

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO EXTRAORDINARY COUNCIL

24 NOVEMBER 2014

REPORT OF THE CHIEF EXECUTIVE

WELSH GOVERNMENT'S WHITE PAPER REFORMING LOCAL GOVERNMENT – COUNCIL RESPONSE

1. Purpose of the Report

- 1.1 To seek Council's view on BCBC's response to the Welsh Government White Paper "Reforming Local Government";
- 1.2 Note that on 18th November 2014, Cabinet approved and recommended to Council for approval that BCBC and the Vale of Glamorgan proceed to develop a joint expression of interest to merger voluntarily.

2. Connection to the Corporate Plan

- 2.1 The Corporate Plan takes a five year (medium term view) of the Council's priorities. Changes to public services in Wales are likely to influence the Council's ability to deliver its immediate priorities. However changes to public services will have a more profound influence on the role and impact of public services beyond the life of the current authority and the Corporate Plan.

3. Background

- 3.1 In April 2013 the Welsh Government established The Commission on Public Services Governance and Delivery – chaired by Sir Paul Williams and known as the "Williams Commission". In January 2014 the Commission published its report and 62 recommendations. These recommendations were intended to reduce complexity of public services, increase capacity and resilience in the face of continuing austerity and rising demand and improve governance, leadership and performance in public services.
- 3.2 The Commission's report included a recommendation to reduce the number of local authorities in Wales and gave some options and variations. This included a recommendation to merge Bridgend County Borough Council (BCBC) with Neath Port Talbot County Borough Council (NPT) and a variation on this that would see these two councils also combined with Swansea City Council.
- 3.3 A Welsh Government White Paper, *Reforming Local Government*, was published in July 2014 and broadly endorses the Williams report – including a preferred option for council mergers that includes bringing BCBC and NPT together as a single authority. On 18 September 2014 Welsh Government published a document entitled "Invitation to Principal Local Authorities in Wales to submit proposals for voluntary merger" attached as **Appendix 1** for information. This

prospectus gives more detail in respect of the proposal outlined in the White Paper enabling Councils to submit bids for voluntary mergers which would allow them to merge sooner than Welsh Government's legislative timetable otherwise provides for. Initial Expressions of Interest for voluntary mergers are required by 28th November 2014.

- 3.4 In inviting expressions of interest the Welsh Government have made it clear that the previous assumption that local government boundaries must follow existing health boundaries is not necessarily the only option and have encouraged expressions of interest in voluntary merger across health boundaries where there is good reason to do so. This has created the opportunity for Bridgend to explore the merits and disadvantages of other options available to the Council, and enabled a more objective analysis of the benefits for the citizens of Bridgend. However, they also made it clear that they will not entertain proposals for merging only parts of existing Local Authorities, or redrawing boundaries from scratch.
- 3.5 The White paper did not seek views on whether a reduction in the number of councils was supported. It is clear through this and other communications from Welsh Government that their intention is to see mergers take place. The new Minister for Public Services, Leighton Andrews AM has been clear that reorganisation will take place and on 23rd September stated "*Local Government cannot continue to operate as it has done. Neither is the current configuration of 22 local authorities sustainable. There will be change, voluntary or not.*"
- 3.6 Welsh Government have also stated that "*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.*"
- 3.7 On 18th November 2014, Cabinet approved and recommended to Council for approval that BCBC and the Vale of Glamorgan proceed to develop a joint expression of interest to merge voluntarily and to submit this expression of interest to Welsh Government by 28th November 2014.

4. Current Situation/Proposal

Options for consideration

- 4.1 Members have the opportunity to actively decide with whom they wish the Council to merge and are aware that the Leader has entered into informal discussions with the leaders of neighbouring authorities. The Welsh Government has been clear that any new authorities must be constructed by bringing together whole councils – there is no facility to split existing councils up.

