and share the learning across Wales.

There are several major advantages to Local Authorities in merging voluntarily:

- Setting the pace and the standard for sustainable, strong and effective Local Government in Wales;
- A key role in shaping the future;
- Targeted support for transforming services and delivering benefits to communities much earlier, for example, expertise to design, manage and implement new and integrated models of service delivery, with a particular emphasis on services focused on prevention and/or integrating services for people or communities with complex needs;
- Realising the benefits of greater capacity and efficiency – more quickly;
- Delivering better services for communities sooner;
- The opportunity to influence the development of shared support services , accruing cost savings much sooner and retaining these locally to support front-line services;
- A much shorter period of uncertainty for staff and communities;
- The potential to gain greater freedom and autonomy two years earlier from April 2018;
- The status associated with being a forward-looking and progressive Authority which is better able to attract and retain excellent staff and act as a magnet for development;
- The opportunity to establish a reputation as one of the foremost Authorities, not just in Wales but in the UK, with clear aspirations to deliver the best possible local services for residents;
- Support for building organisational capability; and
- Only one set of elections in 2018, rather than elections in 2017 and 2019.

Given the severe financial pressures we face, 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, we recognise there are

often costs involved in transformation, and we are committed to discussing the scope and nature of these during the preparation of the Merger Proposal.

In the following pages we set out:

- The Principles for voluntary merger proposals;
- The timetable for the submission of early merger proposals, the process and timeline to legislation and vesting day²;
- Developing a proposal - an outline of how you should approach the identification of potential costs, savings and benefits;
- Developing a process for merger which captures those benefits as soon as possible; and
- The support and incentives available from the Welsh Government and others.

² Vesting Day – the day on which a new Local Authority assumes the full range of Local government functions and responsibilities from its predecessor Authorities. Almost always 1 April to coincide with start of the financial year.

3. THE PRINCIPLES FOR VOLUNTARY MERGER PROPOSALS

The Welsh Government's current preferred option from those set out by the Commission on Public Service Governance and Delivery is "Option 1", which would result in the merging of:

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

Powys, Carmarthenshire and Swansea would retain their existing boundaries. However, they would be part of the overall reform programme outlined in *Reforming Local Government* relating to democracy, community governance, and improvement and performance. Further consultations will take place on these aspects of the Reform Programme in the Autumn.

We believe this pattern of mergers resulting in 12 Local Authorities provides a coherent overall template, and strikes the right balance between building organisational capability and ensuring local democratic responsiveness, in terms of being more connected with, and representative of communities.

Our preference is for Local Authorities to come forward with proposals for mergers in accordance with the configuration set out by the Commission in Option 1 and to maintain single Local Authorities as in the list above.

Different proposals and exceptions

As indicated above, the Welsh Government would prefer proposals for early voluntary merger which followed Option 1. However, we would be willing to consider alternatives which meet the following Principles:

1. Proposals consisting of mergers of existing, neighbouring Local Authorities to form the 'building blocks' of a new Authority. We will not entertain proposals for merging only parts of existing Local Authorities, or redrawing boundaries from scratch. We would however, consider proposals from Authorities seeking to group together into larger configurations than envisaged in 'Option 1' to create a new Authority.

2. 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 merge³.

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 generate the benefits of reducing complexity, strengthening strategic and operational collaboration, and improving integration of front-line services which the 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.

Authorities should also consider the issue of alignment with the West Wales and the Valleys 'convergence' areas, which has links to European Union funding and state aid allowances. The Welsh Government believes this must be given serious thought, however, it should not necessarily override a strategic long-term case for merger, particularly if the Local Authorities involved accept the issues and the potential risks. Therefore, any proposals submitted which do not conform to convergence areas would need to demonstrate and provide evidence these risks had been considered in detail and accepted by the relevant Local Authorities.

We strongly advise early engagement with us on all proposals for early, voluntary merger. Details about how to contact us are included at the end of this document.

³ This excludes Powys, Carmarthenshire and Swansea which under Option 1 would stand alone in any event.

4. THE TIMELINE

STAGE 1: Expressions of Interest

Local Authorities wishing to proceed with a voluntary, early merger proposal should prepare an expression of interest to be submitted to the Welsh Government. We will support and work closely with you to develop your Expression of Interest.

We do not expect Expressions of Interest to be overly detailed or, at this point, set out firm details of costs, benefits and savings. The aim Expression of Interest is to help focus your discussions with partners and stakeholders and to support the development of a shared vision, and the identification of synergies and opportunities. We expect to see sufficient evidence to demonstrate you are fully committed to the process, are prepared to commit time, energy and resources necessary for successful delivery and are entering into the process because you believe it will deliver benefits for your communities and service users. Your Expression of Interest will also be the basis for the development of your Merger Proposal at Stage 2.

Expressions of interest should be submitted to the Welsh Government by **28 November 2014**. These must include:

1. Your vision for the new Authority, including your ambitions for community leadership, improving outcomes and services.
2. An outline merger proposal, considering for example issues such as capacity and capability and accountability and engagement.
3. Outline process and transition issues.
4. Your proposals on the opportunities that mergers offer for the sharing of support services.
5. Your Initial assessment of what support would be needed to effectively deliver the proposal.
6. Evidence there has been initial engagement with the public, local communities including Town and Community Councils, staff, staff representatives, and stakeholders in all of the Local Authority areas participating in the voluntary merger, with a commitment to undertake full and extensive consultation and engagement, expressed in the form of a comprehensive consultation and engagement plan, to be taken forward if the Expression of Interest is agreed.
7. Evidence local public service partners, especially Local Service Board members and other boards which rely on Local Authority input have been involved and engaged with the development of the Expression of Interest and are supportive of the proposal.

8. Evidence that Local Health Boards have been involved with the development of the Expression of Interest and are in agreement and supportive of the proposal. Mergers where the new organisation crosses LHB boundaries would be exceptional and would require, in addition to evidence of agreement and support of all the LHBs involved, evidence that there will continue to be close collaboration between social services and NHS provision so that the integration and quality of continuing care is not undermined, jeopardised or detrimentally affected.
9. Initial consideration of the new Authority's name and potential status e.g. county, county borough, city.

At the very least we would expect confirmation that the expression of interest has been discussed and approved by the Cabinets of all Local Authorities which will be participating in the voluntary merger proposal. Wherever possible, there should also be confirmation that the Expression of Interest has been approved in identical form by full Council in all Local Authorities which will be participating in the voluntary merger. If that isn't possible within the timescale, then you should endeavour to ensure this happens shortly after the 28 November 2014 deadline.

Annex A contains further details and information on how to make your submission. Information on who to contact for discussion and advice are included at the end of this document.

The Welsh Government currently proposes to respond **by 5 January 2015** to any Expressions of Interests received by 28 November 2014.

STAGE 2: Merger Proposal

A Merger Proposal should be submitted by 23.59 on 30 June 2015. Further details on the Merger Proposal are included at Annex B.

The Merger Proposal should build upon and expand the evidence submitted with the Expression of Interest (Annex A) and include:

1. A full analysis of all the points covered by the Expression of Interest and a transitions plan of how you will manage the change from your existing Authorities to a new Authority and how you will baseline and measure improvement.
2. A cost-benefit analysis, including the timings of costs and benefits realisation. This should also provide evidence of due diligence having taken place and risks being assessed, considered and addressed.
3. An Equalities Impact Assessment.
4. A Welsh Language Impact Assessment.

5. A summary of the responses to consultation undertaken with the public, staff, stakeholders and other public service providers, as per the consultation and engagement plan submitted in Stage 1.
6. Evidence the Merger Proposal has been approved in identical form by full Council in all the Local Authorities participating in the voluntary merger.

We are committed to working with you and supporting you in completing this analysis.

As the voluntary merger will be given effect by legislation to be made by the National Assembly, the requirement as regards the evidence to underpin any legislation is necessarily demanding and we will need to complete a number of statutory assessments, for example the UN Convention on the Rights of the Child assessment required by the Rights of Children and Young Persons (Wales) Measure 2011 and a regulatory impact assessment as part of this process. Therefore in addition to the work above, we will be looking to work alongside you to ensure there is robust evidence to underpin the legislative case we will need to make. We do not believe this is prohibitive and we believe will strengthen the overall planning and delivery process.

The Welsh Government currently proposes to respond to any Merger Proposals by 30 November 2015 (provided Royal Assent is received in respect of the Local Government Bill, to be introduced into the National Assembly in January 2015, by that date).

You should note at both Stages 1 and 2 the Welsh Ministers may ask for further information.

STAGE 3: Legislation

The *Reforming Local Government* White Paper sets out the Welsh Government's intention to introduce a Bill into the National Assembly for Wales in January 2015. We propose this Bill will both pave the way for the full merger programme of Local Authorities in Wales and enable the Welsh Ministers to make Orders to provide for any Local Authorities wishing to take advantage of the option to merge early voluntarily.

Our aim is to complete the legislative process for the Bill, including Royal Assent, by 30 November 2015. Between the time when you submit your Merger Proposal and the Bill receives Royal Assent, we will work with you to submit your Final Proposal which will confirm your intention to proceed with your voluntary merger. This will enable an Order (or Orders) for voluntary mergers to be introduced into the National Assembly for Wales in early 2016, with a view to completing the legislative process by 31 March 2016.

STAGE 4: Elections, Shadow Authority and Vesting Day

The key milestones for Stage 4 of the merger process would be as follows:

- The next Local Authority elections will be held in May 2017, however, existing Local Authorities taking advantage of the opportunity to merge early would not have elections at this time;
- A Shadow Authority for the new Authority would be established in April 2017. This will consist of the full body of serving Councillors of the merging Authorities. The functions of a Shadow Authority will be specified in the relevant Merger Order but its functions would be focused on preparing for the creation of the new Authority⁴;
- Vesting Day for the new Authority will be 1 April 2018 and elections would take place on 3 May 2018 on the basis of new electoral warding arrangements to be developed by the Local Democracy and Boundary Commission for Wales. New Councillors would assume their responsibilities four days after the election; and
- The next set of elections to the newly merged Authority will be in May 2022 when a full set of Local Authority elections will take place.

Matters to Note

The Welsh Government reserves the right to decide not to introduce an Order for early merger if it considers the circumstances are not right to do so, or, if for example, the Merger Proposal is not sufficiently robust. The Welsh Government will publish and make clear to all interested parties its reasons for not introducing an Order.

This need not rule out proceeding with the proposed merger. It may simply be that the case is not quite ready by the time an Order would need to be made. The merger might still proceed along with the other proposed mergers to be achieved by the second Local Government Bill which will be introduced after the next Assembly elections in May 2016.

If you withdraw your application at any point in the process, you should note the Welsh Government could still proceed with the merger as part of the main Local Authority merger programme. The Welsh Government may well, in those circumstances have regard to information you submitted in relation to any aborted plans.

⁴ The functions of the Shadow Authority would include (amongst others) appointing the senior management team for the new Authority, agreeing the first budget and setting the first council tax, all in advance of the new Authority's first year of full responsibility.

5. DEVELOPING A PROPOSAL

This Chapter sets out how Local Authorities considering proposing voluntary merger can approach their Expression of Interest and build on this to develop a worked up Merger Proposal.

Vision for the New Authority

The starting point is the vision for the new Authority. Local Authorities considering a voluntary, early merger should develop an ambitious shared vision for the new Authority which sets a direction consistent with *Reforming Local Government*. This should include:

- the new Authority's ambitions for delivering well-being and services to the people and communities it will serve;
- its approach to engaging with and involving those people and communities with its decision-making;
- how will it demonstrate accountability, openness and transparency;
- how will it demonstrate the difference it is making to outcomes for the people and communities it serves; and
- how will it support Elected Members and encourage diversity in amongst its elected representatives.

Local Authorities should also be considering how the new Authority will contribute to the delivery of the Well-being of Future Generations (Wales) Bill, when enacted, through strong community leadership and effective partnership working with their local public service partners.

Local contexts and priorities

The Welsh Government accepts the Commission on Public Service Governance and Delivery's analysis of Local Authority mergers delivering improved capacity and capability, greater efficiency, recruitment benefits and innovation. However, the potential for realising these benefits – how, when, and in which services – will vary from one area to the next.

Proposals for voluntary merger should, therefore, be grounded in an analysis of the particular challenges facing each of the Local Authorities concerned. They should seek to identify those priority areas and begin to establish how merger might address them.

The development of the Expression of Interest and Merger Proposal should be structured around the issues identified by the Commission in its Report. At the

Expression of Interest Stage (Stage 1) we are looking only for an outline description of issues and possibilities to show voluntary merger could deliver tangible benefits quickly.

We are not expecting a fully worked up Merger Proposal supported by detailed evidence or extensive financial modelling by 28 November 2014. The purpose of developing the Expression of Interest is to support Authorities and provide a structure for moving forward with the merger process. The aim is to provide a clear and concise framework for thinking about core issues such as developing an integrated and transformative approach to planning for service delivery, the workforce, organisational development and financial management. The Merger Proposal would then set out the Authorities' conclusions about what core issues need be addressed, and detailed plans for how they will approach these issues.

Capacity and capability

By 'capacity' and 'capability' we mean the staff, assets, resources and expertise available to provide the full range of services expected by people and communities. As the Commission noted, there are two dimensions to this.

There may be challenges around both the breadth and depth of capacity and capability – the range of skills and specialisms a Local Authority's current and future resources can sustain.

One of the aims of any merger proposal must be to make better use of existing capacity, especially in priority areas where there are serious problems, and to identify opportunities to build capacity and use it differently. Therefore, it is also important to consider how far the capacities of each of the merging Authorities complement each other, and the extent to which this could address issues of breadth or depth of capacity across a range of services, at the corporate centre and with local public service partners.

Issues to be considered will include retraining costs and redeployment, asset management and disposal, and aligning and transforming patterns and processes of service delivery. There may be some duplication of capacity at senior and corporate levels, and some initial consideration should be given to how this will be managed, and would offer opportunities for the sharing of services. Authorities should also consider how medium to longer term workforce planning will ensure the new Authority has the depth and breadth of skills needed to deliver and manage services effectively for its people and communities.

Leadership, recruitment and retention

Capacity and capability issues can also lead to problems for Local Authorities in recruiting and retaining high-calibre leaders and professionals. A lack of breadth or

depth may mean Local Authorities are unable to offer attractive career paths, especially to those with specialist skills or senior leadership potential.

Any merger should aim to address these issues: merged Authorities should be both large enough to offer attractive career paths to existing staff and to recruit from a wider pool of talent. Benefits in this area could be realised incrementally and clear and strategic approaches to workforce planning and talent management will be essential to realising these benefits.

For the Expression of Interest (Stage 1) Authorities should identify the specific capacity or specialist skills issues which will be addressed together with an outline of the benefits and risks of their chosen approach. Details of planned service integration or proposed joint appointments should be included. It will also be necessary for Authorities to identify the potential scale of rationalisation of senior posts and workforce harmonisation issues with indicative costs.

Stage 2, by June 2015, should include:

- Approach to strategic workforce planning from present to 'new Authority';
- Approach to leadership development for the new Authority;
- Approach to engagement with trade unions and staff;
- Approach to developing a single culture for the new Authority;
- Implementation plan to include the benefits realisation plan; and
- Costs for rationalising senior posts and harmonising the workforce.

Efficiency

The Commission on Public Service Governance and Delivery found good evidence of potential for economies of scale in corporate and democratic overheads and in the unit costs of some (mostly high-volume and standardised) front line and support services. There may also be savings to be made from rationalising the estates and asset bases in a merged Authority.

The relationship between cost and volume is not always linear or straightforward. There are many other drivers of cost, especially in services like education and social care, where the characteristics of the local population may have a significant impact. However, there should still be opportunities for some economies of scale, for instance from higher-volume procurement or the ability to spread management overheads across a more extensive service.

The details of where the potential is greatest will again vary between Local Authorities, and will depend on an outline assessment of current costs. In doing so, it may sometimes be appropriate to use the population served as the measure of scale, for example in corporate and democratic overheads. For others, it may be more

appropriate to use other measures, for example the length of a road network is a better measure of the scale of a highways service than the local population.

Realising economies of scale will require structures to be streamlined, operating processes to be aligned and transformed, assets disposed of and contracts re-let or renegotiated. We recognise this will take time and incur up-front costs. However, there is potential for significant long-term savings to be released in all mergers and Local Authorities will best understand how these savings could be released and reinvested in front-line service delivery.

All of the above have the potential to generate transactional and operational efficiencies which could support the new Authority's viability and sustainability in the short to medium term. However, long term sustainability will require a strategic approach to efficiency, linked to the Authority's overall vision through strategic and financial planning.

For the Expression of Interest (Stage 1), the Welsh Government does not expect more than an overview of the potential for efficiency to be delivered and the areas Authorities are likely to look at to deliver these efficiencies. However, for Stage 2, the Merger Proposal should contain a fuller assessment of the potential costs and benefits, including an assessment of the timings. This should include setting out how the Authority will go about ensuring it has a sustainable approach to planning and managing its services and finances going forward.

Accountability and engagement

Our vision for Local Government in Wales puts accountability and effective engagement with the public centre stage. With this in mind, we hope to see proposals for early merger which include innovative suggestions for a wide range of approaches to public involvement and engagement with the Authority, where openness and transparency are core values in the Authority's approach to governance. This is particularly important in ensuring public services can deliver the vision of working with people and communities to deliver better public services, as set out in *Devolution, Democracy and Delivery: Improving public services for people in Wales*.

This provides a powerful case for the new Authorities to take the opportunity to redesign their approach to accountability and engagement, to include how they interact with communities, how they support effective scrutiny, how they engage with the workforce to support service improvement and how they will promote openness and transparency of decision-making.

For Expressions of Interest (Stage 1) Authorities need only identify the opportunities amongst themselves for shared learning in these areas and their commitment to ensuring the new Authority will have openness and transparency as core values, with a high level plan as to how this might be delivered.

For the Merger Proposal (Stage 2) the Welsh Government will not be expecting Authorities to design the detailed constitutional arrangements for the New Authorities as this should be the business of the Shadow Authority. However, we would be looking for outline arrangements, in line with Welsh Government reform proposals.

Demographic, financial and demand pressures

The Welsh Government agrees with the Commission's analysis of the patterns of change in demography and demand for services over the medium to longer term, and the impact this will have on an already strained public sector.

We also know the extreme pressure on public finances will continue in the medium term, and the Welsh Government's overall budget is unlikely to return to 2011 levels in real terms until at least the middle of the next decade. This means Local Authorities will continue to face challenging settlements for several years to come.

The detail of those effects will vary across Wales, according to local patterns of population change and service demand and the particular financial position and outlook in each Local Authority.

The Local Authority merger and reform programme aims to confront these challenges, by improving efficiency and releasing savings, and more importantly, by increasing resilience and capacity to design and deliver services more effectively, innovatively and sustainably.

For the Expression of Interest, the Welsh Government will only be seeking assurances from Authorities they have considered their collective challenges across the range of their service and corporate activities, and where there are gaps in information and understanding.

For the full Merger Proposal at Stage 2, we will be expecting a more detailed analysis of plans and how they will be delivered.

Summary

Annex A contains further details to assist Local Authorities in their initial consideration of the voluntary merger option. If completed, this analysis should yield an indication of how the challenges affect the Authorities concerned, and how merger might address them. This in turn will help to shape the broad Merger Proposal, by identifying priority challenges to be addressed and the potential benefits of doing so.

Therefore, if the Expression of Interest is agreed and accepted by the Welsh Ministers, Authorities will then be able to build upon this initial analysis to develop their Merger Proposal. Further details are included at Annex B.

The next Chapter outlines how you can consider the process of change as part of the development of the Expression of Interest and Merger Proposals.

6. THE PROCESS OF CHANGE AND TRANSITION

The merger process presents an opportunity not only to integrate but to transform and redesign everything from constitutions to approaches to improvement and innovation. To help you capitalise on this opportunity, the Welsh Government will support and work with you to develop your proposal. You will need to consider the process of change, and how the transition from separate Authorities to a single organisation will be managed and what it will entail. It will also be important that you continue to work with partners during the transition to ensure the continued delivery and quality of services through the transformation process.

Factors to Consider

At the Expression of Interest stage we are concerned only to assess whether a voluntary merger proposal could proceed along the accelerated timetable we propose. This means identifying and outlining the main enablers and obstacles to delivering your vision for your new Authority.

It might be helpful in doing this to consider the practicalities of what exactly would need to be consolidated, aligned and transformed as part of any merger and how this transition will be managed and delivered. A high-level list might include the following:

- 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.

For each of these, the Expression of Interest should identify in broad terms any obvious enablers or obstacles to change, 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.⁵

- 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?

This analysis should then be built upon to provide key elements of the full Merger Proposal required at Stage 2.

⁵ *Learning the lessons of public body mergers: good practice guide*, Audit Scotland, June 2012.
<http://www.audit-scotland.gov.uk>

7. ENGAGEMENT

Any voluntary merger must proceed with full consultation and engagement with people and communities (including Town and Community Councils), Elected Members, the workforce, trade unions, business, third sector, other local public service and any other interested stakeholders.

Therefore, all proposals accepted at Stage1 must include some evidence of initial engagement with all of the above. For example, this might involve articles in the local press or discussion at your Local Service Boards. You should provide a flavour of responses received including details of any emerging petitions or campaigns and correspondence. The Expression of Interest should be accompanied by a Consultation and Engagement Plan which demonstrates commitment to a range of activity with a wide range of interested parties.