- 4.2 An option of merging BCBC, the Vale of Glamorgan and Neath Port Talbot (NPT) has been considered. However, as this report highlights below, there are particular difficulties for BCBC at present in straddling both East and West Wales. These difficulties would be experienced by a new authority based on these three county boroughs and this would not therefore be a solution that reduces complexity of public services. Furthermore, it is clear from informal conversations that this option is not supported by all three councils.
- 4.3 Similarly, it is clear that an option of merging BCBC, NPT and Swansea is not fully supported by all authorities. Whilst BCBC and Swansea each have much in common with NPT, they have little or nothing in common with each other. Informal conversations also suggest that this was not an option supported by all three councils.
- 4.4 Consideration has been given to an option of merger with Rhondda Cynon Taff (RCT) with whom BCBC shares a boundary. Both the Williams Commission and the Welsh Government have indicated a likely merger of RCT with Merthyr Council. These two councils share a health board boundary, a Police Basic Command Unit boundary and have a long history of collaboration. A merger with RCT would therefore probably be a merger with Merthyr as well. This would both increase complexity and result in a very large authority that may struggle to reflect our local identity. Therefore this option has not been pursued further.
- 4.5 Discussions have therefore focussed on those options that most closely reflect the existing or historic relationships and are therefore based on either merging to the East or to the West. These discussions have also considered what future relationships could add through new opportunities. Therefore two potential merger options are outlined within this report:
- A merger with Neath Port Talbot
 - A merger with the Vale of Glamorgan
- 4.6 There are two clear decisions for Council. The first is to determine a preferred partner for Bridgend County Borough Council, and secondly, to consider whether it wishes to submit an expression of interest in voluntary merger, with an earlier timeframe.

Choice of partner for Bridgend

- 4.7 Bridgend has a specific difficulty in that it straddles the South East and South West regions of Wales. Historically Bridgend has been part of South East Wales and consequently has well established relationships and similarities with partners in that region. It has also had relationships with Neath Port Talbot on some services, such as waste and health. The last reorganisation of health boundaries amalgamated the Bridgend Local Health Board into what is now Abertawe Bro Morgannwg University Health Board (ABMU) and which in turn is part of the South West region. Consequently we have formed relationships with and commitments to our Western Bay partners of Neath Port Talbot and the City of Swansea and the ABMU health board.
- 4.8 Bridgend is unique in Wales in having to operate across two distinct regions. This complexity brings inefficiency and strains on capacity. The review of local

government is an opportunity to address this. The Williams Commission did not specifically refer to this in its report, as it did not comment in any detail on the situation of individual councils. In responding to the government's proposals BCBC needs to make an informed decision that considers the impact on our communities and the services provided.

- 4.9 The following sections consider the advantages and disadvantages of a merger to the east or to the west for major areas of service delivery.

Economy and Development

City Regions

- 4.10 BCBC is an integral part of the Cardiff City Region as defined by patterns of economic activity, housing markets and travel to work arrangements. This is a vital link to the continuing development of the Bridgend area and the ability to influence and play a key role in inward investment. The Swansea City Region has a relatively minor influence on these factors in Bridgend.
- 4.11 At present BCBC is actively involved with the Cardiff Capital City Region and has no involvement with the Swansea one. The capacity to engage on both fronts is limited, but because of the importance of the Cardiff region to the economic sustainability of the Bridgend area, it has been an easy choice to make. Bridgend plays an active part in the city region through for example the South Wales Strategic Planning Group, South East Wales Regional Housing Forum, The South East Wales Economic Forum and the Capital Region Tourism body covering Cardiff and South East Wales.
- 4.12 The Vale of Glamorgan is entirely within the Cardiff Capital City Region and also plays a key role in the economic prosperity of the region. Neath Port Talbot is predominantly within the Swansea city region. It is important to note that these boundaries are approximate and are a response to patterns of economic and social activity. In that sense they are not defined or definable by administrators and cannot be forced to follow any other boundary.
- 4.13 Development management is an important tool in shaping local economies. The Welsh Government is developing a revised planning hierarchy with national, regional and local components. In support of the city region concept, Bridgend is a part of the emerging regional planning framework for South East Wales.
- 4.14 A western merger would mean that new authority would straddle both city regions equally and could lead to the new authority being marginalised by both regions (as BCBC experiences now). It would be unlikely to be able to provide enough resource to have a significant impact in both regions.
- 4.15 A merger to the East would create a new authority that is almost wholly within the Cardiff city region and well placed to be influential. It would also be wholly encompassed by any South East regional planning frameworks.

European funding

- 4.16 European structural funds (such as convergence programme and the forthcoming West Wales and Valleys Programme and East Wales Programme) are allocated on programme boundaries known as NUTS 2 regions (Nomenclature of Terrestrial Units for Statistics).
- 4.17 There are two such regions in Wales – West Wales and the Valleys comprising 15 council areas including Bridgend and Neath Port Talbot; and East Wales comprising 7 council areas including the Vale of Glamorgan. These areas are used to assign eligibility for European structural funds. They can be periodically reviewed but that process can take time.
- 4.18 The Objective 1 programme ran from 2000-2006 with funding allocated in accordance with these boundaries. Local authorities are currently delivering the successor to that which is the Convergence programme in West Wales and the Valleys and the Regional Competitiveness and Employment Programme in East Wales.
- 4.19 The Council is currently preparing for the next programme which again is split east and west. The planning period for that is 2014 – 2020 with delivery expected to run through to 2023.
- 4.20 Irrespective of any boundary changes these three programmes will continue to be delivered on the existing NUTS 2 boundaries – i.e. there is no impact on funding as a result of any boundary changes.
- 4.21 Assuming that a further programme is established for 2021 to 2027 that delivers through to 2030, it is possible that the EU NUTS boundaries may by then have been re-aligned to take account of any revised local government boundaries in Wales. However it is not clear that a realignment of these boundaries would be possible between the completion of any reorganisation in 2018 and the launch of that round of funding.
- 4.22 In summary any boundary changes that cut across the NUTS 2 regions will have no effect on EU structural funding up to 2023 and may or may not impact on as yet hypothetical funding for the 2021 – 2027 programme period (that would deliver projects into the early 2030s)
- 4.23 If BCBC merges to the West then the new authority will be in a single NUTS 2 region and therefore it can be regarded as having no impact on European Funding opportunities.
- 4.24 IF BCBC merges to the East then it is likely that the new authority would fall into two NUTS 2 regions. That authority would therefore be likely to draw on both funding regimes simultaneously for different parts of that authority area. This is no different to our current arrangements for the delivery of RDP and Communities First which are already delivered in targeted areas.
- 4.25 Some other European funding is administered without reference to NUTS 2 areas and as such is not affected by boundary changes (the one exception is the Ireland-Wales Co-operation Programme which uses the NUTS 3 areas to define its eligible area – however the areas of Bridgend/Neath Port Talbot and Vale of Glamorgan/Cardiff are not eligible for this programme).

- 4.26 The Vale of Glamorgan has a substantial Rural Development Programme and a merger in that direction would allow BCBC and the Vale of Glamorgan to realise economies of scale in the administration of those programmes. Neath Port Talbot has a significant rural programme but it is not as developed as that in the Vale of Glamorgan, and does not yet provide as much scope for effective co-operation with Bridgend's rural programme.

Education

- 4.27 Education improvement is commissioned by BCBC from the Central South Consortium (CSC). This consortium includes BCBC, RCT, Merthyr, Cardiff and the Vale of Glamorgan. Improving educational achievement is a key priority with BCBC typically attaining average results for Wales. Recently we have started to see improvements as the CSC relationships with schools start to take effect. In 2013-2014, there were improvements in each local authority and for the consortium as a whole in the Foundation phase and at each key stage.
- 4.28 Neath Port Talbot is part of the south west and mid Wales consortium along with Swansea, Carmarthenshire, Pembrokeshire, Ceredigion and Powys, known as ERW. Unlike the CSC which has centrally pooled resources, the western consortium consists of paired authorities who mutually support each other on school improvement work in hubs. Neath Port Talbot is in a hub with Swansea.
- 4.29 A merger to the West would necessitate a change of consortium resulting in a loss of momentum as schools reform relationships with challenge advisors. BCBC may be able to extract via TUPE some resources from CSC to come back in house to a new authority. Though not a consideration for Bridgend, that would have a destabilising effect on the Central South Consortium. Conversely if NPT were to join the CSC that would have a destabilising effect on the South West and Mid Wales consortium. A merger to the East would have no impact on the current school improvement arrangements.
- 4.30 BCBC operates a distributed tertiary model for delivery of post 16 education and NPT have a tertiary model. Bringing the BCBC and NPT systems together would be problematic unless BCBC move towards the tertiary model, or NPT adopt the distributed tertiary model. Changing either model to harmonise is likely to be disruptive to ongoing school improvement.
- 4.31 BCBC and the Vale of Glamorgan have similar schools systems to each other (including a distributed tertiary model for post 16 education) with schools typically achieving comparable results. The funding formula for schools is broadly similar and the two authorities have a number of educational partnerships outside of the consortia such as the Educational Psychology Service.
- 4.32 A merger to the West would also create an authority that is responsible for two quite distinct education systems. In the long term this could be harmonised but in the short to medium term would lead to inefficiency and incoherence with a risk that education improvement stalls or reverses.
- 4.33 A merger to the East would have a lower risk to educational improvement due to less distraction or upheaval with the potential to slow down progress. There

would be also be no requirement to reconcile different models of tertiary education.