As a minimum we would expect this Consultation and Engagement Plan to include:

- a) the public in the areas which would be affected by the proposed merger;
- b) any Local Authority affected by the proposed merger (this is to include Principal Authorities and Community Councils);
- c) any Fire and Rescue Authority for any area which may be affected by the merger;
- d) staff and any organisation representing the staff employed by the principal authorities to whom the merger relates and who have asked to be consulted;
- e) any Police Forces and Police and Crime Commissioners affected by the proposed merger;
- f) any Local Health Boards which might be affected by the proposed merger; and
- g) such other persons as the Authorities consider appropriate.

We accept it will not be possible for Authorities to conduct a full programme of engagement prior to the deadline for submitting proposals in November 2014 (Stage 1). However, some engagement must be undertaken which is sufficient to be able to gauge the level of support, or otherwise, for the proposal, and plans for consultation will need to be clearly laid out.

For Stage 2, the Merger Proposal, we expect Authorities to provide evidence of the consultation and engagement undertaken in line with their Consultation and Engagement Plan and a full and objective summary of consultation responses received.

8. WELSH GOVERNMENT SUPPORT FOR VOLUNTARY, EARLY MERGERS

The Commission on Public Service Governance and Delivery recommended the Welsh Government should develop a series of incentives to encourage voluntary early mergers amongst Local Authorities. We agree with this but we do not believe the Commission's intention was simply for the Welsh Government to make available a cash injection to pay for any potential costs associated with the merger process.

The rationale for voluntary merger is, as it is for the merger and reform programme as a whole, set firmly in Authorities realising the benefits for improved public services and better well-being, together with the reinvestment of the efficiencies generated to support these aims.

We therefore believe the Commission's intention was for us to develop a package of incentives which could be tailored to best support the service transformation, strong democracy and better governance the merger process is aimed at delivering. We will set aside resources that are distinct and separate from the Revenue Support Grant to support these ends. Local Authorities should consider how support could be tailored to best support the process of merger, as part of the development of their Expression of Interest. We suggest possible areas could include ensuring effective constitutional development of the new Authority, dealing with workforce issues such as job evaluation, and providing for service transformation.

To aid Authorities' consideration we have set out below the overall principles we believe to be important in identifying and tailoring support and some examples (not an exhaustive list) of support which Authorities could find helpful. We would be happy to consider other suggestions from Authorities provided these can be shown to be linked to effective and early delivery of the benefits of their proposal.

Our overall principles for consideration of providing support to Authorities proposing voluntary mergers are:

- i. Support may be provided both for scoping and implementing voluntary merger proposals;
- ii. Support could take the form of expert advice and capacity;
- iii. Support will be aimed specifically at developing and/or implementing the merger and will only be made available after the expression of interest is received in the appropriate format and agreed. However, we will provide you with support and advice during preparation of your expression of interest;
- iv. The level of support provided may differ in different circumstances – each merger proposal will be considered on its merits.

Examples of the kinds of support you might find helpful include:

- i. Provision of expert advice on transforming services, implementing new models of delivery, and integrating services, with a focus on prevention both within the Authorities and with public service partners;
- ii. Provision of expert advice in respect of service issues such as differences in outsourced, in-house or otherwise transferred service delivery models;
- iii. Provision of expert advice and capacity on evaluating, planning and implementing organisational change through merger;
- iv. Provision of expert advice on Organisational Development;
- v. Provision of expert advice and support on procurement and contractual matters;
- vi. Support for the development of constitutional and scrutiny arrangements;
- vii. Advice on design of outcome and performance frameworks, including establishing baselines for the most important service level improvements the merged authority may wish to pursue;
- viii. Support for development of leadership and capability;
- ix. Advice on development of financial and asset management plans; and
- x. Advice on integrated business planning.

The Welsh Government is committed to supporting Authorities taking part in the early merger process. The Welsh Government will review the initial estimates of such proposals set out in Local Authorities' Expressions of Interest and the costs and benefits in the more detailed cases for change to follow, and give them consideration within our own budget planning and allocation cycle.

The Welsh Government's own budget allocation beyond 2015-16 is not yet known, so we cannot yet be definitive about what resources will be made available. However, this joint approach will enable those Authorities seeking early merger to design and tailor their own transformation to best meet the needs of the people and communities in their area, on their own terms and at their own pace. In tandem, the Welsh Government will consider how this can be resourced. We are also committed to Local Authorities retaining locally any savings generated from the voluntary merger process.

We are also committed to making tailored use of existing funding streams such as Outcome Agreement Grants, the Local Authority Borrowing Initiative and Invest-to-Save. We believe this can provide a flexible resource to support the delivery of your proposal and we will work with you to identify how these could be used most effectively. We will help you consider how you can begin to address existing financial pressures as early as possible in the run up to, and as part of the merger process.

In addition, the Welsh Government currently proposes to set up a non-statutory Staff Commission to provide support to staff and expert advice to Local Authorities during the voluntary merger process on matters such as job evaluation, harmonisation of terms and conditions, equal pay and pension agreements.

A number of existing Local Authorities will not merge under the current preferred option. We also welcome proposals for support for organisational and service transformation from these Authorities as we recognise they may also wish to take a lead in setting the pace and direction for Local Government in Wales.

The precise package of support would be agreed in each individual case and Authorities should indicate in their Expressions of Interest what, if any, support may be required and how it could best be deployed to deliver their vision and realise the benefits as quickly as possible for the newly merged Authority.

9. FURTHER INFORMATION

For more information or an informal discussion in respect of any of the information contained in this document please contact:

Reg Kilpatrick
Director of Local Government
Welsh Government
Cathays Park
Cardiff
CF10 3NQ
Email: reg.kilpatrick@wales.gsi.gov.uk
Phone: 029 20825913

All Expressions of Interest should be submitted to the above address by 23.59 on 28 November 2014.

VOLUNTARY MERGERS

STAGE 1

EXPRESSION OF INTEREST

At this Stage the Welsh Government is not looking for a fully worked up Merger Proposal. The aim here is to organise thinking and discussion between you, your partners and stakeholders on a number of key areas which are intended to help you develop your shared vision for the new Authority and identify the opportunities which early, voluntary merger may present for you.

This should be your initial assessment of the issues and you are not expected to have undertaken extensive amounts of primary research. The focus here should be showing you have the commitment and initial support to proceed with your proposal.

When you submit your Merger Proposal (see Annex B), the information provided here in accordance with Annex A, will provide the baseline for the Case. It is at Stage 2 we would expect to see detail and underpinning evidence.

1. VISION FOR THE NEW AUTHORITY

Provide a brief summary of your vision for the new Authority. This should include:

- Your ambitions for the area and your services and how you will demonstrate commitment to achieving them;
- Your approach to community leadership: how you will engage effectively with people and communities and actively consider those views in its decision making, including feedback and on-going engagement;
- How you will ensure openness, transparency and accountability of the democratic process;
- How you will support Elected Members, and foster diversity amongst elected representatives;
- How you will drive service improvement, innovation and improved well-being and how you will measure this; and
- How you will develop and foster effective relationships with other public service partners, the third sector and business.

2. CAPACITY AND CAPABILITY

The questions below are not exhaustive but are intended as a guide to the issues you might wish to consider relating to breadth and depth of capacity and capability in respect of staff, assets and other resources. We would expect these points to be identified as a minimum:

- Have you identified any issues in respect of breadth and depth of capacity which a merger could seek to address (e.g. availability of specialist expertise, senior managers being drawn into operational planning) in particular services or generally?
- Is there significant demand for specialist services which cannot be met and/or must be procured from elsewhere?
- If demand for services and resources to meet it were pooled between the Local Authorities concerned, how far would this allow capacity issues to be addressed and duplication removed?
- Provide an initial outline of the challenges you believe would be involved in capitalising on merger to build breadth and depth of capacity in the new Authority.
- Provide an initial outline of the major benefits which could be released from this process and when they might be released.
- How will you ensure the benefits of workforce planning will be embedded in the new Authorities to ensure resilience in the workforce is maintained in the medium to longer term?

3. LEADERSHIP, RECRUITMENT AND RETENTION

These questions provide some areas for consideration as to how a merger might realise benefits in the areas of leadership, recruitment and retention:

- Do your Authorities have any difficulties in recruiting and retaining staff at leadership level, those with the potential for leadership or staff in other key areas involving either service specialisms or other specialisms such as finance, legal and project management?
- How would you use the opportunity presented by voluntary merger to provide attractive career paths to all staff, including those in specialist roles or with senior leadership potential? Are there services or functional areas where this is particularly difficult?
- What will the recruitment and retention and talent management strategies for the new Authority consider in particular? What will be the balance between

supporting and developing in-house talent and broadening the base of skills and experience through external recruitment?

4. EFFICIENCY

There are potentially significant savings to be released through the merger process, such as asset and contract rationalisation, shared support services, streamlined processes and staff numbers. It is important these initial savings are considered in the context of developing a plan for the long term sustainability of your Authority. The following questions offer areas for consideration and are not exhaustive. We would expect to see this information provided as a minimum at Stage 1:

- How will you build on the opportunities the merger process presents to design in medium and long term planning for sustainability in your new Authority?
- How could the corporate and democratic functions of the new Local Authority be established in such a way as to maximise the potential for releasing savings whilst still serving the Authority and Elected Members effectively?
- What is the scope for transforming services and service delivery in the new Authority to capitalise on approaches such as demand management?
- What is the potential for rationalising the estate, contracts and other fixed assets of the new Authority?
- What is your initial estimate of the scope to economies of scale in either overheads or unit costs, and to rationalise estates and assets, and in which areas?
- What would be the challenges of realising these benefits, including any potential up-front costs (staff, property, information technology, corporate, consultation and communication)?
- What is your initial estimate of a timeframe for incurring up-front costs and releasing benefits?

5. ACCOUNTABILITY AND ENGAGEMENT

What is your overall vision for how systems for accountability and engagement will be integrated and work with each other to drive service improvement in the new Authority? As part of this you should consider:

- What role will scrutiny play in the new Authority both in respect of driving service improvement and promoting well-being and holding the Executive to account?
- What is your vision for effective scrutiny and what role will it play in ensuring the voices of people and communities are heard, considered and acted upon?
- How will the new Authority engage effectively with people and communities- including showing how this engagement has impacted upon decision making?
- What role will Local Elected Members play in representing the views and voices of their communities in the new Authority? How will these views be harnessed and assessed to improve services?
- How will the new Authority engage with and work with public service partners?

6. DEMOGRAPHIC, FINANCIAL AND DEMAND PRESSURES

The aim of this section is to initially identify as early as possible the principal challenges facing your Authorities to enable the voluntary merger process to be designed to effectively address them. We do not expect you to conduct detailed research or evidence gathering to complete this section now but to use evidence which is informing your existing policies and strategies such as the Single Needs Assessment underpinning your Single Integrated Plan and Medium Term Financial Plan.

- What are the likely changes in the composition of the area's population in the medium to longer term?
- Are there other known or predictable significant changes in the nature of the area and/or its population during this period?
- What is the likely impact of this on demand for each affected service?
- What is the medium to longer-term financial outlook for your Local Authorities concerned?

7. WELSH GOVERNMENT SUPPORT FOR MERGER

Please indicate here what, if any, support may be required and how tailored support could be deployed as part of delivering your vision for your new Authority and realising the benefits of your merger proposal as quickly as possible.

Suggestions for support could be of the kind set out in the Invitation to *Principal Local Authorities to submit proposals for Voluntary Merger* but the Welsh Government is prepared to work with Authorities to tailor a package of support which might include other options or ideas.

8. THE PROCESS OF CHANGE AND TRANSITION

As part of developing your merger proposals you should consider designing your process to ensure the benefits of the merger can be realised at the earliest opportunity and how you will organise and manage the process of transition from separate organisations to a single body. In light of this for each of the following areas:

- 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 and setting Council Tax;
- Working relationships and practices with the public and public service partners;
- Internal systems and processes, including ICT systems;
- Assets, contracts and estates; and
- Service delivery policies and practices, including accessibility, eligibility and charging policies.

please consider:

- i. How similar (or different) are each Authority's arrangements now?
- ii. What would be the extent and complexity of change, especially in priority areas?
- iii. What would be the timescales for making such change?
- iv. What would be the likely one-off and recurrent savings, and how soon could savings be realised?

- v. Are there any significant known obstacles to these processes? How might they be addressed?
- vi. How far would it be possible to build on existing collaboration or pooling arrangements?
- vii. How far would it be possible to rationalise structures, systems, processes and access channels, and/or adopt best practice?

9. ENGAGEMENT

We are not expecting you to have conducted extensive engagement at this Stage but we will be looking for some evidence of initial engagement and the reactions to your proposals.

Therefore you should include an outline of the engagement you have undertaken so far with public, communities (including town and community councils), the workforce, Elected Members, other local public service partners, business and any other potentially affected stakeholders. As part of this you should provide evidence of their views and opinions, for example any petitions, letters, Council or other debates.

Please also provide your Consultation and Engagement Plan for further consultation and engagement to enable you to submit your Merger Proposal in June 2015.

10. EXCEPTIONAL CASES

If you are making an exceptional case for merger, i.e. a proposal for merging two or more Authorities which may straddle the boundary of more than one Local Health Board and/or police force, or a case to merge Authorities into larger configurations within the Welsh Government's preferred configuration (Option 1 referred to above), please also provide the following:

- A detailed rationale and explanation for how this proposal will still be able to generate the benefits of reducing complexity, strengthening strategic and operational collaboration, and improving integration of front-line services which the Commission on Public Service Governance and Delivery identifies in its Report are achievable through the alignment of public service administrative boundaries; and
- Statements of support of the affected public service partners for this proposal, including other Local Authorities, LHBs, police and crime commissioners and

police forces.

If your proposal includes not conforming to existing EU Convergence area boundaries you will need to provide evidence you have considered and accepted the potential risks this involves.

11. INITIAL CONSIDERATION OF THE NEW AUTHORITY'S NAME AND POTENTIAL STATUS e.g. County Borough

You should provide your initial thoughts on a name for the new Authority and outline any issues which will need to be considered such as city status.

12. STATEMENT FROM LOCAL AUTHORITIES

Please provide evidence below that your Cabinet has discussed and agreed this Expression of Interest. Wherever possible, please also provide evidence that your Authorities have agreed the Expression of Interest at a constitutionally valid meeting of full Council. If that hasn't been possible, please provide the evidence as soon as possible after the deadline.

Please submit your Expression of Interest by 23.59 on 28 November 2014 to:

Reg Kilpatrick

Director of Local Government

Welsh Government

Cathays Park

Cardiff

CF10 3NQ

Email: reg.kilpatrick@wales.gsi.gov.uk

Phone: 029 20825913

VOLUNTARY MERGERS

STAGE 2

MERGER PROPOSAL

In Section 1, your Merger Proposal will build upon the evidence you submitted with your initial Expression of Interest (see Annex A). You will have further developed your vision for the new Authority and undertaken further and more detailed research and evidence gathering in respect of the issues you identified.

In Section 2, you should use your Merger Proposal to build the cost benefit analysis.

For Sections 3 and 4, we will work with you to ensure as full an assessment as possible of the equality and Welsh Language impacts.

1. YOUR MERGER PROPOSAL

Here you should start with your Expression of Interest and build your Merger Proposal by providing detailed analysis and evidence to support your initial considerations. Since completing your Expression of Interest, you may have identified further issues to build your case, this should also be included.

2. COST-BENEFIT ANALYSIS, INCLUDING THE TIMINGS OF COSTS AND BENEFITS REALISATION

This section should include evidence of the due diligence you have undertaken for example (this is not an exhaustive list) matters such as: the financial position of your Authorities, the value and condition of assets, the redundancy of business systems, legal proceedings in progress, the impact on contracts, leases etc, debtors and creditors and any contentious issues.

It should set out the quantitative measures that you will use to track merger benefits.

It should also include your assessment of risks and how they will be managed and addressed.

3. EQUALITIES IMPACT ASSESSMENT

4. WELSH LANGUAGE IMPACT ASSESSMENT

5. SUMMARY OF RESPONSES TO THE CONSULTATION UNDERTAKEN AS PER THE CONSULTATION AND ENGAGEMENT PLAN SUBMITTED WITH THE EXPRESSION OF INTEREST

This should include a description of the consultation responses and engagements undertaken with your stakeholders and the public, together with a summary of views and issues raised.

6. LOCAL AUTHORITY STATEMENT

Evidence this Merger Proposal has been approved in identical form in a constitutionally valid meeting of full Council in all the Local Authorities participating in the voluntary merger.

It should also include your proposal for the name and status of the new Authority, as approved by all Authorities which are proposing the voluntary merger.

Please submit your Merger Proposal by 23.59 on 30 June 2015 to:

Reg Kilpatrick
Director of Local Government
Welsh Government
Cathays Park
Cardiff
CF10 3NQ
Email: reg.kilpatrick@wales.gsi.gov.uk
Phone: 029 20825913

26th September 2014

Reforming Local Government White Paper

Purpose

1. This seeks members' views on the draft WLGA response to the Welsh Government's Reforming Local Government White Paper consultation.

Background

2. The Reforming Local Government White Paper was published on 8th July 2014 and summarises the Welsh Government's initial response to the Williams Commission recommendations about local government. The White Paper consultation closes on 1st October 2014.
3. WLGA Management Sub Committee considered initial views on the White Paper, most leaders have been involved in regional Ministerial meetings and senior local government officers have been involved in regional Stakeholder Forums and Policy Development Events.
4. Much of the focus of the debate around the White Paper has been around structural reform and potential early voluntary mergers. These matters and views on the 'Prospectus for Proposals for Voluntary Merger' are covered in a separate Council report.
5. The White Paper however seeks views on wider local government reform, and in particular begins exploring potential reforms around community engagement, scrutiny, openness and transparency, performance and improvement and local government finance.
6. The White Paper does not provide a clear policy direction for many of these areas, but instead seeks local government views to begin influencing the shape of four anticipated White Papers in the autumn covering:
 - o Performance, Improvement & Scrutiny
 - o Democracy & Community Governance
 - o Developing Local Government Finance
 - o Staff Commission
7. This also occurs in the context of a growing debate about levels of devolution across the UK following the Scottish Independence referendum. The WLGA has always argued that decisions about how services are run and managed should be taken as close as possible to communities and the

point of delivery. This means empowering local government as is being discussed in England.

Proposals

8. Early dialogue with the Minister for Public Services suggests that the role and number of councillors, the future role and size of cabinets and the role of community and town councils will be fundamental themes of future debate and policy papers.
9. The WLGA and authorities have previously submitted evidence and responses to the Williams Commission on many of the general areas under consideration in this White Paper.
10. The WLGA's draft response restates much of the previous evidence and policy positions, but seeks to go further and put forward a number of proposals which will require further member discussion and endorsement.
11. These proposals are:
 - 11.1 That the review of funding flexibilities be concluded with an intent to a transferring all specific grants, including Outcome Agreements, into the RSG by 2016-17 in time for new authorities established in 2017.
 - 11.2 That consideration be given to placing the responsibility for new tax raising powers such as stamp duty and Landfill Tax into local government.
 - 11.3 That a paper on local authorities' reserves be produced for the Finance Sub Group setting out a better understeering of council balances and their intended uses.
 - 11.4 That a fundamental review of local government funding should be initiated by the WLGA through the establishment of an *Independent Commission into Local Government Finance*. It will be tasked to make recommendations for the reform of the system of local government finance that better supports local services and promotes economic growth in Wales.
 - 11.5 That public health functions should be devolved to local government.
 - 11.6 By 2020, all employment programmes should be devolved from Department of Work and Pensions and Jobcentre Plus to local government.
 - 11.7 The Welsh Government should introduce the provisions of the Localism Act 2011 giving a power of general competence for councils in Wales

- 11.8** That a special session of the Public Services Summit, involving all social partners, explore how we might take forward the Cooperative Councils model in Wales.
- 11.9** The Welsh Government should undertake a review of all statutory powers and duties conferred on local government to consider whether they remain relevant and promote or constrain local democracy and flexibility.
- 11.10** That the issue of additional assistance or guidance around disposal of property and assets be considered by the National Assets Working Group.
- 11.11** That the Wales Programme for Improvement be reformed to be made more relevant to the current and future public service funding climate, in particular reviewing the duty around continuous improvement;
- 11.12** That a similar top-sliced LGA model of funding improvement should be introduced in the Welsh context, where existing improvement grants are transferred into and top-sliced from the RSG settlement.
- 11.13** That continued commitment to and resourcing of a nationally coordinated programme of Peer Reviews be discussed between the Welsh Government and WLGA
- 11.14** That the Welsh Government's Review of Audit, Inspection and regulation should be concluded with a view to reducing the number, lowering costs and the burden of external inspection and regulation
- 11.15** The proposed reconstitution of Fire and Rescue Authorities should be amended to ensure local democratic decision-making and accountability remains while increasing and improving scrutiny mechanisms
- 11.16** Councils should commit to implementing and webcasting of council meetings and promoting and supporting the use of social media by councils and councillors
- 11.17** Consideration of the role of local democratic oversight and scrutiny of some aspects of local health service provision

12. In order to further shape local government views and gather evidence in advance of the anticipated White Papers, it is proposed that the WLGA convene a series of member-led task and finish groups to meet through the autumn covering the main themes of the anticipated White Papers:

- Performance, Improvement & Scrutiny
- Democracy & Community Governance
- Developing Local Government Finance
- Staff Commission

13. The task and finish groups would explore local government views and consider options and to shape the WLGA's responses to the White Papers before discussion and ratification through WLGA Coordinating Committee or Council as appropriate. Where relevant, the task and finish groups could be linked into existing groups or meetings, and could be chaired by relevant WLGA Spokespersons, and include appropriate member and professional group representation, supported by WLGA officials.