Social Care

- 4.34 Social Care in BCBC is split with adult social care delivered via the wellbeing directorate and children's social care via the Children's directorate. Both the Vale of Glamorgan and Neath Port Talbot operate a combined social services model. There are strengths and weaknesses in the two approaches and in whichever direction Bridgend merges, the new authority would need to decide which model to operate. Changing the model of operation would in itself bring some disruption. Since this issue is common to both a West and an East merger it is not explored further here, but would be part of a wider discussion on all service delivery models whichever merger option is decided.
- 4.35 There are significant policy, economic and service drivers towards integration between social care and health. BCBC is actively involved in service integration on the ground with the ABMU health board. The health board is responsible for the area covered by Swansea, Neath Port Talbot and BCBC known as Western Bay. Therefore health and social care integration has been pursued by the four bodies working together in partnership. Within that arrangement there are variations between the 3 local authority areas as ABMU operates many services on a locality basis – in particular community health services with whom most of our integration takes place. This would bring a degree of flexibility to the options for merger, and would not present a 'stumbling block' to a merger to the East.
- 4.36 Some specific social care issues have started to move to a regionally shared model. This includes the regional safeguarding board (chaired by Neath Port Talbot) and the regional adoption service (led by Swansea). These particular regionalisations have been driven by Welsh Government who have chosen the health boundary footprints, rather than necessarily because of strong historic operational commonalities in the service areas.
- 4.37 There are other historic collaborations that do not follow a Western Bay boundary though none of these are fundamental. For example we have an SLA with RCT and Merthyr for the provision of community equipment. We also commission our emergency duty team from RCT. Carmarthenshire provide tele-care services for us through an SLA and there are some 'legacy issues' with the Western Vale of Glamorgan although these have reduced considerably and now are mainly relating to some learning disability cases and access to day services or a shared lives placement.
- 4.38 A western merger would allow the new authority to work alongside Swansea to continue the direction of travel already established by the Western Bay partnership. There would be less scope for reorganisation to disrupt progress on health and social care integration.
- 4.39 An eastern merger would create a new authority that straddles two health boards. This would bring added complexity in relationships with the two health boards. However it would also provide an opportunity for the new authority to play a part in brokering solutions to some current difficulties in patient flow across the health boundaries.

Implications for other partners

Police

- 4.40 South Wales Police operate with a basic command unit (BCU) structure. There are 4 BCUs covering Cardiff, Rhonda Cynon Taf & Merthyr, Bridgend & the Vale of Glamorgan, and Swansea & Neath Port Talbot. These BCU boundaries reflect geography but also reflect similarities in policing requirements. Bridgend, the Vale of Glamorgan and South Wales Police are developing further proposals for collaboration in the operation of crime and Disorder Reduction Partnerships. Therefore a merger with the Vale would build on existing collaboration and joint working in areas such as community safety and domestic abuse and would not require changes to the operational and strategic relationships with the Police.
- 4.41 A merger with Neath Port Talbot would either mean that the new authority would operate across 2 BCUs or would perhaps require South Wales Police to reorganise the command structure.

Health

- 4.42 The South Wales programme for health will be a key driver for the future patient flows, and will influence how primary, intermediate care and community services should best be organised in a coordinated way to support people in remaining independent in localities. Indeed the plan determines that Health Boards must describe how these services, including social care will underpin the Plan. The Princess of Wales is one of the 5 key hospitals in the network, and it is recognised that there will be a greater patient flow across South Wales, both to the East and West, and the Plan sets out that the new networks will not match to the LHB footprint.
- 4.43 The Princess of Wales hospital in Bridgend is part of the South Wales central network, but will need to maintain links with the South west and West Wales network, so working both East and West. It will maintain its key links with Cwm Taf and the Royal Glamorgan hospital, and will need to work closely with Prince Charles hospital and the University Hospital of Wales in Cardiff, while the Abertawe Bro Morgannwg Health Board continues to be the commissioning body for Bridgend residents.
- 4.44 This greater patient flow makes it even more important that the social care and other locality services are flexible and able to adapt to the needs of the individual rather than geographically based.
- 4.45 Therefore irrespective of which way BCBC merges, there is a need to broker solutions that integrate working across health boundaries as well as within health boundaries. A merger to the West may result in less complex relationships between the new authority and health partners. Conversely a merger to the East may present greater opportunities for that authority to drive and influence better join up of a health and social care economy that already works across the east / west boundary.