Recommendations:

14. Members are asked:

14.1 to consider the proposals outlined in paragraph 11.1 to 11.17 and endorse them as a way forward;

14.2 subject to agreement on the above proposals, endorse the WLGA Response to the White Paper (Annex 1);

14.3 agree to the establishment of member-led White Paper Task and Finish Groups.

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Consultation Response Form

There is consensus across Welsh local government and the Welsh Government about the need for public service reform. The size of the financial and demographic challenges facing councils is such that their sustainability into the future is an issue. There are however honestly held and passionate views across local government regarding the nature, scale, timing and timescale of such reform and whether proposed structural changes provide the answer.

Local government has responded constructively and proactively to the debate, putting forward discussion documents outlining a vision for local democracy and local government and alternative options for delivering services differently. A number of authorities have also indicated that they are prepared to further explore options for early voluntary mergers.

The White Paper presented an opportunity for the Welsh Government to set out the Welsh Government's vision for local democracy, local governance and local services for future decades. The Paper sets out some overarching detail of the proposed structural model for local government in the future, but does not articulate the rationale: why this model; how will this model will work; what will this model will do?

Moreover, and most fundamentally, it does not articulate what it sees as the role for local democracy and local government going forward and how that sits within the wider Welsh constitutional settlement. Although it is anticipated that further more detailed White Papers will be published in the autumn, this White Paper does not benefit from the wider narrative of a Welsh Government vision for the future role and value of local democracy and local government.

The WLGA has provided an alternative vision of localism and the case for local government through its papers 'In Defence of Localism' and a paper exploring combined authorities. The latter has been subject to extensive debate within in local government and has produced a split jury. Some authorities agree that while the paper has merits it risks creating a solution that would re-establish the former two tier system with confused accountability with a lack of local focus. Others see it as a potential model that may support the new strategic approach to city regions and the way to ensure that the long term viability of key services within a local democratic framework. The key point of the paper however was to go further than Williams' focus on structural change and explore options around appropriate roles about the alternative approaches to deliver key functions and services.

Local democracy and local government is all about local difference and local responsiveness; a range of local governance arrangements and/or service delivery arrangements will inevitably see different priorities emerge and different levels of service delivered; whilst concerns around significant performance variation should be scrutinised, diversity should be expected and promoted – Wales is a country of diverse communities with diverse aspirations and needs. This is the philosophy of localism which has kick

started a robust debate in England not least as a way forward for radical devolution of powers to cities and regions. In Wales, the debate needs to accelerate rapidly given the Welsh devolution project was always based on the notion that devolution did not stop in Cardiff Bay.

In this sense, the WLGA welcomes the First Minister's recently published Statement "Improving Public Services for the People of Wales". We would request that a debate occur on some of the core principles set out which clearly recognise that change is required in the way Welsh Government works with local government. In particular we would propose that the following points should form the basis for future discussions:

"We will build on these foundations by working with public service partners to develop simplified, long-term performance measuring, managing and reporting arrangements which focus on outcomes for people across Wales." (Paragraph 55)

"We will take forward wider work to reduce complexity and support improvement in service delivery. Particularly relevant here is the Commission's diagnosis of the need to avoid developing a vicious circle in which poor or patchy performance in a service area or by an organisation prompts calls for greater prescription nationally, which in turn could constrain the broader ability of organisations to innovate and improve performance." (Paragraph 57)

"We will also seek to work with partners more broadly to explore opportunities to reduce complexity, simplify governance arrangements, encourage flexibility for delivery partners to innovate to achieve outcomes, and keep detailed guidance and funding conditions to a minimum." (Paragraph 59)

"...that legislation brought forward in the Assembly supports our overall vision for public services, takes opportunities to simplify where possible and, where new duties are placed on public service partners, we are clear that the benefits are a priority and justify action." (Paragraph 60)

In addition to the above, further White Papers will emerge in the autumn covering community governance and democracy. WLGA believes that these must address deeper questions including a clear vision for local democracy, local government functional role, the role of elected members and community councils and town councils.

In order to further shape local government views, gather evidence and contribute constructively to the anticipated White Papers, the WLGA will convene a series of member-led task and finish groups to meet through the autumn covering the main themes of the anticipated White Papers:

- Performance, Improvement & Scrutiny
- Democracy & Community Governance
- Developing Local Government Finance
- Staff Commission

The task and finish groups will be chaired by relevant WLGA Spokespersons, supported by WLGA officials to include appropriate member and professional group representation to explore options and to shape the WLGA's responses to the White Papers before discussion and ratification through WLGA Coordinating Committee or Council.

Summary of Key WLGA Proposals below:

- That the review of funding flexibilities be concluded with an intent to a transferring all specific grants, including Outcome Agreements, into the RSG by 2016-17 in time for new authorities established in 2017.
- That consideration be given to placing the responsibility for new tax raising powers such as stamp duty and Landfill Tax into local government
- That a paper on local authorities' reserves be produced for the Finance Sub Group setting out a better understating of council balances and their intended uses.
- That a fundamental review of local government funding should be initiated by the WLGA through the establishment of an *Independent Commission into Local Government Finance*. It will be tasked to make recommendations for the reform of the system of local government finance that better supports local services and promotes economic growth in Wales.
- That public health functions should be devolved to local government.
- By 2020 all employment programmes should be devolved from Department of Work and Pensions and Jobcentre Plus to local government.
- The Welsh Government should introduce the provisions of the Localism Act 2011 giving a power of general competence for councils in Wales
- That a special session of the Public Services Summit, involving all social partners, explore how we might take forward the Cooperative Councils model in Wales.
- The Welsh Government should undertake a review of all statutory powers and duties conferred on local government to consider whether they remain relevant and promote or constrain local democracy and flexibility.
- That the issue of additional assistance or guidance around disposal of property and assets be considered by the National Assets Working Group.
- That the Wales Programme for Improvement be reformed to be made more relevant to the current and future public service funding climate, in particular reviewing the duty around continuous improvement;
- That a similar top-sliced LGA model of funding improvement should be introduced in the Welsh context, where existing improvement grants are transferred into and top-sliced from the RSG settlement.

- That continued commitment to and resourcing of a nationally coordinated programme of Peer Reviews be discussed between the Welsh Government and WLGA
- That the Welsh Government's Review of Audit, Inspection and regulation should be concluded with a view to reducing the number, lowering costs and the burden of external inspection and regulation
- The proposed reconstitution of Fire and Rescue Authorities should be amended to ensure local democratic decision-making and accountability remains while increasing and improving scrutiny mechanisms
- Councils should commit to implementing and webcasting of council meetings and promoting and supporting the use of social media by councils and councillors
- Consideration of the role of local democratic oversight and scrutiny of some aspects of local health service provision

The future of Local Government – what should we expect of Local Authorities?

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| Q1 | 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? |
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Given the scale of the service challenges, local authorities are increasingly active in terms of engaging with service users and the wider communities around the priorities and design of local services. Councils are running extensive public engagement programmes including public meetings, social media and citizens' panel mechanisms. The WLGA is supporting this programme through sharing of practice and provision of a training programme targeted at Cabinet members and Heads of Service about engaging with communities on budget cuts and on-going engagement with communities.

For a number of years the WLGA has provided support to local authorities on improving citizen engagement techniques and consulting within the law. This has been provided through accredited public engagement training programmes and national shared learning events for Local Service Board engagement practitioners, in addition a number of toolkits and research developed include: [National Principles of Public Engagement](#), [Practitioners guide to Public Engagement](#), [Evaluation toolkit](#)

The 22 Leaders have recently written to all AMs, MPs and MEPs in Wales to have a realistic debate around Wales' public service expectations in the current financial climate. Welsh Ministers need to realistically appraise Wales Programme for Government priorities and individual Ministerial portfolios in the current political climate.

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| Q2 | What more could the Welsh Government do to assist Authorities with this dialogue to improve their performance in the delivery of priority services? |
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Local dialogue around service performance and priorities is best coordinated and driven locally; a dialogue between local communities, local councillors and local councils. Welsh Government support should continue and be targeted through funding for local government self-directed support, for improvement capacity, expertise and support.

In turn the Welsh Government's role should be setting national direction around policy and strategy rather than local dialogue or delivery. This is the model across Scotland and England where the latter particularly employ the mechanism of peer reviews. These are of growing importance in the Welsh setting and recent peer exercises have occurred in Cardiff, Carmarthenshire and are forthcoming in Swansea and NPT.

The Wales Programme for Improvement needs to be reformed as it was legislated for in a different financial and public service environment; the duty on authorities to 'put in place arrangements for continuous improvement' is increasingly becoming untenable as authorities have to make difficult decisions to stop services altogether or reduce the availability or standard in order to maintain some level of service.

The Welsh Government and the National Assembly more broadly however plays a key role in setting the parameters and expectations around such local dialogue. It is critical in the current financial climate that there is consistency and realism in national debate and priority-setting around service availability or performance. There is also a need to more clearly report performance outcomes from the national set of indicators and set out how authorities are performing. The establishment of the www.mylocalcouncil.info website by the Local Government Data unit performs this task and allows members of the public to check local performance and compare performance of their councils with others.

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| Q3 | What specific suggestions do you have for reducing and simplifying administration which would free up time and resources to deliver and improve services? |
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The local government legislative and regulatory framework has increased significantly during the latter years of devolution, where additional prescription has replaced a partnership-based and permissive legislative framework, with increased expectations around statutory planning, reporting and regulation.

The current Well Being of Future Generations (Wales) Bill for example sets out statutory expectations around well-being objectives, as well as numerous statutory reporting requirements both individually for public service bodies and then through collective mechanisms such as the new statutory Public Service Boards. There is then a statutory expectation that local scrutiny would report locally and to Ministers on a Partnership's progress. The Wales Audit Office would then have a regularity role around the new sustainable development and partnership statutory requirements.

Welsh local government reform in Wales should be underpinned by principles of subsidiarity and a streamlining of statutory burdens. The Welsh Government should undertake a similar exercise as conducted by the UK Government in compiling a list of all statutory powers and duties conferred on local government and undertake a subsequent review of whether they remain relevant and promote or constrain local democracy and flexibility. This work should link into the ongoing Welsh Government review of Audit, Inspection and regulation; whilst regulators are seeking a more proportionate approach to external challenge, they have to operate within the regulatory expectations set out in statute.

The Review of Audit, Inspection and Regulation should examine the weight and scale of audit and inspection in Wales. In a time of local authority mergers and austerity the existence of separate inspection bodies costing c£50m, notwithstanding the councils' opportunity costs of responding to regulatory burdens, needs to be re-examined. Whilst the Audit Commission has been abolished in England, Wales needs to review the "status quo" of audit and inspection bodies and the proportionality of much of the burgeoning regulatory framework emerging from recent legislation.

Local government has long called for a wholesale review of specific grants in the context of promoting local democracy and flexibility and reducing the cost of burden of monitoring and regulation. Since the advent of the National Assembly, Wales has seen a huge growth in policy initiatives supported by individual dedicated funding streams. Specific grant funding amounted to £402m in 2003-04 and by 2012-13 it had more than doubled to £859m. The cost of administering, monitoring and auditing these myriad schemes is unknown but a recent report by the Wales Audit Office into Grants Management estimates that it is somewhere between 5% and 10% of the value of the funding. This is unnecessary and unaffordable.

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| 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? |
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A new modular constitution has been developed by Welsh local government during the past 18 months. This process sought to update the last modular constitution (from 2001) to include the most recent legislative changes and requirements, but also sought to streamline and modernise the modular

constitution, including clearer more publicly facing language as well as incorporating models of good practice from across Wales.

The modular constitution sets out expectations and mechanisms around openness, transparency and clarity of accountability, including publicity requirements around meetings, public involvement in scrutiny as well as public petitions and questions.

Most councils have introduced webcasting for council meetings, whilst feedback has been overwhelmingly positive many councils are yet to evaluate or review the impact of the Welsh Government funded pilots. Webcasting, particularly if it is to be extended to other council meetings, will require significant commitment of resources, both in terms of finances and administrative support. In the modern era of technology and increasing expectations around accessibility, engagement and transparency, all public bodies should be working towards a consistent and proportionate approach to their broadcasting their formal proceedings.

Similarly, many councils and councillors are embracing wider social media as a key tool to engaging individuals and communities around local democracy and local decision-making. A number of councils use twitter and Facebook effectively to communicate and engage with communities, and a number have held online forums and twitter debates around budget settings and use video diary or blogs to provide a 'personal face' to council business. The WLGA has developed social media guidance and is delivering a programme of social media training for councillors. All councils and councillors should be encouraged to and should promote the use of these powerful tools in engaging more effectively with their communities.

The scrutiny process has been significantly empowered and promoted in recent years, through local government legislation as well as ongoing improvement support through the WLGA and Centre for Public Scrutiny. Latest studies show that local government is improving and faces similar challenges to scrutiny at other levels of government, despite the comparative capacity and resources available. The potential role of scrutiny in the health service is explored later in this response.

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| Q5 | How should the scrutiny support programme be shaped to support improvements in the effectiveness of scrutiny? |
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Scrutiny is a key function in the governance arrangements of local authorities and ensures the contribution and engagement of all democratically elected members into the decision-making processes of local authorities.

The Welsh Government's approach to providing support for overview and scrutiny has been welcome, providing resources to the local government family through WLGA and CfPS to provide support and challenge around scrutiny improvement. The Welsh Government has also invested in scrutiny support through the Scrutiny Development Fund. The coordination of local and national improvement support is also improving through the Public

Service Scrutiny Reference Panel, a relatively recently established forum of national partners and local scrutiny stakeholder representatives.

The Welsh Government should ensure that the level of improvement resources provided to scrutiny remains proportionate to the broader support needs of members and the wider improvement needs of authorities.

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| Q6 | In what other ways should scrutiny be strengthened to drive service improvement? |
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Overview and scrutiny operates in an increasingly complex and challenging public service governance and service delivery environment.

The expectations, increasingly statutory expectations, placed on overview and scrutiny committees and members are significant. Inevitably there is limited time and capacity to dedicate to all aspects of the scrutiny function. The overview and scrutiny function is often supported by a relatively small team of dedicated professionals that are subject to increased examination as budget cuts increase.

The external scrutiny of local government scrutiny has also been disproportionate in recent years, with a range of local and national studies being undertaken many of which have contributed little added value to the scrutiny community and occasionally have affected morale and underplayed the contribution made.

In this context therefore, the Welsh Government should reflect on its expectations for scrutiny. Scrutiny is one of a range of elements in a council's approach to managing performance, alongside performance planning, financial management, audit, performance management and external regulation; scrutiny plays an important role, but should be seen as a safety net should any of those other processes not function effectively. Similarly, performance improvement is just one of the overview and scrutiny functions many roles, alongside areas such as policy development, holding the executive to account, scrutinising partner public services and facilitating public engagement in the governance arrangements of councils.

Where scrutiny's value in the improvement process is unique however is that it ensures essential democratic engagement and oversight in the decision-making process.

The scrutiny role could become even more demanding, both in terms of responsibility and time commitments, in the proposed larger merged authorities, where members will scrutinise larger services covering larger populations across more complex and disparate communities. As the WLGA outlines below, there is potential (depending on the wider proposed reforms for local democracy) for local scrutiny to ensure greater local democratic oversight over local health services.

In this context therefore, the local direction, focus and priorities of overview and scrutiny should be left for local democratic discretion. It should be for local members to determine forward work programmes including holding the executive to account or conducting local public inquiries in response to community concerns. The approach and focus of overview and scrutiny within an authority will vary from authority to authority.

Scrutiny and Governance – Fire and Rescue Authorities

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| Q7 | How might governance and scrutiny of strategic service and financial decisions be best secured? |
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The proposals to reconstitute the role and functions of Fire and Rescue Authorities as set out in the White Paper are not supported. The WLGA does not agree with the Williams Commission that, “it is asking too much to expect councillors to provide meaningful strategic leadership of a professional uniformed emergency service”. With the advice and support of professional officers, over the recent period FRAs have effectively managed reductions in funding (including the closure and re-designation of fire stations and actively pursuing collaborative arrangements) while improving performance and have demonstrated their ability to provide strategic leadership for fire and rescue services. However we are concerned as to the robustness of the evidence base for introducing such radical proposals for reconstituting FRAs and amending decision-making and accountability mechanisms on local and regional fire and rescue services.

Transferring legal responsibilities for the planning, management and delivery of an effective FRS to the Chief Fire Officer, while limiting the role of a FRA to scrutiny and holding the CFO to account for performance, removes political governance and accountability of a local government service and reduces local democracy. In the proposed new model responsibility for decision-making would transfer to a CFO, an unelected position. The Williams Report states that the responsibilities of a CFO would be similar to that of a Chief Constable in relation to policing. To continue this analogy, the proposals suggest that a reconstituted FRA would undertake a similar role to that of a Police and Crime Panel in scrutinising decisions and holding a CFO to account.

The WLGA raised many concerns during the debate on the restructuring of policing governance, and many of these concerns arise in relation to these current proposals, for example, placing the responsibility for decision making in the hands of one (in this case unelected) individual - public accountability for decision-making would disappear; and that without ‘teeth’, the role of the FRA as a scrutiny and ‘holding to account’ body could be limited in terms of influencing decisions - effective checks and balances would need to be built into the model.

In line with these concerns, the WLGA believes that the proposed model for the future governance and scrutiny of fire and rescue services should be rethought. A democratic framework with elected members retaining a key

governance role could of course occur in a cabinet executive option and such models could be explored.

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| Q8 | What suggestions do you have to ensure communities have an effective voice in the decision making process of the new Authorities? |
| Q9 | What sort of consultation, engagement and feedback processes should the new Authorities have with communities? |

Local democracy is predicated on ensuring that community voices are heard in local decision-making and local service delivery. Local councillors are close to their communities, they are champions of their communities and represent the interests of their communities.

There is a relationship between local representative and participative democracy which is evolving in the current era of public service reform. In England the idea of market democracy is at the forefront of some councils based on individual choice and personalisation. In this setting almost one third of English councils are expected to outsource 40% of services by 2015 (New Local Government Network). In Wales we have rejected such approaches and sought to work with the Trade Unions to explore approaches around demand-management and a move towards co-operative and ensuring councils. The recent one day conference held between council leaders and the GMB saw very helpful dialogue in this respect on how we take councils into new areas of provision such as credit unions, energy consortia and new approaches to community budgeting. This builds on a previous WLGA conference led by the LGA and Tameside Metropolitan Borough Council examining the cooperative councils approach.

This momentum around this debate could be built upon through a special session of the Public Services Summit chaired by the First Minister involving all social partners to explore how we might take forward the Cooperative Councils model in Wales.

As noted in earlier questions, councils and public service partners are increasingly engaged in ongoing debate and dialogue around not only the shape and priorities but also the nature and delivery models of community services. Public service partners will have statutory expectations placed on them, through the Well Being of Future Generations (Wales) Bill, to undertake joint approaches to public consultation and engagement, underpinned by statutory needs assessments of communities.

Public service partners have undertaken significant work in recent years developing guidance and sharing practice around public engagement. The National Principles of Public Engagement have been developed in the Welsh context, coordinated by a partnership of public services, which incorporates UK and wider best practice <http://www.participationcymru.org.uk/national-principles> . Fourteen authorities have formally adopted these principles and all

engagement training and toolkits are aligned and aim to embed these principles.

National Partnership arrangements

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| Q10 | How can we best engage with Local Government to take forward a programme of Local Government reform? |
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The obvious point in terms of local government reorganisation is that it affects all parts of local government even those not being put forward for merger.

The WLGA therefore welcomes the Minister for Public Services commitment at the recent meeting of the Reform Delivery Group to regularly meet with the 22 leaders through the WLGA Coordinating Committee and WLGA Council to coordinate the local government reform programme

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

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| Q11 | How can we help and encourage Local Authorities to be more proactive in identifying and responding to delivery or governance issues? |
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The Wales Programme for Improvement promotes self-improvement with authorities taking the lead responsibility for improving themselves. The WLGA therefore welcomes the White Paper's continued commitment to local self-improvement.

The above question however intimates that councils' performance or governance issues often are either not identified early enough or there is an ineffective council-led response and the White Paper suggest unless '...they are highlighted by auditors or inspectors.' This assessment oversimplifies the process; councils' internal governance and performance management arrangements continually identify and manage performance issues.

Many self-diagnosed service or governance issues therefore are rectified or have robust improvement plans designed and implemented without recourse to external support or formal comment by regulators. Inspection or regulatory reports often merely reflect councils' own self assessments, and therefore report that the council is itself aware of its service or governance challenges. Indeed, there is frustration from some quarters that external regulation and inspection adds little in terms of critical challenge or proposals for improvement.

On some occasions however, external challenge through WLGA peer reviews or regulation and inspection is at odds with or at least challenges councils'

own self assessments and self-awareness, and sometimes there is such a gap between perceptions that coordinated improvement activity and/or external support is necessary.

The WLGA provides a programme of support to councils to strengthen and support internal challenge mechanisms and encourage more effective self-awareness through robust self-evaluation. The WLGA also offers a programme of peer reviews of local authorities, funded through the Welsh Government. Councils have seen significant improvements around self-evaluation processes where these programmes have been implemented, many of which have been noted in local Wales Audit Office Annual Improvement Reports and an evaluation of WLGA support.

The relatively recently established national Improvement Support Conference of national partners has also helped facilitate constructive dialogue between the Welsh Government, WLGA and inspectorates and regulatory partners. Through this forum, any intelligence and 'early warnings' are discussed as well as appropriate improvement support options.