Fire and Rescue

- 4.46 The South Wales Fire and Rescue Service follows the South East Wales boundary. Therefore it incorporates Bridgend County. Joint working with the fire service is well developed on the policing and community safety footprints and the South Wales Police and South Wales Fire and Rescue services are in the process of co-locating their headquarters in Bridgend.
- 4.47 Swansea and Neath Port Talbot are served by the Mid and West Wales Fire and Rescue Service. Clearly a western merger will result in the new authority being served by two fire authorities under the current arrangements or a requirement to change the Fire authority boundaries.

3rd sector organisations

- 4.48 The 3rd sector is of course extremely diverse and follows many boundaries. Throughout Wales there are grant funded umbrella organisations to support the development of 3rd sector bodies and to act as a voice for that sector. In Bridgend this is provided by BAVO.
- 4.49 BAVO has strong links to the East that are based on common features of the population served but also historic routes in the previous West Glamorgan Association of Voluntary Organisations.
- 4.50 More recently BAVO has developed linkages with its Neath Port Talbot and Swansea counterparts in order to work with the Western Bay partnership on matters relating to 3rd sector involvement in social care and health.
- 4.51 Welsh Government have signalled an intention to reduce the number of such associations or at least encourage much stronger collaborations. However any such changes are intended to align with any decisions taken on changes to local authority boundaries.

Local Government finance

Council Tax

- 4.52 A common issue to any merger throughout Wales will be harmonisation of council tax levels. This is an example of a key aspect of reorganisation that the Welsh Government has yet to give an indication of its thinking on. Nevertheless some crude comparison can be made based on band D averages and property numbers.
- 4.53 There are different models of Council Tax harmonisation that are possible- for example harmonising at a mid-point between two councils by one Council steadily increasing and the other steadily decreasing. An alternative is for the higher level of one authority to be frozen allowing the lower council tax of the other to catch up over time.
- 4.54 Current Bridgend Council tax on a band D property is £1192. Assuming harmonisation at a mid-point between the two authorities might give the following scenarios.

- 4.55 The Neath Port Talbot current council tax for a band D property is £1313. For a new combined authority to generate the same level of council tax on the same property base it would require BCBC residents to pay an additional £58 and Neath Port Talbot residents to pay £63 less than current (all at band D)
- 4.56 The Vale of Glamorgan current council tax for a band D property is £1029. For a new combined authority to generate the same level of council tax on the same property base would require Vale of Glamorgan residents to pay an additional £78 and BCBC residents to pay £85 less than current (all at band D)
- 4.57 These figures are purely indicative as the precise mechanism for council tax harmonisation would need to be determined. There is currently no provision in the reserves and balances for this to be funded, and no allowance in the medium term Financial Strategy. This would need to part of any funding for merging councils.

Local Authority reserves

- 4.58 Table 1 lists the reserves held by Bridgend, Neath and Port Talbot and the Vale of Glamorgan. These figures are derived from the published accounts of each authority and as such, limited conclusions can be drawn. All reserves are specific to each authority and will be based on the risks and –liabilities of each council and likely exposure of individual councils to planned and unforeseen circumstances. However it is reasonable to conclude that since the accounts of each authority have been audited and approved by the respective S151 officers they do allow a crude comparison to establish whether any authority is over-exposed. All three councils operate with strong financial management – not attracting adverse comments from regulators. The table below demonstrates that both Neath Port Talbot and the Vale of Glamorgan have proportionate levels of reserves available that at least similar to or in excess of those of BCBC.