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| Q12 | What should be the principles and standards for performance management and performance reporting across Local Authorities, and the broader public sector? |
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The Williams Commission's 'poor and patchy' assessment of public service performance is central to the Welsh Government's proposal to reform local government and merge authorities.

There are a number of authorities facing specific service challenges, notably around education which shapes a Welsh Government perception of authorities 'collapsing' across Wales. Despite these performance challenges, in the main, authorities are performing well and performance indicators show successive years of overall improvement.

The latest performance indicators for 2013-14 showed that 70% of comparable indicators improved during 2013-14. This builds on a period of consistent improvement during recent years; indeed 78% of national indicators have shown improvement during the current Assembly term. The performance indicators also shows progress in the lowest performing services, with the gap between best and worst performing councils closing in 59% of indicators and in 43% of indicators, the performance improved and the gap between best and worst performers closed.

Whilst the 44 national performance indicators are used specifically for public accountability purposes, there are a wealth of further service improvement indicators and data sets underpinning these. This wider performance data is used by 27 benchmarking clubs, which cover services from planning to children's services, run by service managers to help manage and drive

improvements in their services. The benchmarking clubs are coordinated through the Data Unit's online Benchmarking Hub.

Performance reporting in Wales is now more transparent. It has been supported in recent weeks with the launch of 'My Local Council' (<http://www.MyLocalCouncil.info>) from the WLGA and Local Government Data Unit. My Local Council is a new intuitive and user-friendly website allowing the public, councillors, officers and partners to compare councils' performance against each other or compare a council's performance over time. This platform will be promoted widely by local authorities through their own local communications and websites.

Despite the general trend of improvement, there is no room for complacency and there are two key issues to address: variations in performance and expectations around performance.

As articulated elsewhere in this response, service performance variation is an inevitable feature of multiple service delivery organisations; priorities and processes will be different and cater for the needs of disparate communities. Some examples of service variation however cannot be explained or justified by local prioritisation alone, indicating underperformance and a need for improvement.

At a September meeting of the WLGA Management Sub Committee, leaders tasked WLGA officials with convening a working group to explore options to better challenge such performance variation and to accelerate the closing of the performance gap. Options include:

- **Minimum Standards** – the agreement of minimum standards across local government which could cover all 44 performance indicators or prioritise improvement in specific PIs. Minimum standards would aim to identify standard levels of provision for key services that all councils should aim to meet and would be aimed at ensuring a further closing of the gap between poorer and better performance services and/or authorities. Such a concept has been previously explored by local government and Welsh Government but was not introduced, as it has previously been argued that, given funding contractions, some authorities might scale back service performance to the minimum standard rather than continuing to aspire for higher performance.
- **Performance Targets** – the agreement of targets in a small number of key priority policy areas or areas of underperformance could. This approach is adopted in Scotland, whereby COSLA, the Scottish Executive and other partners agree a limited number of targeted improvements in specific performance indicators each year. Feedback from COSLA is positive, as it encourages joint commitment across local government and helps build trust and management of performance expectations between local government and the Scottish Executive.

- **League Tables** – There are ranking systems already in place in local government including the School Banding System. The establishment of the My Local Council website brings new dimension to public scrutiny of local performance and comparison of authority performance. A debate on how we take forward this information needs to occur linked to the provision in the First Minister’s proposals to “...develop simplified, long-term performance measuring, managing and reporting arrangements which focus on outcomes for people across Wales”

The other issue to address is the management of public and political expectations around performance in the current climate. It is unlikely that the current level of service performance can be sustained given the current and future services public funding envelope. It is important that expectations are informed and shared, particularly between local government and the Welsh Government. It is critical that public services are able to consistently and collectively manage political and public expectations around the future pattern and performance of local services given the challenging financial climate faced. The WLGA has recently written to the Welsh Government, seeking an early political meeting to discuss and share ambitions and expectations around performance across local government.

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| Q13 | In what ways could we more effectively use the money we invest in supporting Local Authority improvement? |
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Authorities are incentivised to deliver improvements on outcomes through the Outcomes Agreement grant. Whilst this grant mechanism articulates some direct accountability between authorities and Welsh Government policy aims, the direct causality and contribution to improvement is open to question as much of the local improvement activity would be planned and reported anyway, and the Outcome Agreement reporting process adds unnecessary administrative burden. The WLGA argues that the Outcome Agreement grant should be added to the RSG; and the proposed new local well-being objectives and council improvement objectives be used to demonstrate local contribution to national policy goals or outcomes.

The WLGA is aware that the Wales Audit Office is scoping a national review of Interventions in Wales, and it will be important to learn any lessons that emerge. The sector-led approach to improvement, with Welsh Government support, is the most effective model for informed and sustained improvement and is delivering results; whilst some councils continue to face well-documented service challenges, there is evidence of improvement and innovation across Wales; a theme echoed in England through recent LGA evaluations.

Evaluations and studies suggest that authorities improve most quickly and sustainably where there is local recognition of and ownership of the improvement and where there is constructive capacity and support provided

from within the local government family. This has been the model that Welsh Government has supported through improvement funding via the WLGA, which is similar to the local government improvement models elsewhere in the UK, where Government provides improvement capacity and resources through COSLA in Scotland and the LGA in England.

The resourcing of the improvement support in the Welsh context differs from England and Scotland. The Welsh Government provides a number of annual grants through and to the WLGA to provide improvement support to Welsh local authorities. The funding model in England in particular sees the significant majority of resources provided through the LGA via a top-slice of RSG; this approach provides greater local government ownership and some longer-term stability, which enables longer-term strategic programming of improvement. The WLGA believes a similar top-sliced model of funding improvement should be introduced in the Welsh context, where existing improvement grants are transferred into and top-sliced from the settlement.

All 22 authorities, through the WLGA Council, have committed to receiving a peer review on a rolling programme once every four years. The WLGA Peer Review programme covers core corporate matters of leadership and governance, but can be tailored according to local needs or priorities, for example to focus on financial management or particular service issues. This is a similar approach to the LGA, although the LGA operates in a different post-Audit Commission regulatory environment.

In the past 12 months, the WLGA has conducted peer reviews in 4 authorities, with 2 further authority peer reviews scheduled for September. The WLGA works closely with the LGA and often peer teams are mixed, including LGA peers from local government in England. Peer reviews are not inspections, but are a process of critical friend challenge focusing of identifying areas for improvement rather than audit and compliance with regulatory expectations. It is a reciprocally beneficial model, where peers also benefit and learn from the experience of reviewing another authority's policies, processes and innovations.

The WLGA would welcome dialogue with regulators and Welsh Government around addressing the balance of regulation with a coordinated programme of local government-led Peer Reviews and self-assessment challenge and support.

Q14

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

None of the questions contained in the White Paper fully address the issues of the future roles of local government and central local relations. In this sense before this question on new powers and responsibilities is answered it is important that the relationship between Welsh Government and local government is more clearly defined and codified. The previous experience of

formal partnership agreements, concordats and memoranda of understanding to cement such approaches have inevitably disappointed and not worked. A completely new approach is needed that moves the focus towards a redefinition of the relationship between councils and their communities – providing services with local people, rather than for them. Assisting this would be the full acceptance of three key principles by Welsh government

- Supporting the introduction of the power of general competence for councils in Wales which was introduced in England through the Localism Act 2011.
- An acceptance that “managed difference” and local variation are at the heart of local democracy. This means that local services and solutions will be different for different communities.
- That local government is a democratic body charged with the role of governing its locality and representing (and defending) it and its needs to the centre, in which case it must have autonomy and financial security and control over its own locality

Functions

Tax Raising Functions

The Finance Minister Jane Hutt AM is due to consult shortly on new tax legislation following the First Minister’s announcement that a law on tax collection and management would be brought forward in this Assembly term. The legislation means Wales will be equipped to implement its devolved tax powers, which the Welsh and UK Governments have agreed to devolve in April 2018. From that date, the UK Government will ‘turn off’ stamp duty land tax and landfill tax in Wales, and replacement Welsh taxes will come into effect.

The highly respected economist Gerald Holtham has also argued recently The Senedd Paper 2 (IWA) that with increased tax raising powers emerging as a consequence of the Silk Commission proposals that “the only bodies in Wales that currently have experience of tax collection and administration are local authorities. “It therefore makes sense to use that experience in collecting the smaller taxes that are to be devolved, landfill and stamp duty. It would make sense for them to send the money to the local authority finance department to administer. Stamp duty and landfill could be treated like business rates, collected by local authorities, pooled centrally and then redistributed among local authorities according to a Welsh government formula”

Such a proposal would be resource efficient, avoid the overheads of establishing a new body with its own dedicated staff and assets and draw on the vast experience already in place.

Devolution of DWP employment programmes and Jobcentre Plus services to local government

Support helping residents (back) into work, including training and welfare reform, should be looked at as part of the wider review of local authorities' functions. To be successful, integrated approaches are required. Local authorities provide a wide range of services that support young people and adults to participate in the labour market. However, they have tended to be marginalised in recent back-to-work initiatives. The benefits of their local connections with employers and their knowledge of the labour market have not been fully recognised or exploited.

There is scope for Welsh Government and DWP to work with local authorities at how existing programmes could benefit from greater integration with local provision, and be more closely aligned to the economic development actions of councils and their local partners. WLGA believes that skills budgets could be devolved to local authorities. They could co-ordinate and commission the provision of back-to-work services, working together with public sector partners, the voluntary sector and social enterprise. They are used to this multi-agency co-ordination role and would be well placed to customise support packages. In doing so they would be able to draw on their own services as required, including childcare/social care, transport, housing, substance misuse, mental health etc as well as economic development and regeneration.

This would help to ensure that provision responds to the skills - and other - needs of local residents in a rounded way. It would up-skill residents for the local labour market, such that skills providers who operate in their area work towards skills priorities identified locally. There would be reduced emphasis on courses determined 'top down' at the UK and Welsh levels.

Similarly with welfare, local authorities could be empowered to design and commission a more intensive, integrated approach to support harder-to-help cohorts into work, based on local evidence. By 2020 all employment programmes should be devolved from DWP and consideration should be given to bringing Jobcentre Plus services under local control.

Public Health

In England public health is again a unified function within local government. Local government's health role is already defined in legislation with the Local Government Act 2000 giving local authorities a statutory responsibility to improve the economic, social and environmental circumstances in their area. When it comes to public health a range of practitioners particularly in social care, environmental health and more broadly in leisure services through schemes such as the GP Referral scheme concentrate on dealing with the social determinants of ill health.

Following a period of significant enquiry in 2008 the then Labour Government commissioned Sir Michael Marmot's to undertake a review in this policy arena. In 2010 he produced a landmark review of health inequalities "Fair Society, Healthy Lives". In terms of first principles he argued that: "Greater emphasis should be given to the pivotal role of Local

Councils in delivering health improvement and reducing health inequalities in leading local partnerships”.

In terms of the Welsh Government’s agenda around Wellbeing, the WLGA would argue that time is opportune seek a full an examination of the creation of a public health improvement role to be located within local government. Public Health Wales was established as an NHS Trust in 2009 and is an organisation employing some 500 people and with a budget of £81m. On top of that, councils current spend of £1,565m on social services, £94m on leisure services and £52m on regulatory services (including environmental health) demonstrates the significant scale of local government contribution to the wider public health agenda in Wales. Public Health Wales is located in the NHS and it is inevitably dwarfed by the larger configurations of secondary care. Locating public health functions in councils in Wales would give the public health agenda a new impetus allowing closer working with GPs and linking into the enforcement role that councils have in areas such as food safety. Local government fully accepts that where a public health service is deeply intertwined with the delivery of clinical services, or where services are part of the primary care contractual arrangements there must be an on-going NHS role.

A Public Health Bill is being consulted upon in Wales. Local government’s view is that the issue of sustainability of health and social care is at the heart of this debate and that fundamental changes learning the lessons from the English experience are the way forward particularly if local government reorganisation does occur.

Health Scrutiny

It is timely with the review currently being undertaken by Anne Lloyd the former NHS chief Executive in Wales to consider a much stronger role for local government in the scrutiny of Health. The Welsh Government legislated for a duty to scrutinise designated persons (i.e. public service partners) in the Local Government (Wales) Measure 2011. This duty has however not been commenced and appears to be replaced by new partnership scrutiny duties in the current Well Being of Future Generations (Wales) Bill. These duties only relate to individual partners’ contributions to delivery of partnership objectives, it is unclear how far scrutiny could go in terms of scrutinising core service provision or the relationship with Community Health Councils.

It is therefore appropriate to consider whether, how and how far local authority scrutiny could engage in the scrutiny of Local Health Boards. Potentially, it is a fundamental way by which democratically elected local councillors would be able to voice the views of their constituents, and hold relevant NHS bodies and relevant health service providers to account. To this end, it is essential that health scrutiny functions are also carried out in a transparent manner, so that local people have the opportunity to see and hear proceedings.

In England the new transparency measure in the Local Audit and Accountability Act 2014 sees Local government making an even greater

contribution to health since taking on public health functions in April 2013. In Wales, social care and health services are becoming ever more closely integrated and impact on each other, with the result that scrutiny of one may entail, to a certain extent, scrutiny of the other.

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| Q15 | Does anything else need to be covered in a power to achieve a voluntary merger? |
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Although the Prospectus for Proposals for Voluntary Mergers has been published, further detail and assurance is needed around financial support for authorities.

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| Q16 | Is your Authority considering submitting a proposal for voluntary merger? |
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This is a matter for decision by our membership within their local settings

The WLGA does however have concerns that this staged approach to mergers set out in the White Paper complicates the process and relies heavily on assumptions such as the timely passage of legislation, the capacity of the Local Democracy and Boundary Commission to deliver an unprecedented level of reviews and the capacity of political parties to deal with multiple campaigns over the next 5 years. The biggest factor is public understanding given the approach breaks the successful model of unified national elections across the whole of local government.

Local Authority electoral wards

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| 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? |
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The White Paper options for local government reorganisation envisages a crucial role for the Local Democracy and Boundary Commission undertaking reviews prior to prior to the "Early Adopters elections" in 2018 or the Shadow Authority elections in 2019. Electoral reviews will have to be completed reducing the number of councillors in Wales (the White Paper does not specify a figure although the Williams report argued that the new authorities should be capped at 75 members). This must be completed in time for the Shadow Authority councillors to be elected on the new ward boundaries. This would also require in many areas across Wales all political parties to undertake and finalised new selection processes.

All 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 really start its work when (and if) the First Bill gets 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). If the Paving Bill gets Royal Assent in Nov 2015 this enables Welsh Ministers to instruct the LDBCW on the basis of proposed Authorities. This will give them from Dec 2015 to May 2018 to complete the work particularly for any early adopters

Alternatively if the Paving bill is not carried, no one "early adopts" and the Second Bill receives Royal Assent on the White Papers proposed planning schedule by Summer 2017 the LDBCW will need to address a key question. Can they commence reviewing areas that are not yet enshrined in legislation or do they have to wait for the full legislation in summer 2017?

The importance of this point is central to the process. If it is the latter case and they have to wait for legislation this will mean that they will then need to logistically complete nine full reviews (those subject to proposed mergers in the 12 option) well before the end of 2018 to allow proper preparation time for the May 2019 elections. This is a very "small window" to undertake such a resource heavy task particularly when the LDBCW will also be undertaking Parliamentary reviews. Similarly at some point they will have to review those three areas not subject to merger. At minimum it would require the relevant provision in Section 29 Sub Section 8 in the Local Government (Democracy) (Wales) Act 2013 to be repealed. This stipulates that -

"(8) The Commission must not, in any period of 9 months preceding the day of an ordinary council election under section 26 of the 1972 Act (elections of councillors), make or publish any recommendations relating to the electoral arrangements of a principal area."

This leads to a number of questions and issues -

- Why is there only a six month shadow period for the early adopters whereas for the merged councils it is 12 months? Six months seems a very short period of time for transition and set up. Sufficient transition periods need to be allowed for senior recruitment particularly the chief executives and senior managers, member training, transfer of functions, business planning and continuity, governance, local relationship building with statutory partners, and hand-over.
- The views of the Local Democracy & Boundary Commission on the practicality of undertaking their work is a key factor. Based on past evidence the Commission would not be able to complete the number of principal council reviews required in this timescale. Even if they could complete, the contestability of their proposals, again based on past experience, would make it very difficult to achieve sufficient public

support to ease Ministerial decisions in time for their adoption and implementation. A new raft of local community reviews could also be expected in the run up to a review of principal boundaries which would add to the workload of the Commission and further compromise its ability to deliver a review programme of this size and complexity on time.

- All this begs the question how does Welsh Government intend to increase the resource base of the LDBCW and what structures will be put in place within the civil service to provided sufficient weighty project management for a very ambitious legislative timescale?
- Does it represent best practice to repeal section 29 (8) of the 2013 Act so shortly after its enactment?
- Do all these proposals meet the criteria of electoral transparency? Will they be readily understood by the public or will this be confusing to voter. If so will this impact on voter interest/turnout in what appears to be an election almost every year between 2015 and 2022?
- Will this compromise candidate recruitment through such complex arrangements. We expect locally that there will be a good number of retirements of experienced councillors in 2017 - so being able to make office attractive to new candidates will be doubly important in the interests of good local governance.
- Will Local elections falling at different times across Wales would break the successful model we have had of all-out elections which has enabled the local government family to replenish its leadership (every four years) to be a reliable and effective partner to work with WG/NAfW and all parts of the public sector? Elections falling at different times would cause some discontinuity.

Remuneration of Elected Members

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| 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? |
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The Independent Remuneration Panel has a wide-range of powers with regards making recommendations for payments to councillors. The WLGA and authorities will maintain constructive dialogue with the Panel as merger plans develop, to consider the range of responsibilities and commitments expected of new councillors on the merged authorities. The implications of shadow authorities will need to be considered in terms of remuneration of members undertaking potentially 'dual roles and responsibilities on incumbent and shadow authorities.

Disposal of property and assets

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| 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 |
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| | proposed power will be sufficient, what specific problems do you envisage? |
| Q20 | What sort of assistance or guidance might Local Authorities need? |

Local Government currently has appropriate powers for the disposal of property and assets. More flexibility would be welcomed around the use of receipts to fund transformational activities and the current proposals are welcomed.

There is sufficient professional expertise to advise shadow boards and new authorities. Guidance may not be needed in this area over and above reminding professionals that they should act prudently in transactions and avoid the temptation of rescheduling the disposal of assets out of political expediency. However the issue of guidance and assistance may be tested by the National Assets Working Group which is chaired by a local authority Chief Executive and has membership drawn from local authorities

Collaboration, cooperation and preparation in advance of mergers

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| Q21 | Is there anything else which should be specified for joint transition committees to do in preparing for a merger of their authorities? |
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The section on transition committees in the White Paper is light on a number of key factors primarily because it is based on restrictive thinking than exploring the permissive roles required for transition committees to do their work.

Does the Welsh Government intend to specify as recently happened in Northern Ireland representational principles to underpin transition committees? For example in Northern Ireland each statutory transition committee consisted of not more than 16 members with equal representation from its predecessor councils. In Northern Ireland the following roles were also set out:

- (a) gather information and consider and advise on matters relevant to ensuring that the new council will be able to adopt its full range of powers and functions from 1st April 2015;*
 - (b) prepare a draft Corporate and Business Plan for the agreement of the new council;*
 - (c) prepare a draft budget for the agreement of the new council; and*
 - (d) arrange the first meeting of the new council.*
- (2) Subject to paragraph (3), a statutory transition committee shall—*
- (a) publish its Corporate and Business Plan; and*
 - (b) agree with the predecessor councils within the district in relation to which it is established, a budget for the operation of the committee.*

It was Transition Committees in Wales during the 1990s that had a role in terms of communication and consultation with staff to help maintain morale and collection of detailed information about current staff. These are important to maintain essential services up to transfer, to enable rapid pick-up in successor authorities and to ensure fairness to all staff.

Transition Committees also placed the adverts for the recruitment of senior staff including the Chief Executive so that the shadow authority could hit the ground running

There were also make temporary appointments to carry out the statutory tasks of Chief Executive, Chief Financial Officer and Monitoring Officer. These could be suitably qualified people who do not intend to apply for employment with the new authority after changeover.

Whilst final decisions on service planning in incoming authorities must wait until after shadow elections information collection in existing authorities, and the identification of potential service delivery options, was completed before then. In the 1990s this ensured that subsequent planning could proceed as quickly as possible and enabled the shadow councils to prepare and publish a draft service delivery plan covering all services by the end of October 1995, and a final plan by the end of January 1996.

The necessary staffing information will need to be assembled to enable the draft Staff Transfer Order (STO) to be prepared and a range of arrangements put in place to address Staffing matters:

- i) Joint Member and officer planning mechanisms and working groups should be set up
- ii) A Joint Communication Strategy should be established to ensure there are no conflicting messages to staff, internal and external messages are aligned, and purpose, author and communication channels are pre-agreed
- iii) A single negotiating /consultation mechanism should be established to ensure formal consultation with unions can take place expeditiously.
- iv) A training needs analysis should be undertaken with an evaluation of any skills gaps in the existing HR / Management teams. Then existing staff can be upskilled in order to meet the challenges of the forthcoming merger process.
- v) The impact on resources of the merger process will be considerable. An agreed process will need to be established to integrate key 'Implementation Teams' (HR and Service Managers) to ensure an appropriate resource is available to facilitate and manage the change process in due course.
- vi) It will be important to be able to establish and communicate a vision for the new organisation as soon as possible. This will help prevent staff seeing the change as a negative takeover of one authority by another. Transition Committees will need to set aside time to consider this.
- vii) Options for Member / Officer structures need to be drawn up

- viii) There will be different HR /Payroll and other IT systems operating across authorities. Consideration will need to be given as to how to bring different systems together, either locally or on a regional basis, as well as short-term IT planning in the interim.
- ix) The new authority will require a Chief Executive to provide direction as soon as possible. It is therefore desirable that these positions are advertised before the shadow elections or time will inevitably be lost afterwards and appointment set back.
- x) Thought will need to be given to how leading Members will be supported in the first few weeks of the Shadow Authority as with many Chief Officers being candidates for the senior posts working closely with members may be difficult on both sides.
- xi) In the weeks before the Shadow elections the JTC should draw up a Project plan for the Shadow year to avoid time being lost at the beginning
- xii) Accommodation and other office support for the new chief executive and Management team should be identified

Q22

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

This question is badly phrased. It goes back to the nature of the relationship between central and local government. For example the reserves of councils will have been accumulated by a principal authority in that area from contributions from council tax payers. Throughout the process of austerity councils have been urged by various organisations to spend their reserves but have consistently made the point that general reserves are limited and not to be used in an impetuous manner. Local authorities can be trusted to continue this approach within the new authorities.

Earmarked reserves alternatively may have been accumulated to pay for projects within specific areas such as new schools. If restrictions are placed on this programmes such as 21st Century Schools will fall farther behind and impede the execution of local political choices which may have been taken over an extensive backdrop of accumulated decision making and local community consultation. Fundamentally this is about the question of political sovereignty and choice. The Welsh Government for example is using a large proportion of its borrowing powers on a replacement for the current M4. That is a legitimate political choice and a strategic decision. Why should local choices be treated differently?

It is proposed therefore that a paper on local authorities' reserves be produced for the Finance Sub Group setting out the accurate position in respect of council balances and their intended uses. This to be undertaken in conjunction with the Wales Audit Office.

Staffing matters

Q23

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

The White Paper states that Welsh Government does 'not believe that reducing the number of local authorities through mergers will create as many staff and workforce issues as has been the case when local government has been re-organised'. However, it is difficult to see in what way mergers would make staffing issues any easier. All the same processes will need to be undertaken in terms of creating new structures and recruiting to them. However, whereas in the last re-organisation all staff rather than the very senior officers were guaranteed a job, this is unlikely to be the case in a climate of continuing local government funding cuts. This situation would make the staffing issues more difficult (and more costly), rather than easier. Staff who will not be guaranteed jobs in the new authority may seek alternative employment and this could impact negatively on general officer capacity and expertise as well as ongoing service delivery.

The Structure of the Staff Commission will need to be determined. The public sector trades unions may well see it as a joint decision-making or advisory body. Public sector employers may take a different view as to whether such an arrangement would be workable or whether it may serve to complicate and delay decision-making. From the Employer's perspective we would certainly wish to better understand Welsh Government's view of these matters and how far they would envisage Welsh Minister's issuing directions to local authorities on the recommendations of the Staff Commission and whether such recommendations would need to be supported on both sides to be accepted.

It will be important to ensure that the role of the Staff Commission and any directions and guidance issues by Minister's on Workforce Matters relating to the structural changes did not cut across UK Employment legislation and actually result in the local government staff in question having less rights than their English counterparts.

In general terms however, the role and remit of the Staff Commission should be the same as during the last re-organisation:

- To consider and keep under review the arrangements for the recruitment and transfer of staff affected by re-organisation;
- To consider any staffing problems arising from re-organisation; and
- To advise the (Welsh Government) on the steps necessary to safeguard the interests of such staff

For example, a formalised joint recruitment protocol across local government or, ideally public services, will ensure that employees see a fair and transparent process during re-organisation. The Protocol could include vacancy management guidelines (secondments during the transition period), recruitment guidelines (ring-fencing, slotting in criteria) and retention initiatives (if there is a turnover concern)

A further example would be a formalised severance protocol and scheme across local government. This would ensure a fair process whereby there were clear and consistent criteria for voluntary redundancies, VER and compulsory redundancies and redeployment. There might also be one scheme of redundancy compensation payments.

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| Q24 | Is anything else needed to prepare the way for merging Local Authorities? |
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Notwithstanding the legislative framework and ambitions timetable, a number of extensive preparatory exercises will be required in advance of mergers. This process will be further complicated by the potential of a two-stage programme of local government reorganisation with a number of possible early adopters.

Transition committees will need to be established to draw up new organisational design principles which will need to be followed by the senior manager staffing structures for the new authorities as soon as possible so there is no impact on decision making. A full inventory of all existing staff and their skills/roles will need to be drawn up under the auspices of the JTC. Staff will need to be matched to the new roles and those new and very senior roles not filled by matching will need to be recruited into.

Local Government Funding – Council Tax

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| Q25 | What would be the most equitable approach to raising revenues for local services? |
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Some form of property tax has endured as a source of income to fund local services for a long time but the links between taxation and representation have been eroded over post-war period and are inconsistent with Article 9 of the European Charter of Local Self-Government. The current system creates a dependency culture where the local needs and priorities of communities are trumped by the use of grants and funding formulae.

The basic premise of property taxes is sound and property values are influenced by local preferences that strongly influence both supply and demand. As indicated above the local collection of devolved taxes such as the Stamp Duty Land Tax should be given consideration.

The proposal for larger authorities should reopen a debate on whether business rates should be localised in whole, or in part through a retention scheme similar to the English model. Businesses are taxpayers in their own rights and should have assurance that taxes are being used to fund services that support their objectives and the local economic infrastructure.

There is an opportunity to reform council tax. The current system is not progressive and the revaluation of the taxbase takes place at irregular intervals. There is an opportunity to address both of these issues in putting a system of taxation that is fairer and more suited to the aspirations of governments, at every level, that are committed to social justice. This has been explored by the Institute of Welsh Affairs in the paper referred to above by Gerald Holtham. The implications should be given serious consideration.

Council Tax Harmonisation

The White paper is silent on the issue of council tax harmonisation and the experience of local government reorganisation in the past and the failed proposals for police mergers in 2006 is that it is an important consideration. The Welsh Government will have to be clear what its council tax policy is regarding harmonisation. It will need to address what 'type' of harmonisation is preferred. Levelling down or equalising to the lowest level is theoretically possible and this will be attractive to council payers. However it will drastically reduce funding for local services. Levelling up or equalising to the highest would potentially mean holding the higher rates constant over a period until the lower rate has caught up.

The type of harmonisation will potentially determine the length of the harmonisation period and this will differ for each new authority. On current council tax differentials, some new authorities could achieve harmonisation in one or two years. In two cases it is beyond 5 years. Importantly, even a levelling up-type approach would result in income forgone of around £60m.

Funding formula

While the current formula has served us well since devolution it is unlikely that it will continue and as the independent members of the Distribution Sub Group (DSG) have pointed out there are a number of reasons why the current approach needs to be radically rethought. Work should continue within the DSG and it should be more thorough in looking at good resource allocation elsewhere. The aim should be to have a sound mechanism in place by the time statutory mergers occur.

A fundamental review of local finances should be initiated by the WLGA through member-led working group that will establish an *Independent Commission into Local Government Finance*. It will be tasked to make recommendations for the reform of the system for local government finance that better supports local services and promotes economic growth in Wales.

Other issues

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| 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: |
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One of the most fundamental and pressing questions is the estimated costs of local government reorganisation and how such a process will be funded in the current financial climate.

The WLGA and the Williams Commission each undertook a limited exercise around the costs of a potential reorganisation. Both pieces of work are contestable and present alternative conclusions. The WLGA is undertaking a further more detailed analysis of costs with CIPFA.

The WLGA remains concerned that the Welsh Government is pressing ahead with legislating for one of the most wholesale public service reforms in two decades, one which will have significant and lasting impact on the nature of public services for Wales' communities, notwithstanding the jobs of thousands of public sector employees, without a clear and costed business case underpinned by any form of assessment of potential costs and/or likelihood of return or savings. The White Paper includes a fundamental mistake in the projected costs being '0.5%' of the local government budget, whereas the figure should be 5%, and even then this assumes the totality of local services spend (including police) not exclusively local government costs. Although a typo, such an error has caused consternation in some councils and undermines confidence in the Welsh Government's understanding of the complexity, scale and significance of the proposed reforms.



An Alternative Approach to the Williams Report.

The Creation of Four Combined Authorities for Wales?

Discussion Paper

“Form follows function. Where is the debate in Wales about what local government should be about? Where is the debate about what services should be done at a particular level so we can design what structures we need? Williams was a useful and broad survey of Welsh public services – but lacked a truly coherent vision”.

Auditor General for Wales – Hugh Vaughan Thomas WLGA Conference 19th June 2014

Not surprisingly, most debate on local government reform tends to focus on the merger of existing units because this is a relatively easy thing to do.... However, redesign of local government from a zero base is a complex exercise, which needs analysis and consideration of a large volume of data and imaginative ideas about future options. Although redesign is more difficult, if done properly it is likely to generate a more robust configuration for local government than the merger approach.

Professor Malcolm Prowle – Head of Business Performance, Nottingham Business School – Public Finance 6th June 2014

“Reform has to be a collaborative process and not something imposed from above. It has to be driven by local government itself because that's the way in which we will end up with the best fit between local services and local people. I'm saying to local government leaders: It's up to you, pick up the baton now and challenge yourselves to renew and refresh yourselves”.

Owen Smith MP Shadow Secretary of State for Wales – BBC Wales 15/06/2014

Introduction

1. The Commission on Public Services Governance and Delivery – the Williams’ Report - was published in January 2014. It advocates that there are significant problems relating to the scale and sustainability of local authorities and proposes that the current 22 councils across Wales are cut down to a number between 10 and 12. The recent Welsh Government White Paper “Devolution, Democracy and Delivery – Reforming Local Government” broadly endorses this proposition and seeks to consult authorities on the way forward.
2. The recommendation has resulted in no consensus emerging among the political parties within the National Assembly on the way forward. In local government, there are a number of fundamental concerns. The financial outlook is that by 2018 up to £877 million¹ of expenditure will have been removed from local government in Wales as austerity continues. To put this in perspective, Williams argues that reorganisation will save an estimated £80 million per annum. By the time any reorganisation takes place there will be very little left to realise in savings. Put another way the £80 million in annual saving represents only 1.5% of the £5.3bn that is classified as councils’ net revenue expenditure (NRE) for 2014-15. In cash terms the £80m is half the overall reduction in aggregate external finance for 2014-15 and reductions of this scale are set to continue. In this sense, whatever happens to structures is academic for local government given this financial position.
3. A second and equally important concern is that government in Wales will become insufficiently ‘local’ and the connection between government and the experience of intimate community linkages that characterises much of Wales will be lost. This concern is clearly expressed by WLGA in its recent publication, ‘In Defence of Localism’ setting out the scale of challenges over the next ten years and the need to avoid “centralism within devolution”.
4. The fear is that the local authorities recommended by the Williams’ Commission will be too large to be local but too small to provide the scale necessary for regional planning and the delivery of some key regionally based services. More than this, the cuts trajectory in Wales is such that the debate around a range of key services is now about sustainability rather than reorganisation. For unprotected services, a structural reorganisation in 2020 offers cold comfort; the issue is to collaborate now to create resilience. This is particularly the case in a range of functions including transport, economic development, planning, regulatory services and others, which have faced the brunt of cuts thus far with more to follow.

¹ The Funding Outlook paper presented to the Finance Sub Group estimates a cumulative budget shortfall of between £574m and £877m depending a range of settlement scenarios.

Collaboration

5. The Williams' Commission was not persuaded that the experience of collaboration between local authorities gave sufficient confidence that collaborative networks were robust enough to provide the bridge between the objectives of localness and the need for scale in some functions.
6. Not everyone will agree that the history of collaboration between local authorities is as weak as the Williams' work suggests. Indeed evidence presented to the Williams Commission presents a different image. Williams commissioned a report from Paul Griffiths the former senior special advisor to the First Minister, Rhodri Morgan AM. The paper, "The Experience of Shared Services" sets out a comprehensive picture of the impact of collaboration initiatives associated with the Beecham and Simpson Reports. It is interesting to note that this document was not referred to in the main Williams Report.
7. This review concluded that *"the development of shared services is mixed: they are more prevalent in some services than in others and many shared services include some but not all local authorities. Nevertheless the review indicates that the scope of shared services is substantial and encompasses many high volume and high value activities: including school improvement services, social care procurements, major investments in transport and waste management facilities"*.
8. Moreover Griffiths points to a "Sword of Damocles" that hung over the collaboration agenda namely that *"In Wales the message from central government has been "Collaborate or face Merger". The spectre of institutional reorganisation continuously hangs. For many with hierarchical leanings this is not so much a threat as a promise and it has proved to be a serious disincentive to creating collaborative advantage. The developing assumption that there is now bound to be a significant centralisation of service delivery in Wales has put brakes on most forms of innovation including collaborative development. Those brakes will bind ever harder during the decade it would take to effect institutional reorganisation"*.
9. It is the case that the collaborative agenda has slowed significantly prior to the publication of the Welsh Government White Paper on Reforming Local Government as uncertainty about the way forward has dominated the debate over the past months.
10. It is because of this and the other factors that WLGA is putting forward a new and radical proposition for change. It is fully accepted that a lot more could and should be done to give confidence to the Welsh Government

and other partners that local government can deliver institutional arrangements that cross over local government boundaries.

11. It is suggested in this paper that the problems identified by the Williams Commission could be more easily and more effectively remedied by legislating to ensure consistent delivery of regional services rather than legislating to achieve fewer local authorities. This would in turn provide a much more cost effective approach since Paragraph 115 of the White Paper essentially indicates that local government may have to "swallow its own smoke" on funding reorganisation. This is particularly the case since recent announcements suggest that forthcoming Welsh Government borrowing powers will be under real strain not least because of the cost of the M4 alternative route.

The Approach in England

12. This suggested approach would also chime with the burgeoning debate emerging in England from both Labour and Conservatives examining the future of regional development and devolved powers to localities.
13. The recent report by Lord Andrew Adonis "Mending the Fractured Economy – Adonis Growth Review" makes a significant contribution to this debate. In the report, the former Secretary of State for Transport argues that *"a big package of devolution to the cities and county regions of England is the key to a balanced economic recovery in which prosperity is shared"*. In his proposals, Adonis cities that new Combined local authorities would be given *"serious responsibility for planning and delivering infrastructure, including planning transport, housing and training"*.
14. Lord Adonis' argument is a compelling one and could anticipate effective use of some of the tax raising measures that will come into Wales as set out by the Silk Commission. As he states, *"Combined Authorities – new statutory authorities at the city and county region level, bringing together local authorities for joint purposes including transport – should be strongly encouraged on the successful model of the Greater Manchester Combined Authority. There should be a substantial new devolution of Business Rates income to these Combined Authorities, in return for an agreement on key infrastructure investments to drive regional growth"*.
15. In addition, Labour has just published 24 recommendations including the devolution of £6bn a year in housing, training, infrastructure and transport funds to those city regions and Combined local authorities that come together to prepare a plan for growth in conjunction with the business-led local enterprise partnerships. They would allow cities to keep all of the growth in revenue from the business rate - a topical subject in light of the Silk recommendations in Wales. The Conservatives are also talking in terms of greater devolution with the Chancellor George

Osborne's promise of "*serious devolution of powers and budgets*" for cities very clearly linked to the acceleration of the number of elected mayors.

Case Study 1 - Greater Manchester Combined Authority

There are several examples of where this approach to public service delivery is already proving to be successful in England. One such example is the Greater Manchester Combined Authority.

The Greater Manchester Combined Authority (GMCA) was established under the Greater Manchester Combined Authority Order 2011 (SI 2011/908). The GMCA covers the ten metropolitan boroughs, which formerly made up the metropolitan county of Greater Manchester:

- Manchester
- Salford,
- Stockport,
- Tameside,
- Trafford,
- Wigan,
- Bolton,
- Bury,
- Rochdale, and
- Oldham.

The order provides that:

- Each constituent authority contributes one member to the GMCA. The members are entitled to travel and subsistence expenses but not payment.
- The constituent authorities must meet all of the costs of the GMCA. It has the power to set a transport levy on the constituent authorities, and to borrow for transport purposes.
- Any provision regarding congestion charging must be passed unanimously;
- The Greater Manchester Integrated Transport Authority is abolished and its functions transferred to the GMCA. The Passenger Transport Executive becomes "Transport for Greater Manchester", an executive body of the GMCA.
- Certain traffic-related functions of the constituent councils have been passed by them to the GMCA.

- Economic development functions are transferred from the constituent councils to the GMCA, though they are held on a concurrent basis (i.e. the constituent councils may continue to exercise them).

- The Combined Authority builds on the ten boroughs' long experience of working together since the abolition of the Greater Manchester metropolitan county in 1986. The Combined Authority was also centrally involved in the 'earn-back' scheme agreed with central government, allowing the retention of a proportion of business rates to be invested in infrastructure. This formed part of the Manchester city deal

Regions and Functions

16. There are in reality definable regions of Wales which are larger than the local authorities recommended by Williams and which are suitable geographies for the undertaking of an important range of public service activities. The exact lines on maps are always negotiable and contestable but the broad parameters for those regions are those embarked upon by the WLGA when it set up 4 regions as the basis for collaborative boards in 2005:

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

17. The presence of two City Regions Boards in the South West and South East could actually assist this process. Professor Kevin Morgan of Cardiff University believes that Combined Authorities could be the "engine" that powers the city region approach. It would also certainly chime with Welsh Government aspirations on increasing the interconnectedness of transport and housing policy.

18. Consequently, it is the view of WLGA that there is a political imperative to discuss this with authorities across Wales who should be fully consulted to design this new regional map.

19. The functions which could be undertaken on this regional basis might include:

- Regional transport planning and delivery
- Regional strategic land use planning
- Regional economic planning and promotion (including the development of globally competitive city regions)
- Regional tourism promotion
- Regional School Improvement services
- Regional commissioning of health and social care e.g consortia contracting for looked after children, national adoption service.
- Regional procurement of waste processing facilities

- Regional or national provision of IT procurement, pay roll, pensions and other back office services.
20. For many of these services that are facing the brunt of cuts and retrenchment, simple mergers across a single boundary offers very little in terms of service resilience and sustainability. Greater security and a more strategic approach would be achieved at a larger optimum level. There is no escaping the fact however that job losses could flow as a result of regional consolidation and this would require detailed discussions with the trade unions and employees.
 21. In addition, if there was willingness to debate further functional devolution to local government, a number of additional functions could be added including public health that is already within the local government sphere in England.
 22. The highly respected economist Gerald Holtham has also argued recently that with increased tax raising powers emerging as a consequence of the Silk Commission proposals that *“the only bodies in Wales that currently have experience of tax collection and administration are local authorities. “It therefore makes sense to use that experience in collecting the smaller taxes that are to be devolved, landfill and stamp duty. It would make sense for them to send the money to the local authority finance department to administer. Stamp duty and landfill could be treated like business rates, collected by local authorities, pooled centrally and then redistributed among local authorities according to a Welsh government formula”* Gerald Holtham, The Senedd Paper 2 (Institute of Welsh Affairs).
 23. All this of course would need detailed analysis and debate. Yet the potential is obvious and the prospect stimulating not least through unleashing a new approach to the delivery of public services.

Legislation

24. It would be possible to legislate to achieve the following and this is set out in more detail in a technical note in Annex 1. In broad terms it would require:
 - The creation of four regional bodies in Wales each with their own legal identity
 - Allocation of functions between the local authorities and the regional bodies
 - Specifying the governance of each of these bodies to include representatives or nominees of all constituent local authorities plus representatives of nominees of Welsh Government
 - The governance could allow delegations to committees allowing each collaborative function to have its own responsible group accounting to the overall regional body.

25. The advantages of a legislative basis for the regional body include:
- There would be a legal duty on each local authority to participate in the regional body and deliver specified functions through such a body
 - The governance and accountability of the body would be enshrined within elected members from the constituent councils on the Combined Authority with robust links back to their authorities.
 - Unlike existing collaborative organisations the regional body would have its own legal identity capable of having legal responsibilities, the abilities to enter into contracts, control assets and employ staff
 - The ability of the Welsh Government to directly fund and regulate the regional bodies.
26. In England Combined Authorities are legal structures that may be set up by local authorities following a governance review. Two or more local authorities may establish combined Authorities. The Combined Authority must include membership from all local authorities in its area: it cannot include, for instance, part of a county council area.
27. Combined Authorities may take on transport and economic development functions. They have a power of general competence and can be passed functions by the Secretary of State under the general power to pass functions down in the Localism Act 2011. The Greater Manchester Combined Authority was established in 2011. Combined Authorities were established in West Yorkshire, Liverpool and Sheffield on 1 April 2014.

Case Study 2 – The Sheffield Combined Authority

The nine local authorities that make up the Sheffield City Region (SCR) have a long history of collaboration at a scale that reflects the natural economic geography of the region. Most recently, this collaboration has taken the form of the Sheffield City Region Local Enterprise Partnership (SCR LEP) and SCR Leaders Group.

Following a comprehensive “Governance Review” – SCR Leaders concluded that the time had come to take SCR governance to the “next level” (i.e. from informal collaboration to joint decision making on some issues) and “put into legislation that which we [the SCR] have been doing by consent for some time” (Governance Review Workshop 1 – 20th July 2012).

In practical terms, this means establishing a SCR Combined Authority. The term “Combined Authority” means the bringing together of two statutory bodies – the Integrated Transport Authority (ITA) and an Economic Prosperity Board (EPB) in order to align political decision making around strategic Economic Development and Transport. The Combined Authority works in partnership with and is complementary to the private sector-led Local Enterprise Partnership (LEP) Chaired by James Newman. The Chair attends CA meetings on behalf of the LEP

Board. It is proposed that the SCR Authority will “hardwire” the partnership between the public and private sector in the SCR – providing a solid, stable platform for future governance and decision-making.

In Defence of Localism

28. Some may argue that introducing Combined Authorities is essentially a reintroduction of the two-tier system that existed before 1996. However the differences with this proposal are significant. There remains a continued emphasis on a sense of place and localism as the predominant form of governance.
29. In our fiscally constrained climate, local authorities face a raft of new challenges and opportunities. There are ranges of financially unprotected services including transport, culture, leisure, economic development and planning, which will wither on the vine unless a new approach is taken. This approach will ensure that authorities working together under a common legal umbrella can sustain these functions whilst ensuring that decision-making is responsive to and embedded in local communities. It will also provide a crucial starting point for moving towards an economy that operates across place.
30. The counter-argument that this would mean a return to two-tier local government is a fallacious one. Even if we implement Williams we will still need to move towards overarching regional frameworks in areas such as planning, economic development and waste management. In doing so, we will be acknowledging the issues that flow from administrative boundaries not reflecting functional economic areas.
31. The approach would also address head-on the sustainability of services: how many types of council across Wales will be able to maintain economic development and tourism units into the immediate future? A Combined Authority might be a creative way to maintain a local government foothold in key strategic, but discretionary, services.
32. Others may argue that this paper in effect suggesting 26 authorities for Wales rather than 22. This again is a misreading of the central argument. As shown in England a Combined Authority flows out of the existing structure and does not add any additional staffing requirement, asset creation or increase in political representation. Ultimately a Combined Authority is not about taking-over of local authorities to create a ‘super council’. **Local authorities remain the best organisations to deliver the vast majority of services for their communities.**
33. In terms of costs of implementation councils will seek to ensure that the running costs of Combined Authorities should not cost significantly more than the arrangements that they replace. Although there may be some transitional costs, such as the cost of transferring staff and assets to Combined Authorities, integrating services into the Combined Authority

is expected to save money through better co-ordination and organisational redesign. Transparency will also be vital and it will be most efficient to build this scrutiny into the new governance arrangements.

34. The WLGA intends to approach the Core Cities Authorities in England to undertake further work in these areas based on experience to date. The WLGA would also request recognition of the principle that if Welsh Government is prepared to fund the costs of LGR that an appropriate resource be made available to underwrite this approach.
35. In another context, the Combined Authority could be focus for devolving powers from Cardiff Bay to local government. It would certainly provide a vehicle for a new approach to central local relations. This was recently envisaged by the First Minister when he stated in a Assembly Plenary Session on 28th January 2014 that: *“I spend a lot of my time arguing for powers to be devolved from London to here. I am fully aware of the fact that the same argument applies to devolving powers to local authorities, as long as they are able to deal with those powers.”* All this in addition could form part of the national debate envisaged as part of the Future Generations Bill.
36. There would be real synergies with other parts of the Welsh public sector in health, police and fire & rescue services. It also chimes with calls from business leaders for a more strategic approach to economic development whilst locally retaining links with SME's.

Conclusion

37. The prospect of another Local Government Reorganisation is placing Welsh public services in a period of limbo, which began well over year ago and is set to continue until at least the end of the decade. At a time when public service organisations need to be alive with innovation and forward thinking as they seek to manage their way through austerity they are instead in a state of sullen stasis as they look forward only to their demise.
38. The way forward suggested in this paper could be implemented through a bespoke piece of legislation on which we would urge consensus. Even as that legislation is being prepared the prospect of such legislation would release positive energies instead of the current whirlpool of negative thinking into the Welsh public service is likely to disappear. Establishing a Combined Authority does not mean individual local authorities will have to give up powers or sovereignty. All functions related to economic growth and regeneration will be for example exercised by Combined Authorities on a concurrent basis with local authorities.
39. It would ensure at a time of massive cuts that the huge sums of money spent on the complex architecture required for a full blown reorganisation is retained in front line services and fully subject to local

democratic accountability. The approach set out in this discussion document is a genuinely radical proposal constructed by local government. It builds on a track record of experience on a wider UK level and represents an approach which requires a vigorous debate.

40. There has been frustration across councils in Wales that the process leading up to the publication of the Williams report and the slow pace of the Welsh government response have effectively excluded a full local government contribution. This recently led Councillor Bob Wellington to openly question in his recent speech to the WLGA Conference “why aren’t local government leaders in Wales at the heart of the discussion about their own future”? The recent publication “In Defence of Localism” and now this discussion document set out a new vision for Welsh local government. It is a vision that offers a pragmatic, timely and resource efficient solution to public services reform in Wales.

Annex 1- Technical Note

There are five Combined Authorities in the geographic areas of Sheffield, North East, Greater Manchester, Liverpool and West Yorkshire. All these were established in 2014 whilst Greater Manchester was established three years ago. A sixth is proposed, based around Birmingham and the West Midlands, where an Integrated Transport Authority is already in place. Nottingham and some Southern English Councils are also considering their own options for Combined Authorities.

Membership and voting rights

Membership of a Combined Authority depends on its constitution as adopted in the Order under which it was set up. The members are not elected directly and voting rights are held by the appointees from each constituent authority. There are some interesting differences among the four new Combined Authorities:

- In Merseyside, the Board of the Liverpool City Region Local Enterprise Partnership (LEP) has the right to appoint a non-voting member of the Authority.
- In West Yorkshire, each constituent council (as defined in the Order) is to appoint one member and in addition the intention is that the constituent councils appoint another member from three of the constituent councils so that the body of constituent council appointed members will reflect the political balance in the council areas. The non-constituent council (which is the local government area for York) is to appoint a non-voting member. The Leeds City Region LEP is also to appoint a non-voting member.
- In Sheffield City Region in addition to one member from each constituent council there are to be two 'rotational second members' appointed for a year from the 'rotational second members' selected by each constituent council and there will be a non-voting member appointed by each non-constituent council. There is no LEP representation.
- In the North East, each constituent council is to appoint a member and the North East LEP will have a non-voting member.

Legal Background

In England, part 6 of the Local Democracy, Economic Development and Construction Act 2009 (the 2009 Act) provides for the establishment of Combined Authorities that take on the functions and responsibilities for economic development and regeneration from the relevant councils and, where one exists in the area, the functions of the Integrated Transport Authority (ITA).

This power does not apply in Wales. A review of legislation here identified several options available to Welsh Government:

1. **A new Bill via the National Assembly.** This would repeal all previous legislation and establish a brand new system from scratch; or it could allow an amendment framework to change the current local government structure.
2. **Current executive powers.** These are however piecemeal, myriad and none is overarching. Examples include:
 - S37 of the Local Democracy (Wales) Act which permits the functions of the Local Democracy and Boundary Commission
 - S5 of the Transport (Wales) Act 2006 which permits the establishment of Joint Transport Authorities
 - The Town & County Planning Act which permits bringing together of planning authorities (as well as proposals in the Planning Bill)
 - S9 of the Local Government (Wales) Measure 2009, which permits the operation of an Improvement Authority.
 - S162 of the Local Government Measure 2011 which permits bringing together of up to 3 Local Authorities.

Further research might be needed to ascertain the full extent and nature of current powers. All the powers reviewed so far have however been restricted and very specific. Suited to task, such as those for Transport; or applicable only in particular circumstances such as the failure of a local authority. S162 of the Local Government Wales Measure 2011 for example, permits an Amalgamation Order; but:

- Amalgamation is for two or three (but not four or more) Local Authorities
- Before making the order, Welsh Minister must try:
 - (a) the exercise by any of the local authorities concerned of their powers under section 9 (Powers to collaborate etc) of the Local Government (Wales) Measure 2009, or
 - (b) the exercise by the Welsh Ministers of their powers under—
 - (i) section 28 (Welsh Ministers: support for Welsh improvement authorities),
 - (ii) section 29 (Welsh Ministers: powers of direction etc),
 - (iii) section 30 (Powers of direction: collaboration arrangements),
 - or
 - (iv) section 31 (Powers of Welsh Ministers to modify enactments and confer new powers) of that Measure.
- This power is subject to an affirmative resolution procedure. This is the more stringent form of parliamentary control, as it requires positive approval, rather than the absence of a decision to annul. Accordingly, it is used where the delegated legislation may be more controversial.

The law in Wales has been hard to interpret, not least because several Acts, Schedules, Sections, Amendments and Repeals inter-relate. The conventional doctrine is that a legal document should be understandable ‘within all four corners.’ This raises the notion that a new Bill, that brings all these amendments together, might be due.

It is worth noting that the Local Government Wales Act 1994 included a temporary power for Welsh Government to make various changes that might have included the formation of Combined Authorities. The power lapsed in 1999 but could appear on a similar basis in a new Act.

The options above need not be restricted to economic development, regeneration and transport functions. No change or order is required for the exercise by local authorities of their own subsidiary powers to collaborate.



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Devolution,
Democracy and
Delivery

Improving public services
for people in Wales

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Foreword by the First Minister of Wales, Rt Hon Carwyn Jones AM



In the last fifteen years we have established devolution in Wales and proved it works. Devolution has enabled us to develop distinctive services and solutions for Wales. We were the first country in the UK to abolish prescription fees and to legislate to support a soft opt-out system of organ donation. We have introduced the Foundation Phase in education which is the envy of many other countries. Low-income Welsh students in higher education receive the highest grants and incur the lowest debts in the UK. Our recycling rates are the highest in the UK. We have reduced deaths and injuries from fires more quickly than the UK as a whole. Since devolution, we have outperformed the UK as

a whole on increasing our employment rate, exports and household income, and a range of measures shows Wales outpacing much of the rest of the UK in recovering from the tough economic climate of recent years.

However, we have been limited by a cautious and complex devolution settlement, an unfair funding framework, and a set of outdated public sector structures designed pre-devolution. These deficiencies are not technical points. They constrain our ability to improve services, and to support the economy and well-being of people in Wales.

The recent reports from the Commission on Devolution in Wales, set up by the UK Government, and the Commission on Public Service Governance and Delivery, which the Welsh Government established, highlight the imperative for urgent action to address these issues. They also provide an opportunity, which I am determined to take drawing on the legislative powers we now have. The status quo is not sustainable given the rising demand for public services set against deep cuts to our budget made by the UK Government.

Seizing this opportunity means pressing the case for a stronger and more stable devolution settlement, as outlined in our recent statement on the future of Welsh devolution. It also means strengthening democratic governance and accountability for the delivery of local services. The reform agenda set out in this document for our devolved public services describes how we will work with others to achieve these aims. In particular, it sets out our plans to implement a programme of local authority mergers to ensure the future sustainability of their services, and wider reforms to improve the performance of public services across Wales. A key part of this will be developing a new relationship between those who deliver public services and those who use them, recognising responsibilities and focusing on outcomes.

These are not easy choices, but they are the right choices. They are right because they will help to sustain and improve our public services, which every day help to change people's lives for the better.

A handwritten signature in black ink, which appears to read 'Carwyn Jones'. The signature is fluid and cursive, written in a professional style.

Devolution: Setting the Context

1. Devolution enables decisions on issues primarily affecting Wales to be made in a democratically accountable way in Wales to meet the needs of people in Wales. Since the creation of the National Assembly in 1999, we have used the powers available to us to develop distinctive approaches designed for Wales, including:

- the Foundation Phase and Flying Start to give children the best start in life;
- free prescriptions, to ensure access to medicines is not limited by income;
- achieving the highest rates of waste recycling in the UK, including being the first country in the UK to introduce a charge on single use carrier bags;
- supporting the fire and rescue services and partners to cut deaths and injuries from fires by around a third since responsibility was devolved;
- Communities First Partnerships, to tackle poverty in disadvantaged areas;
- Invest-to-Save, which supports efficiency and innovation in public services;
- free bus travel to support older and disabled people to live active lives; and
- Jobs Growth Wales to support young people to find work, as well as ReAct and ProAct to help people at risk of redundancy to retrain and stay in work.

2. The Welsh Government has also introduced important reforms to modernise public service delivery structures and accountabilities, particularly those designed pre-devolution. This included the mergers of the Welsh Development Agency and the

Wales Tourist Board, and also Education and Learning Wales (ELWa), with the Welsh Government in 2006, which has helped to improve the effectiveness and the direct democratic accountability of these important functions. It also included the significant reforms implemented in 2009 to integrate and improve the delivery of health services in Wales. More recently, a merger of the Countryside Council for Wales, Environment Agency Wales and Forestry Commission Wales has created Natural Resources Wales (NRW), which will improve the sustainable management of our environment and natural resources.

3. The 2011 referendum provided the Assembly with primary legislative powers. This has enabled the Welsh Government to bring forward pioneering legislation to strengthen the delivery of public services and improve people's well-being. Legislation now passed includes:

- the Human Transplantation Act 2013, to increase the supply of organs and tissues for transplant through a soft opt-out donation system;
- the Social Services and Well-being Act 2014, to help integrate health and social services, and support vulnerable people and their carers;
- the Local Government (Democracy) Act 2013, to improve transparency and accountability in local government, in particular on senior officer pay;
- the NHS Finance Act 2014 to increase financial flexibility and support service planning, workforce and financial decisions over a longer period;

- the School Standards and Organisation (Wales) Act 2013, to help raise school standards, streamline funding and improve school governance; and
- the Food Hygiene Rating (Wales) Act 2013, to set a statutory food hygiene rating scheme and ensure food businesses display their hygiene ratings.

4. These achievements have been secured despite a devolution settlement which remains cautious and complex, and hinders the effective delivery of integrated services to meet the needs of people in Wales. The complexity of the settlement and the uncertainty it can create were shown clearly in the unsuccessful attempt by the UK Government to challenge in the Supreme Court the Assembly's legislative competence for one of the first Assembly Acts – which covered uncontroversial proposals to simplify the making and enforcement of local government byelaws. The result of this complexity is resource being tied up unnecessarily on legal and administrative issues rather than improving services and outcomes for people.

5. Complexity also hinders public service delivery directly. In contrast to most front-line services in Wales, responsibility for the police service and justice system is not currently devolved. Whereas at a local and all-Wales level public service partners seek to work together to serve the public effectively, this happens despite, rather than because of, the current distribution of responsibilities. This is not an administrative nicety, but goes to the heart of enabling public services such as health, social services, education, fire and the police to work together to protect vulnerable families and individuals, and support community safety. The importance the Welsh Government attaches to the police as a key partner in supporting well-being and delivering integrated services is reflected in our funding

for an additional 500 Community Support Officers.

6. The Welsh Government has made clear its view that the time is right to seize the opportunities to integrate services around the needs of people, through putting the devolution settlement on a broader and more stable basis. This includes devolution of responsibility for the police and, in a staged approach over time, the administration of civil and criminal justice. Other areas in which greater devolution of powers would bring benefits to people in Wales include transport and energy.

7. The devolved funding arrangements are also in need of significant reform, as outlined in the first report from the Commission on Devolution in Wales, led by Paul Silk. The Silk Commission found that the Welsh Government had been prevented from investing properly in transport, schools, housing and other infrastructure by an absence of borrowing powers. It made recommendations for strengthening the Welsh Government's ability to support economic growth through devolution of a range of taxes and through providing meaningful borrowing powers. The Silk Commission followed an earlier Independent Commission on Funding and Finance for Wales, established by the Welsh Government and led by Gerry Holtham, which showed how the UK Government's use of the "Barnett Formula" has disadvantaged Wales and led to a sustained squeeze, or 'convergence', in the Welsh budget.

8. The UK Government has recognised there has been convergence in Welsh relative funding since the start of devolution, and has committed to working with the Welsh Government to review convergence at each spending review and to discuss options to address the issue and achieve a fair outcome. In addition,

a UK Government Bill to devolve a range of taxation and borrowing powers is now under consideration in the UK Parliament. If passed, it will enable us to develop a tax system in Wales that is simpler, fairer and supports growth and jobs. It will allow us to take more decisions affecting the Welsh economy in Wales, tailored to the needs of, and opportunities for, Wales.

9. The Silk Commission's second report recognised the need to address the broader complexity, uncertainty and missed opportunities of the current settlement, and made a series of important recommendations, including:

- moving to a simpler, more stable and more coherent 'reserved powers' model which assumes responsibilities rest with the National Assembly unless specifically reserved to the UK Parliament;
- enhanced powers in areas such as water, transport and energy;
- new powers over policing and youth justice, with a staged approach to the full devolution of the wider justice system; and
- improving inter-governmental relations.

10. The Welsh Government has welcomed both reports from the Silk Commission. We are already working with the UK Government to implement financial reforms, as recommended in the first report. As we set out in our recent publication "Devolution, Democracy and Delivery: Powers to achieve our aspirations for Wales", we also support the thrust of the second report, as a sound basis for the evolutionary reform of the Welsh devolution settlement. We will therefore work with the UK Government to develop a stronger, simpler and more stable devolution settlement for Wales within the UK.

11. In the meantime, we will use our existing powers to make progress where we can in reforming and improving already devolved services. In particular, we will put them on a sustainable footing to face the challenges ahead and ensure their democratic leadership and governance supports the delivery of better public services. This focuses on implementation of reforms set out in our Programme for Government, as well as addressing the findings of the Commission on Public Service Governance and Delivery led by Sir Paul Williams.

12. Reforms to public services are for a purpose: to improve the well-being of people across Wales now and in the future. We will achieve this through developing a strong and stable devolution settlement for Wales, ensuring effective democratic leadership and accountability for public services and supporting effective delivery.

Democracy and Delivery: Improving Public Services

The Commission on Public Service Governance and Delivery

13. Our Programme for Government set out action to support the delivery of effective and efficient public services that meet the needs of people in Wales. As our latest annual delivery report shows, we are making good progress in implementing the Programme for Government. For example, a new National Procurement Service was launched in November 2013 and will create savings for public services as well as economic opportunities for Welsh businesses.

14. The Programme for Government also included a commitment to establish a Commission on Public Service Governance and Delivery, to consider longer-term challenges and reforms for public services. The Commission was announced in April 2013 and reported in January 2014. It was led by Sir Paul Williams, formerly head of the NHS in Wales, and brought together a set of experienced and expert members from a wide range of backgrounds. Its remit was to consider current arrangements for public service governance and delivery, and make recommendations to support improvement in these services against a backdrop of financial and demand pressures.

15. The Commission's report is authoritative, thorough and important. It makes a compelling argument for radical change to improve the ability of public services to respond to the growing challenges they face. Its recommendations are presented as a package covering a range of areas, including taking action to:

- streamline delivery arrangements and reduce complexity;
- generate the scale and capability to sustain and improve services;
- strengthen the governance, scrutiny and delivery of services;
- develop the right leadership, culture and values for public services; and
- improve the performance and performance management of services.

16. The Welsh Government welcomes the Commission's report as an important stimulus for change. The Commission's findings are uncomfortable reading for many in public services, but they shine a light on critical areas requiring renewed attention – in particular, the unsustainability of current local authority structures designed pre-devolution. However, the Commission makes clear that its proposals are not just about structural reform, and it emphasises the importance of taking action across the breadth of its recommendations. We agree. Viewed as a package, the Commission's recommendations represent an important and logical next phase of reform to improve public services in Wales. We intend to implement them in this context.

The case for change

The Commission makes a compelling case for urgent and major reforms to improve public services and ensure their future sustainability. The case for change starts with recognising the fundamental shifts in demands for public services, for example due to birth rates, people living longer, dispersed family groups, inequality, lifestyle trends such as obesity, climate change, technology, and increasing expectations for services. Many of these are shared across the developed democratic world. The challenge in Wales is to act now to proactively manage and influence these changing demands, rather than react when it is too late. Doing the same things as we do now is not sustainable in the face of changing demands and the deep and prolonged cuts to public sector budgets across the UK. We must act to change the way public services work – individually, collectively and with people. In particular, we need to develop a new relationship between those who deliver public services and those who use them, recognising responsibilities, focusing on outcomes, and being proactive in helping people, families and communities to improve their own well-being.

The Commission recognised that there are areas, such as fire and rescue or waste management, where the current performance of public services is good. However, it concluded that performance in too many areas is poor and patchy, with excessive variations across Wales. It makes clear that those organisations struggling now will find it more difficult as demand for services continues to grow and finances continue to be limited. It highlights the particular challenges facing smaller organisations. We must act now to improve the capacity of organisations to respond to the growing challenges they face. This includes merging organisations to make them sustainable, reducing complexity, strengthening performance management and local democratic accountability, encouraging innovation, building leadership and raising ambition.

Public satisfaction with key services in Wales currently compares well across the UK and Europe. But we cannot be complacent. Through taking firm action now we can ensure our public services deliver the best outcomes for people across Wales, now and in the future.

17. This document sets out a new agenda for improving public services through strengthening democracy and delivery. It represents a strategic statement of intent of how we will take action to progress the Commission's key findings and recommendations. We will develop and implement these reforms in a way which is not wholly dependent on full implementation of the Silk Commission's

second report, but is future-proofed to complement the devolution reforms argued for powerfully by that Commission. The starting point for setting out this new reform agenda is to outline the vision for public services in Wales – in particular, our outcomes and principles, as well as a model for democratic delivery.

The vision for our public services in Wales – outcomes and principles

Our public services are an integral part of all our lives. We all rely on them in our moments of need, and they support us to maximise our own potential and to help others. Every day they help to save lives and change lives for the better. At their best, they are transformational. If they fall short, it matters. They support not just our well-being now, but also that of future generations.

Our public services do not exist in isolation. They are part of the wider economic, environmental and social fabric of Wales and help us to achieve the outcomes we want and the Wales we want. They help to make us healthier, safer, more prosperous, more equal, more resilient, better able to participate in and gain from Wales' unique culture and with more opportunities to use the Welsh language. These are the outcomes we seek from our public services.

Our public services face greater challenges than ever before, with growing needs and expectations for services contrasted with severe budget cuts in the UK. The efficiency, effectiveness and value-for-money of public services have never been more vital, and we are determined to do all we can to protect front-line services.

Our public services must evolve to reflect a new relationship between the people who deliver services and those who benefit from them. In particular, public services must increasingly be delivered not **to** people, but **with** people. This means involving people in the design and delivery of services, recognising people's own strengths and tailoring services accordingly. It means recognising that people have a role to play and a responsibility for their own well-being – though it does not mean withdrawing services and leaving people to cope alone. It means supporting and providing a safety net for our most vulnerable people, but it also means acting earlier to help people take action preventatively to improve their lives, rather than only responding when things go wrong. It means putting people's needs foremost, working to engage a wide range of partners to act as 'one public service'. It means supporting collaboration and trust between public service partners, rather than encouraging damaging and divisive competition which risks failing the most vulnerable people in society. It means innovating and constantly seeking to improve to meet our highest ambitions. These are the principles for our public services.

These outcomes and principles will shape the reform of public services in Wales. In particular, they will guide us in developing new models for public services which have the greatest impact on people's well-being. The principles will also help in developing a common set of values shared across all devolved public services.

The vision for our public services in Wales – democratic delivery

Our public services rely fundamentally on strong democracy for their governance. Those ultimately making decisions on the provision of public services are chosen by, and accountable to, the people who elected them. It is essential that people use their vote and their voice actively to influence the services they benefit from. People need to be confident that those responsible for making and scrutinising decisions are acting in their interests, are able to provide effective leadership to the delivery of the services and are representative of the communities they serve. In particular, people need to be confident that if services need improving, those they have elected will take action to do so. If the relationship and trust between the public and those responsible for the delivery of services breaks down, services and people suffer.

Our public services are delivered by people in Wales for people in their own communities and across the country. Hundreds of thousands of dedicated public service workers across the country strive to do their best, motivated by the ethos of making a difference to the lives of others. There is therefore a crucial role for public sector bodies as good employers, helping to support and develop the workforce.

Our public services are delivered through public sector bodies working with partners – in particular the third sector, and in some circumstances the private sector – to provide the best possible services. However, people need to be able to trust that public services are being run to maximise benefits to taxpayers, not for example to maximise returns to shareholders. Wholesale outsourcing is not a sustainable solution to the financial pressures we face, and although partners outside the public sector have an important role to play in supporting the delivery of public services, they must be subject to proper democratic oversight and accountability.

This model for the democratic delivery of services will shape the reforms we will make to the structure and governance of public services in Wales. In particular, it will help ensure that we put in place arrangements to manage, report and improve performance, and ensure accountability and transparency in decision-making.

Our public services are crucial for our well-being now and in the future. Through being true to our vision – focusing on our outcomes, living up to our principles, and following our model for democratic delivery – we can be confident our public services will be there for all of us when we need them.

Sustaining and refocusing local government

18. The Commission's findings cover all devolved public services in Wales, although its recommendations relating to local authority mergers represent the single biggest change and require immediate action if we are to deliver at the pace the Commission called for. For this reason, the Welsh Government is giving particular priority to developing and implementing reforms to improve the sustainability and performance of local government services. An accompanying document, "Devolution, Democracy and Delivery: White Paper – Reforming Local Government", therefore sets out the first steps for a substantive programme of reform for local government.

19. The Commission did not propose changes to the responsibilities of local government, which include social services, education, housing, waste, transport and planning. However, it did conclude that the current model of 22 unitary authorities across Wales – as set up prior to devolution – is unsustainable. It highlighted unacceptable variations and worrying trends in performance, as evidenced by the number of critical independent inspectorate or audit reports and external interventions required in local authorities in recent years. In particular, it drew attention to capacity, resilience and leadership challenges faced by smaller authorities, the "severe and increasingly unmanageable risks" they face and the proportionately much higher costs they incur on corporate functions.

20. The Commission therefore proposed a set of strategic mergers between local authorities, to improve their capacity and resilience whilst retaining a strong local democratic link to their communities. Merger options to create around 10-12 new authorities were proposed, with strong alignment between the boundaries of the

new authorities and the police and health board areas to help improve the integration of public services. The approach of mergers, as opposed to full-scale reorganisation from scratch, represents a pragmatic and thoughtful approach to achieving the benefits of greater scale whilst minimising the change involved.

21. We believe the Commission was right in its diagnosis and its proposed remedy. We will therefore work with partners in local government and other public services to implement a series of local authority mergers within the context of a wide-ranging programme of local government reform.

22. The Commission undertook extensive research and evidence gathering on public service delivery structures, including considering a wide range of responses to its calls for evidence from public service providers and users. As a result of this and its assessment of the evidence, it identified four potential options for merging authorities, leading to between 10 and 12 local authority areas. It argued that reducing the number of local authority areas to at most 12 was the minimum extent of mergers necessary to systematically address problems of scale. We agree with the Commission's assessment and its judgement on the upper limit for the number of local authority areas. Of the four options presented we consider that the Commission's first option, leading to 12 local authorities, provides a coherent overall template and strikes a balance between building organisational capability and ensuring local democratic responsiveness, in terms of being more connected with, and representative of, their communities.

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 Taf and Merthyr Tydfil
- Cardiff and the Vale of Glamorgan
- Blaenau Gwent, Caerphilly and Torfaen
- Monmouthshire and Newport
- Carmarthenshire
- Powys
- Swansea

23. In setting out a preference in relation to its options, we note the Commission's powerful argument that the boundaries of merged local authorities should support integrated service delivery though aligning with health board and police force boundaries. In our view the strength of the argument is such that there would have to be an exceptional case made not to adhere to this principle. In addition, the Commission argues convincingly that the reforms should be based on mergers to avoid the upheaval involved in splitting existing authorities. This argument is well made and we are clear that existing authorities must not be

split, but rather used as "building blocks" to create the stronger, more resilient authorities we are seeking. The Commission also identified an issue of alignment with the West Wales and the Valleys 'convergence' area, which has links to EU funding and state aid allowances. This last point may be a relevant consideration, though in our view it should not override a strategic, long-term case for mergers, particularly if the local authorities involved accepted the issues and potential risks.

24. Since the Commission reported, some local authorities have suggested they might prefer alternative merger configurations, although we have not seen any specific proposals backed up by evidence and supported by all the existing local authorities affected directly and indirectly. As we develop the legislation necessary to underpin a programme of mergers, we will remain open to considering possible alternatives, but it would be vital that any alternative proposal matches the key principles described above. We would expect that if an alternative proposal – particularly if it were to be one seeking to make an exceptional case to the principle of alignment with health board and police force areas – is supported by all local authorities directly and indirectly affected, their commitment to the proposal would be reflected in a commitment by them to early, voluntary mergers.

25. Proposals for draft legislation establishing the new merged authorities will be the subject of formal consultation at the appropriate time. However, as both the Commission and local authorities themselves have said, early clarity is important in minimising uncertainty and realising the benefits of change sooner. In view of the compelling strategic case for urgent action, we are clear there is no place for procrastination nor parochialism in this process. We will therefore continue to

develop the programme of mergers at pace. This will include allowing local authorities which wish to merge voluntarily on the basis of the preferred option indicated in this document – or a worked up alternative which addresses the key issues outlined above – to do so more quickly. Provision for early voluntary mergers will be included in legislation which we will introduce into the Assembly early next year, and a ‘prospectus’ setting out how we will help and what we expect from those local authorities wishing to merge voluntarily will be published this summer.

26. This will be a significant programme of reform, designed to ensure the future sustainability of local authorities and to improve the performance of local authority services. Although there is a range of views on transitional costs, the Commission concluded that the payback period for mergers would be relatively quick, with medium and long term savings far outweighing short-term costs. With constructive engagement and leadership from local authorities the costs can be minimised and the service benefits and savings felt sooner by their communities.

27. Further details are set out in the accompanying White Paper on Reforming Local Government, including arrangements to enable early voluntary mergers to take place. However, we are clear that mergers are only part of the story and so the White Paper also sets out a wider vision for the future of Local Government and the services they deliver. We are not seeking just to create larger local authorities doing the same things. Local authorities need to play a full and active part in developing a new relationship with the people they serve, as described in our vision for public services. This, in turn, relies on people playing an active role in supporting their own well-being, as well as using their vote and their

voice to maximise the impact of their public services. Proposals in the White Paper therefore also pick up on the Commission’s recommendations to strengthen the way in which local democracy, governance and scrutiny support improvements in public services. This includes improving transparency and developing stronger links between local authorities and their communities.

28. Our proposals also include rationalising and developing stronger, more focused partnerships with other public services, and realigning existing partnerships and collaborations with the boundaries of the new local authorities and other delivery partners. Even after new local authorities have been created, collaboration and partnerships will remain important, particularly between public services and across wider strategic areas – for example, City Regions. It is particularly important all public services work together, and with private sector partners, to provide the best conditions for economic growth and job creation, including collective investment in transport and other infrastructure, and effective and efficient services for businesses.

29. A key part of refocusing the way local authorities work with delivery partners is the proposal in the Well-being of Future Generations (Wales) Bill to place Local Service Boards (LSBs) – comprising leaders of the main public services in an area – on a statutory basis. LSBs will be tasked with developing integrated plans for their areas, to improve well-being based on local needs and priorities.

Integrating health and social services

30. The Commission recognises the particular importance of more closely integrating health and social services and makes a recommendation to develop this accordingly. This chimes well with the commitment in our Programme for Government to develop high-quality, integrated, sustainable, safe and effective people-centred services which build on people's strengths and promote their well-being. Key elements of our approach include:

- using the powers of the Social Services and Well-being Act 2014, which includes provision for Ministers, if necessary, to direct partnership arrangements;
- maximising the health and well-being benefits from targeted housing interventions through the Supporting People Programme;
- the £50m Intermediate Care Fund in 2014-15¹, which will support people to maintain their independence and remain in their own home through driving collaborative working between social services, health and housing, together with third and independent sector partners;
- a recently published statutory integrated assessment and care framework for older people, and an accompanying integration framework for older people with complex needs; and
- learning from a range of local and regional models in place across Wales.

31. The Commission also makes recommendations in relation to the governance of Local Health Boards and Community Health Councils. We are broadly supportive of the underlying aims of these recommendations and will, taking into account the findings of other key reviews, develop proposals to strengthen governance arrangements. This includes amending existing Standing Orders and regulations where appropriate and developing proposals for legislation in the next Assembly.

32. A specific proposal made by the Commission is to merge Powys County Council (PCC) and the Powys Teaching Health Board (PTHB), in recognition of the inherent and significant challenges of service delivery for these two organisations operating in one of the most sparsely populated areas of the UK.

33. The Commission notes that these challenges will become more acute as the proportion of older people in the population of Powys increases significantly over the next 20-25 years, increasing the demand for integrated health and social care in particular. The delivery challenges are further compounded by responsibilities being split between two comparatively small organisations.

¹ Which was a key part of the Welsh Government's 2014-15 Budget agreement with Plaid Cymru and the Welsh Liberal Democrats.

34. We agree with the Commission's assessment of the acute geographic and demographic delivery challenges in Powys. To address this, and in particular to increase service integration on the front line and corporate capacity to manage it, we will work with PCC, PTHB and others to:

- explore the scope for greater front-line and strategic collaboration between PCC and PTHB; and
- evaluate the possible merger of the two organisations in the longer term, including considering the findings of the Rural Healthcare Review.

Strengthening the governance of other public services

35. The Commission identifies a number of other public sector organisations which would benefit from strengthened governance arrangements to help secure effective, efficient and integrated services, including Fire and Rescue Authorities and National Park Authorities.

36. In relation to Fire and Rescue Authorities, we recognise the benefits of consistent boundaries across public service organisations to support effective partnership working, clarity for the public and more straightforward accountability arrangements. As the Commission recommended, we will therefore consider the boundary between the South Wales and the Mid and West Wales Fire and Rescue Services, taking into account mergers between local authorities. We will also take forward work in relation to the Commission's recommendation on strengthening the governance and scrutiny of Fire and Rescue Services.

37. Alongside this, we will support greater joint working between Fire and Rescue Services and the Welsh Ambulance Services NHS Trust, as recommended by the Commission, including more joint planning, joint infrastructure and scrutiny of joint working.

38. The Commission makes a number of recommendations to strengthen the governance of National Park Authorities (NPAs), and to improve integration and collaboration between them. We agree with the aims of these recommendations and will consider them as part of our planned governance review. The first stage of this will begin this summer and will consider the purposes of all designated landscapes in Wales. The second stage will build on this and also on the outcome of decisions on the planning responsibilities of the NPAs as part of the Planning Bill, by considering the structures and governance needed to support these purposes most effectively. This will include consideration of the Commission's recommendation. Following this review any agreed changes to the governance, structure and functions of NPAs would be made.

39. One additional area in which the Commission supported potential structural and governance changes was a proposal for a merger between Cadw and the Royal Commission on the Ancient and Historical Monuments of Wales, as suggested in a consultation in 2013 on a draft Heritage Bill. Following detailed consideration of the responses to that consultation, we announced in January 2014 that we would continue to support joint working between the two organisations, and that they would remain as separate organisations for the time being.

Acting as 'one public service'

40. The Commission makes recommendations not just on specific joint-working between public service partners but on working together more broadly and acting as 'one public service', rather than as separate organisations. We strongly support this approach.

41. One important recommendation from the Commission is to develop a single shared services operation, to provide 'back office' functions (for example, finance, office management, IT and human resources) and common services across the public sector in Wales. As the Commission outlines, such approaches have the potential to realise significant savings and transformational service improvements. However, experience both in Wales and elsewhere shows that although there are some encouraging examples (for example, the NHS Wales Shared Services Partnership), the challenges in successfully establishing these arrangements should not be underestimated.

42. We believe that there is a strategic case for establishing shared services across the devolved public sector in Wales, in terms of achieving efficiencies, sharing expertise, generating capacity and resilience and improving services. However, this will require detailed work on the practicalities, including the precise range of functions which would be covered and the interaction between developing shared services and the programme of local authority mergers. It is important that the development and phasing of the introduction of shared services complements rather than disrupts local authority mergers.

43. Building on experience in other settings, we believe that the best approach here is likely to be one which grows over time. This might mean using opportunities created from the natural ending of current service contracts and the creation of new local authorities, rather than one large change on a single date. We will therefore work with public service partners to develop a shared vision and a roadmap for establishing a shared services capability across devolved public services. Further announcements will be made later this year.

44. In tandem, we will work to take forward the recommendation from the Commission on improving digital services and more co-ordinated use of Information and Communication Technologies (ICT) across the public sector. The Commission's report and other analysis highlights the transformational potential of digital technologies for public services in a small connected country like Wales, with good access to a strong technology base in business and higher education.

45. We agree strongly with this assessment and are determined to seize the opportunities we have in Wales. As a first step we intend to publish our Digital First strategy later this year, which aims to improve the digital services available to people, businesses and others, whilst continuing our work to support digital inclusion. We will also develop broader proposals for working together as one public service in Wales in seizing opportunities to use digital services and ICT to achieve efficiencies and transform public services.

46. The Commission emphasises the importance of strengthening executive, professional and political leadership across public services in Wales. This includes developing, attracting and retaining effective leaders, and also the development of a common set of values for public services in Wales. We agree. We will look to address the Commission's recommendations in this area by:

- refreshing, refocusing and strengthening collective governance of the existing Academi Wales leadership centre, ensuring it brings together the best leadership development programmes and broader cross-sector training priorities (e.g. governance, innovation and continuous improvement) and ensuring these are taken up across all public services;
- exploring options for strengthening the process for senior public sector appointments, including developing a common framework of principles and considering the potential role of a public sector appointments commission (for example, in supporting a strong, independent and expert contribution to the appointment of senior executives in public services in Wales); and
- developing a set of shared values across all public services, led by a new Academi Wales and drawing on the vision for public services set out in this document. This will be done through engaging widely with public service workers. It is vital that all those working in public services – from the senior leadership community to front line workers – feel ownership of the shared values and live up to them.

47. The work of a new Academi Wales to develop stronger appreciation and application of good governance will be taken forward in collaboration with the Wales Audit Office, and with others with expertise in related areas, such as the Centre for Public Scrutiny.

Improving the performance of public services

48. A key conclusion by the Commission is that 'there are wide and unacceptable variations in how different organisations perform'. The Commission highlighted that performance challenges are likely to grow given rising demand for services and continued financial constraints. It therefore made a set of recommendations on the way performance is measured and reported, and how performance improvements are best achieved, which are designed to complement its other recommendations in helping to improve delivery. The Commission noted the importance of a 'visible hand' of effective performance management, scrutiny, transparency, and accountability to improve service delivery.

49. The Welsh Government has already put in place a range of approaches to address weak performance and unacceptable variations in performance across different public service organisations. In particular, we seek to ensure transparency in reporting organisational and service performance to the public. Measures include:

- publishing annual reports on delivery of our Programme for Government, and also publishing a wide range of official statistics about Wales;
- in education, using the "mylocalschool.wales.gov.uk" website and introducing school bandings to enable parents and carers to see how well their child's school is performing;

- for local government more generally, publishing annually a compendium of performance and outcome measures of local government services, covering a wide range of local government responsibilities, including waste, housing, transport and social services; and
- in health, enabling patients to see more performance information than ever before through the “mylocalhealthservice.wales.gov.uk” website.

50. Transparency is crucial for improving performance. It is vital that the public, those with responsibility for managing and scrutinising public services, and those working in public services can easily access timely and relevant performance data, and use it to support improvement. This also relies on effective internal and external engagement by organisations. The recent national survey results show that only two in five (41%) people agreed their local authority was good at letting people know how it was performing, with a comparable figure of 25% in relation to their local health services. Significant further action is therefore needed here.

51. A fundamental part of work on this area is ensuring that people can both access public services and receive performance information on these services in Welsh. Welsh Language Standards are currently being developed which will facilitate this by encouraging public bodies to improve the way they use Welsh and requiring some public bodies to promote the language.

42. Picking up on the Commission’s recommendations relating to performance systems and approaches, we propose to implement a range of reforms to improve performance management and reporting across devolved public services. The foundations for this are set by:

- the current Programme for Government, which represents a major change from previous delivery plans in focusing on outcomes for people; and
- the long-term goals proposed in the Well-being of Future Generations (Wales) Bill, which all public services will be working to achieve.

53. The Programme for Government is central to the Welsh Government’s strategic approach to improving performance and delivery. It represents a real commitment to focusing on the impact we are having on people’s lives rather than how much money is spent, or how many policies implemented. The Commission recognised the importance of the Welsh Government setting out its strategic outcomes. It also emphasised the importance of working to reduce complexity in performance measurement frameworks and rationalise the number of performance indicators which have developed over time. Through this we can reduce the considerable effort currently needed to assess overall progress and impact.

54. We believe that the Well-being of Future Generations (Wales) Bill provides the framework for achieving clarity of purpose for the longer term, and thus will be the first step towards developing the improvements called for by the Commission. The Bill will establish a smaller set of national outcome goals and a process by which public service organisations will need to demonstrate how they have sought to achieve those goals. It provides the focus on “what” needs to be done. Public service organisations and partnerships will respond with “how” it will be done. The Bill also provides for a set of national indicators to facilitate more meaningful assessments of progress.

55. We will build on these foundations by working with public service partners to develop simplified, long-term performance measuring, managing and reporting arrangements which focus on outcomes for people across Wales. In doing so we will learn from the performance successes noted by the Commission – for example, in relation to waste processing and recycling through setting long-term ambitions and developing policies and a clear delivery framework to meet them.

56. An early part of this will be the development of a common framework for performance measurement. This will include a set of shared principles, for example related to focusing on outcomes, transparency, timeliness, simplicity, benchmarking, and how services are performing as a system rather than just through individual organisations, as well as avoiding creating perverse incentives.

57. Alongside specific work on a performance framework, we will take forward wider work to reduce complexity and support improvement in service delivery. Particularly relevant here is the Commission's diagnosis of the need to avoid developing a vicious circle in which poor or patchy performance in a service area or by an organisation prompts calls for greater prescription nationally, which in turn could constrain the broader ability of organisations to innovate and improve performance.

58. The Commission emphasises the importance of reducing complexity as a means of strengthening delivery. Their report describes how the need to manage a multiplicity of relationships with delivery partners, and with wider stakeholders, can consume leadership effort and make it difficult to respond to emerging delivery challenges. It also indicates that well-intentioned national guidance, funding conditions, legislation and the

range of internal and external governance requirements which delivery organisations face can lead to added complexity.

59. The Commission makes a number of recommendations to reduce complexity, and as described earlier we will take action to address specific issues identified, such as rationalising partnerships, simplifying performance frameworks, and aligning boundaries of collaborations and services. We will also seek to work with partners more broadly to explore opportunities to reduce complexity, simplify governance arrangements, encourage flexibility for delivery partners to innovate to achieve outcomes, and keep detailed guidance and funding conditions to a minimum. This will include considering options to: streamline funding arrangements; refine performance systems to encourage innovation, flexibility, preventative approaches and a real focus on outcomes; and develop the role of audit, inspection and regulation in supporting this agenda.

60. It will also include ensuring that legislation brought forward in the Assembly supports our overall vision for public services, takes opportunities to simplify where possible and, where new duties are placed on public service partners, we are clear the benefits are a priority and justify that action. As part of developing our future legislative programme we will work with the Law Commission to explore opportunities to consolidate and simplify existing legislation in key areas.

61. We want to ensure that good practice quickly becomes the minimum standard across Wales. At present, good practices take too long to be seized by others. This is not sustainable and not acceptable. It needs to be tackled as part of the development of strong leadership and culture across public services. Leaders and organisations should be hungry to improve. This means

not just seeking to adopt good practice, but to continuously improve, to innovate and to strive not to be better than the Wales average, but to be among the best in the world.

Developing new models for public services

62. Public services need to innovate and continuously seek to improve to anticipate and respond to economic, environmental and societal changes in Wales. New models for public services need to be encouraged, innovation needs to become a mainstream part of delivery, and we need to find new ways of actively managing the demand for public services rather than just passively reacting to it. Public service providers need to work with everyone with an interest to achieve this.

63. In particular, the future of public services will be based on how public services are delivered **with** rather than **to** the public. There is a need to recognise that the public sector cannot solve all the challenges it faces on its own, or even in combination with partners.

64. This is made more acute by the deep and lasting austerity programme pursued by the UK Government which means that the Welsh Government's Budget in 2015-16 will be 10 per cent lower in real terms than in 2010-11. Moreover, all indications are that the financial prospects beyond 2015-16 mean that the Welsh Government's Budget is likely to be under even greater pressure. The Institute for Fiscal Studies has predicted that, depending on UK Government decisions, the Welsh Government's Budget could be around 20% lower in 2020 than in 2010. In this context, protecting and improving services within reducing budgets is likely to get more challenging in the years ahead. Our belief is that the

right way of responding to austerity is not by withdrawing from public services, but by working with people to reshape them. This is the right approach because it empowers people and makes the best use of resources to promote well-being.

65. Challenges faced by public services are also shaped by increasing demand. For example, the number of people over the age of 75 will rise by over 25 per cent between 2008 and 2020. As people live longer, caring for them, making the most of their experience, and helping them to continue to participate and contribute, must be a partnership between people and public services.

66. People's expectations of public services are also increasing substantially, but alongside this it is right to recognise the responsibilities that people themselves have. For example, lifestyle choices have a profound effect on people's health, the vibrancy and resilience of a local community are built on the contribution of people living and working there, effective education happens not just in the classroom but also at home, and the quality of our environment is profoundly affected by littering and pollution. To make sure that public services can respond to unavoidable needs, we must do all we can to reduce those needs which can be avoided. This is consistent with focusing more on outcomes and the quality of contact, rather than just the volume of contact, with public services. People therefore have a crucial role in supporting their own well-being to the maximum extent possible; and public services should be available to support, add value and complement people's own efforts to improve their and their families' lives.

67. The relationship between public services and the public is one of shared citizenship, with devolution enabling everyone in Wales to shape the public services they need. Effective democracy at a national and local level gives everyone a voice and a stake in improving the services on which we all rely.

68. Developing this relationship between people and public services means in particular appreciating how individual circumstances vary considerably. Whereas the aims of the public services may be consistent (for example, to help an individual, family or community to become safer, healthier or more prosperous), the way in which the services work with people should adapt to their individual needs. At the heart of achieving this is what many call co-production; the concept of genuinely involving people and communities in the design and delivery of public services, appreciating their strengths and tailoring approaches accordingly. Public services in the future need to be a shared endeavour between the user and the service based on the principles of co-production.

69. Co-production and other forms of public participation will therefore play an increasingly important role in shaping a wide range of public services in Wales. Particular examples where we are exploring the opportunities it presents are in relation to public health, parental engagement in education in support of learners, social services, housing, community resilience and tackling poverty. We will therefore continue to work with partners in the third sector and more broadly to this end, and make further announcements on supporting the development of co-production in Wales later this year. We will also continue to encourage the third sector to realise its full potential in supporting public services, recognising that there is a wide range of organisations which are covered within a broad definition of the third sector. This will include building on

the report from the Welsh Co-operative and Mutuals Commission.

70. A key principle for developing and encouraging innovation in public services is prevention. Through seeking to take action earlier, rather than wait for crisis point triggers to be reached, public services can help to support people to prevent a significant deterioration in their well-being. This not only helps the individual or family directly concerned to avoid worst-case scenarios, it also proves a far more effective and efficient approach. Crucially, it relies on effective integration of services between public service partners, including the third sector and the public themselves, wrapping their support around a person or a family rather than each organisation focusing solely on specific issues. A critical part of this is supporting effective and safe information sharing between public service partners.

71. The following case studies illustrate the potential of these approaches, and of the sort of public services we are working to support the creation of across Wales.

Families First

The Welsh Government's Families First programme is creating an integrated, whole-family approach to supporting families in Wales. It aims to develop effective, multi-agency support for families in order to improve their outcomes, particularly those living in poverty, or at risk of poverty. It has a clear emphasis on early intervention and prevention, on starting from a strengths-based approach and on bringing together organisations to work with the whole family to help stop problems from escalating towards crisis. For example:

This single mother had two children, one of whom was exhibiting behavioural problems at school following the breakdown of her parents' marriage. Following a referral into Families First by the children's school, the key worker offered full family support. Key elements of the support included individual counselling for each family member; parenting support for the mother; and key worker-led activities with the family, such as family discussions and family play. Following the support the daughter's behaviour improved quickly at school. The mother felt more confident in dealing with her family, and communicating with her children about her relationship with her ex-husband. The mother also reporting using the parenting strategies she had been taught once the intervention had finished. The mother reported that, following the intervention, she felt like the family was a team again rather than pulling against each other, and blaming each other when tensions had occurred. Key to achieving this was using more effective parenting strategies, and family activities that helped to bond them together.

Evaluation of Families First: Year 2 report - Ipsos and Ecorys, June 2014 (p85)

A further illustration of the quantifiable benefits of a preventative, 'Team around the Family' approach is provided at Annex B, based on the Connecting Families project in Bridgend.

Invest to Save - Flintshire Connects

The Welsh Government's Invest to Save scheme has supported innovative ways of working across the public sector to provide improved, integrated services for people within their communities. One such project is 'Flintshire Connects' which is encouraging organisations to come together to ensure their services are integrated around individuals more effectively. Flintshire County Council has joined up with North Wales Police, Job Centre Plus, Deeside College and Communities First to create joint hubs in central town locations where residents can access advice and a range of services under one roof. This means individuals can sign on as unemployed and access Jobsearch facilities and also get advice on housing, council tax and other welfare benefits in the same place.

Gwent Missing Children Project

A safeguarding team for children and young people has been established in Gwent, bringing together police officers, a clinical specialist nurse, an educational worker and social workers from all five local authorities. This team works together, sharing information to consider and manage the current and future risks to the person. Alongside the team, a third sector agency supports the young people on their return, offering advice, mediation, advocacy and mentoring, and giving them a greater voice in critical decision making about their future. This seeks to address the underlying factors which led to the person running away, thereby helping to break the cycle and transform young lives. For example:

A girl had been reported missing 143 times and was at risk of child sexual exploitation before benefiting from the creation of the team. The team pooled their knowledge to understand her circumstances, and an expert adviser from the third sector partner was able to advocate on her behalf and facilitate access to relevant services to reduce the risks and address her needs. She is now attending college, living in settled accommodation, and at March 2014 had not been reported missing for the previous five months.

The Supporting People programme

This programme provides vital support to people who find themselves in very difficult circumstances. It helps people, many of whom are very vulnerable, to live as independently as possible. The support is provided in their own homes, in hostels, sheltered housing or in other specialist housing. Preventing problems in the first place or early intervention to prevent them from getting worse is at the heart of the programme which helps to reduce demands on other services such as the NHS and social services; for example:

Ms L is a single woman. She received support from the Supporting People programme for mental health and domestic abuse issues. She moved into supported housing from her grandparent's home where she had been staying temporarily after the breakdown of her relationship. The last three years of her relationship had been physically and emotionally abusive. This led to Ms L being diagnosed with mental health conditions including depression, anxiety and emotional unstable personality disorder. As a consequence she was frequently being admitted to hospital or calling the emergency services as a result of suicide attempts and self harming.

As Ms L began engaging with support staff she gained confidence and was able to participate in a variety of programmes, including women's exercise groups. This had a positive impact on her mental health and reduced her admissions to hospital, and her use of emergency services. A third sector partner helped her remain out of the abusive relationship, which reduced the need for police interventions. Her confidence increased. Ongoing support received from voluntary organisations for her mental health issues has reduced her dependence on NHS services.

Prevention and Early Intervention for Older People

The lessons of the frailty projects around Wales, and innovative extra care and community initiatives, all point the way forward for the transformation of services for older people. Reablement must be at the heart of that transformation because by quickly supporting people they will be able to recover quickly or develop ways of living that fit their new circumstances. This approach wraps health and social care services around individuals and their families and carers through multi professional approaches designed to build on people's strengths. For example:

Mr J is 85 years old...Daughter contacted Single Point of Access, in afternoon to request community services for her father. Mr J's wife had been admitted to hospital and was his main carer. Mr J had a range of ailments including being on dialysis 3 times a week, was not managing personal care or meals and having difficulty with stairs. Reablement service was put in the following day and also arranged for meals on wheels, a bath board and Lifeline. Mr J was provided initially with support three times a day and after 32 days the service ended as Mr J's general wellbeing had improved and he had regained lost skills and independence.

Mrs M lives with son and having suffered a broken wrist one month previously was in plaster. She had previously received some equipment but was concerned that she wasn't managing her personal hygiene needs and at risk of becoming dependent. Reablement service went in next day, provided support for 9 days and some additional equipment to improve safety. Mrs M left service as independent and 4 months later there had been no further contact.

Flying Start

Flying Start is the Welsh Government's targeted Early Years programme for families with children under 4 years of age living in some of the most disadvantaged areas of Wales. The core elements of the programme are drawn from a range of options that have been shown to influence positive outcomes for children and their families. These include free high quality, part-time childcare for 2-3 year olds; an enhanced Health Visiting service; access to parenting support; and early language development.

Helen is a young, single parent and lives with her mum and her three year old daughter. She is a full-time mum but has aspirations to start a career with children after previously working as a shop assistant. Before getting pregnant she was studying a Level 2 childcare course at college and since the birth has felt that she was stuck in the house with her daughter. Helen had a difficult birth, didn't have time to bond with her daughter and has struggled with post-natal depression. After becoming a mum she lost all her confidence, was scared about parenting and didn't have any close friends in the area. Flying Start has been able to do a lot to help Helen who has been keen to take up their support. She has taken up two parenting programmes and training in First Aid and Food Hygiene where she has made a number of close friends. Helen was also referred to Genesis and has taken up two self-confidence courses and is currently studying sign language. In a few months' time she is resuming her studies and taking a Level 3 childcare qualification so she can work with primary school children. In addition, the boost to Helen's confidence has encouraged her to volunteer at the Flying Start Toy Library.

Flying Start qualitative research with high need families - Pope et al., 2013 (p80)

Parental Engagement in Education

Pillgwenlly Primary School is a large, multi-cultural school in Newport. The catchment area has a high rate of unemployment and ethnic diversity and there is a transient population of pupils. Since 2010, there has been a significant increase in learners arriving at Pillgwenlly who do not speak English and are new to the UK and its educational system. The school recognises the particular needs of these learners and has a strategy to engage their families in the life and work of the school. The school has established a family nurture room to provide these families with social and emotional support while settling into the local community and school.

The family nurture room provides a place where children can learn in a nurturing setting and their family (parents or grandparents) can join them for part of the week. They attend the family nurture room for 55% of their week initially and their families come in to learn alongside them once or twice a week. The children then attend base classes for the remainder of the week with home language support. As soon as learners have acquired skills to support them with their learning and wellbeing, they transfer into their base class full-time. The school has successfully engaged with some of the most 'hard to reach' and vulnerable families in this way and has formed trusting relationships with them. This approach has seen an increase in attendance rates as a result with the attendance of those learners using the family nurture room rising from between 47% and 84% to between 71% and 96%. Parental attendance at joint learning sessions is between 94% and 100% and it is more than 96% at parental consultations and year-group assemblies. With the support of the nurture room staff, all families have registered with doctors and dentists. All school-based paperwork is completed on time, such as high school application forms and parental consent forms.

Working together to tackle the impact of poverty on educational achievement –
Estyn, Dec 2013

The National Exercise Referral Scheme

The National Exercise Referral Scheme (NERS) offers a 16 week programme of fully supervised group-based exercise sessions which aim to improve physical and mental wellbeing. It contributes to, for example: cardiac and stroke rehabilitation; falls prevention; back care; and obesity/diabetes weight management. In line with Prudent Healthcare principles, the scheme encourages shared responsibility for improved health and has been shown to have a significant impact on participants' physical activity levels and to improve mental health.

Mr W is in his late 70s and was referred to NERS as he was obese, experiencing great difficulty with his mobility, and needed knee replacements. His lifestyle consisted of a poor diet and very little exercise. Within a year, Mr W had lost over four stone in weight, lowered his blood pressure and increased his mobility. He had gone from doing no exercise to attending three or four times a week. "My energy levels have soared and I am much happier in myself. I am more mobile and I hope to be able to have my operations as a result of my improved health".

Mrs A was starting to feel unsteady on her feet and using a walking aid. Following a number of falls she was referred to the Scheme by her physiotherapist. Mrs A had a goal to improve her balance, mobility and general fitness in order to improve her quality of life. After 3 months of attending two balance classes a week on a regular basis, the results were visible, as Mrs A's posture improved tremendously and she was able to give up her walking aid. Another positive outcome for Mrs A is that she hasn't sustained any falls since starting the programme. At 88 years of age, Mrs A is an inspiration. She has worked hard to improve her strength, balance and mobility, and continues to push herself during each session to maintain these gains in strength. "I think the Referral Scheme is fantastic, and has been a tremendous help to me."

Implementing this agenda for change

72. The Welsh Government will continue to show leadership in developing this agenda for change and taking the tough decisions needed to ensure that public services are the best they can be. In doing so we will set timetables for implementing the changes which are consistent with delivery of our Programme for Government and practical considerations of the best approach and timing.

73. We want to work with our partners in taking this agenda forward. We will therefore work with partners to develop arrangements to enable the main public sector delivery organisations in Wales, and key social partners such as trade unions and the third sector, to provide collective leadership to support the work. In particular, we will engage with our partners through the Partnership Council for Wales, as well as where appropriate the Third Sector Partnership Council, the Council for Economic Renewal, and the Workforce Partnership Council. The constructive engagement of partners will help to minimise uncertainty during implementation and to deliver the benefits more quickly for the people we all serve.

74. In setting a vision for our public services, we recognise the fundamental importance and value of the public service workforce. Without the continued dedication of public sector staff it will not be possible to meet the challenges ahead. We are committed to supporting and developing the workforce, and helping workers adapt to the challenges we face. This will be a key part of implementing our reform agenda. We are determined to do what we can to support both front-line public services and the public service workforce in the face of the UK austerity programme and UK budget cuts. Our commitment to work in social

partnership to this end is reflected in the prominent role of the Workforce Partnership Council in supporting public sector employers and recognised trade unions to find solutions to shared challenges and seize shared opportunities.

75. We recognise, in particular, that the proposed local authority mergers have significant implications for the public service workforce. Our commitment to supporting and developing the public service workforce means that the fair treatment of staff through this process needs to be centre stage. To achieve this, we are currently considering how a Public Services Staff Commission could support the proposed local authority merger process and wider changes across the public sector. The exact nature, role and constitution of the staff commission has yet to be decided but its broad remit will be to work to ensure consistent and fair treatment for staff through the mergers, and find solutions to issues in a way befitting of our commitment to social partnership.

Conclusion

76. This document sets out an overarching reform agenda to pursue our ambition of stronger devolution, democracy and delivery in Wales. Flowing from this will be a set of announcements – the first in relation to local government reform – to provide further details on specific actions. The announcements will vary considerably in scale and nature, depending on the area, and each are at different stages of development. Some will be taken forward as part of existing work programmes and some will be run as separately established programmes and projects. For this reason it is not appropriate to set out a single cost estimate for the development of the agenda as a whole. However, we will ensure that each is affordable within departmental budget allocations, and quantification of costs and benefits will be included within specific announcements as appropriate.

77. In particular, Regulatory Impact Assessments will be undertaken at the time any legislation is brought forward and as broader policies are developed we will consider impacts carefully and use these impact assessments to shape policies and announcements accordingly. This will include, as appropriate, impact assessments covering Equality, the Welsh Language, Privacy, Rural Proofing and the Rights of the Child. We will also engage and consult publicly, in particular with disadvantaged groups, as appropriate to help develop and implement specific elements of this reform agenda.

78. Implementation of this reform agenda is a major commitment. It is also essential, because as the Commission powerfully demonstrated, ensuring sustainability and improvement in our public services means taking firm action. Through taking this action we can help ensure that our public services – which on a daily basis do so much to improve people's quality of life and well-being – are fit for the future.

Annex A: Summary of Actions

We will take action to improve the performance and long-term sustainability of public services, in line with the conclusions of the Commission on Devolution in Wales and the Commission on Public Service Governance and Delivery. Actions will include:

Working for a stronger, more stable devolution settlement for Wales within the UK

1. Use the borrowing and taxation powers made available in the current Wales Bill to invest in transport and other infrastructure priorities, and develop a simpler, fairer tax system which supports growth and jobs.
2. Work with the UK Government to strengthen our devolution settlement to enable more decisions affecting Wales to be made democratically in Wales, including devolving areas, such as policing, recommended by the Silk Commission.

Strengthening the democratic governance and delivery of devolved public services

3. Implement a programme of local authority mergers to help sustain and improve local services, supporting authorities which wish to secure the benefits more quickly by enabling voluntary mergers, and seeking to ensure the fair treatment of the workforce through establishing a staff commission.
4. Improve the democratic leadership, diversity and governance of local authorities, to increase transparency and accountability and better connect authorities to their communities, including strengthening the way audit, inspection and regulation supports effective democratic scrutiny to ensure performance is improved.
5. Align existing collaborations with the boundaries of the new local authorities and other delivery partners to support the delivery of integrated services.
6. In recognition of the acute rural delivery challenges faced by the Powys Teaching Health Board and Powys County Council, explore ways to strengthen and integrate service delivery in Powys including a possible merger of the two bodies.
7. Make improvements to the governance arrangements for local health boards and community health councils to support delivery of patient-centred health services.
8. Continue to improve the integration of health and social care services more broadly, and support closer working between public service partners such as the fire and ambulance services.
9. Update the governance and boundaries of Fire and Rescue Authorities to clarify accountabilities and support alignment of their services with those of partners.

10. Establish a refreshed role for National Park Authorities, as part of a renewal of the arrangements to safeguard and maximise the benefits of our national parks and protected natural landscapes.
11. Streamline partnerships to more effectively and efficiently integrate public services, including putting Local Service Boards on a statutory footing with a duty to develop an integrated plan to improve well-being based on local needs and priorities, as set out in the Well-being of Future Generations (Wales) Bill.
12. Develop over time a shared services capability across the devolved public sector in Wales, covering functions such as finance, HR and transactional services.
13. Improve digital services and work together across the public sector to achieve efficiencies and improve services through more co-ordinated use of ICT.
14. Strengthen leadership across public services in Wales through refocusing and strengthening collective governance of the Academi Wales leadership centre, ensuring its programmes are used by all devolved public service organisations.
15. Explore options for strengthening the process for senior public sector appointments, including developing a common framework of principles and considering the potential role of a public sector appointments commission.
16. Develop a set of values shared at all levels across all devolved public services.
17. Strengthen performance management across public services through developing a common framework for performance measurement focused on outcomes, as well as rationalising and aligning performance indicators.
18. Support performance improvement through exploring opportunities to reduce complexity, simplify funding and governance arrangements, share good practice, encourage innovation and flexibility to achieve outcomes, and raise ambitions.
19. Develop a new relationship between people and public services, including supporting co-production, recognising shared responsibility and establishing more preventative public services focused on outcomes and people's needs.
20. Work with public service partners through the Partnership Council for Wales and other fora to implement this reform agenda, in particular ensuring its delivery reflects our vision for public services.

Annex B: Around the Family Example

Bridgend Connecting Families Project

The Connecting Families (CF) project works with the most vulnerable families in Bridgend and aims to help them to make changes to behaviour and lifestyle to improve the situation for the family as a whole. The diagram below shows some of the main outcomes for families and agencies as a result of CF.

| Family Benefits | Agency Benefits |
|--|--|
| Improved school attendance for 13 children/young people | Education Services have avoided spending up to £101,000 |
| 60 children/young people identified as at risk of becoming Looked After Children (LAC) have remained with family | Children's Services have avoided spending up to £1,649,000 |
| 34 children/young people deregistered from the Child Protection Register | |
| 6 children/young people rehabilitated from care to their families | |
| Averted the identified risk of 6 families becoming homeless | Housing Services have avoided spending up to £86,000 |
| 25 individuals received mental health support | Health Services have avoided spending up to £14,000 |
| 15 individuals have received substance misuse support | |
| 7 children/young people have been discouraged from partaking in antisocial behaviour | The Police have seen a reduction in domestic abuse incidents, missing person reports and police callouts |

Notes:

- The savings for the agencies are based on upper estimates. This is especially true for the avoided spending for Children's services which assumes all 60 children would have become looked after. For sensitivity analysis around these estimates please see the full evaluation report.
- The benefits displayed in this diagram cannot be attributed with certainty to the project, however in the expert opinions of the key workers, CF is likely to have been the cause.
- The estimated savings were spread over a three year period (August 2011-2013).
- The diagram shows a selection of the benefits to families; the savings to Agencies are based on these and other family benefits.