Comparison of Reserves as a percentage of Gross Expenditure

| | BCBC £000s | NPT £000s | Vale of Glamorgan £000s |
|--------------------------------|-----------------------|----------------------|--|
| Total Gross Expenditure | 454202 | 479692 | 390178 |
| Council Fund Reserve | 7395 | 13713 | 13960 |
| Earmarked Reserves | 32381 | 30946 | 57076 |
| Total Reserves | 39776 | 44659 | 71036 |

Pay, grading and conditions of service

- 4.59 There would be a range of additional staff costs arising from merger including harmonisation of pay and grading (including job evaluation), redundancy/early retirement costs, increased travel costs and resourcing a merger transition team. Some of these costs would be one off transitional costs but the most significant (ie pay harmonisation) would create an additional recurrent cost.

- 4.60 BCBC is a member of the RCT Pension Fund, while the Vale of Glamorgan is a member of the Cardiff and Vale Pension Fund and Neath Port Talbot is a member of the Swansea Pension Fund. There are likely to be different employer contribution rates and there will be different strategies for managing pension liabilities. Addressing these issues will undoubtedly have considerable financial implications.
- 4.61 These issues are common to either option and indeed are common to all such mergers throughout Wales. The Welsh Government is in the process of establishing an all Wales Public Services Commission which is intended to consider national solutions to these issues. As such, whilst being significant implications of any merger, these issues do not assist at this stage in differentiating between an East or a West merger.

Voluntary Merger

- 4.62 The timetable for voluntary mergers is set out in the table below:

| | |
|---|------------------|
| Expression of Interest to be submitted | 28 November 2014 |
| Welsh Government response | 5 January 2015 |
| Welsh Government introduces paving legislation | January 2015 |
| Full business case for early merger to be submitted | 30 June 2015 |
| Estimated date to achieve Royal Assent | November 2015 |
| Orders for voluntary mergers introduced in National Assembly | January 2016 |
| Enactment of voluntary merger orders | 31 March 2016 |
| Voluntary merger shadow authorities to come into being | 1 April 2017 |
| New authorities to come into effect | 1 April 2018 |
| Elections to the new authorities (based on new Electoral Divisions) | May 2018 |

- 4.63 Those Councils who agree to voluntary merger and whose proposal is accepted by the Welsh Government would merge two years ahead of compulsory merger. If the Council decides not to submit an Expression of Interest in Voluntary Merger the following timetable would apply:

| | |
|---------------------------------------|------------------|
| Local Government elections | May 2017 |
| Boundary review undertaken | During 2017-2019 |
| Elections to shadow authorities based | May 2019 |
| New authorities come into effect | 1 April 2020 |

The Williams Commission recommended that that early candidates for voluntary merger be incentivised to do so. The Welsh Government prospectus sets out the process and requirements for voluntary merger and refers to support that will be made available from the Welsh Government.

- 4.64 The nature and scale of that support is not clear and the Minister for Public Services has confirmed that he will announce more details in due course. However the prospectus indicates that support may include additional funding to support the merger process, including supporting the harmonisation of terms and conditions and tackling equal pay and pension arrangements. These are likely to

be significant, and any business case would need to explore the precise costs and practicalities of such harmonisation. It is not impossible to achieve, but will require resources to deliver, at a time when councils are already facing substantial reductions in funding. Practical support will also be considered for authorities agreeing to voluntary merger, for example in developing approaches to scrutiny, democratic participation and public engagement.

- 4.65 The prospectus sets out a number of suggested benefits of a voluntary merger. These include some that relate to getting the whole process over more quickly than would otherwise be the case e.g.:
- A much shorter period of uncertainty for staff and communities
 - Realising the benefits of greater capacity and efficiency – more quickly
 - Delivering better services for communities sooner
 - Setting the pace ourselves
 - The potential to gain greater freedom and autonomy two years earlier from April 2018
- 4.66 Amongst the local government community there are some who argue that, since there is no indication that the Welsh Government really know what is involved with reorganisation or what it will cost, there is a risk of being trapped and politically committed to a process that we can't afford. This would create a conflict between politicians who are publically committed to a course of action and senior officers (for example CEO and S151) who would not be in a position to see public funds committed in that way. They point out that the WAO would retrospectively be critical of councils who took such a course.
- 4.67 However the Welsh Government Prospectus describes an expression of interest as an opportunity for councils to work with the Welsh Government to identify the steps required for a merger and develop a business case. It therefore follows that it is entirely reasonable to set out to explore that but be clear that if the business case does not stack up or if resources cannot be identified to support the delivery of a merger then the Council would clearly not expect to proceed. Councils would be in a position to accurately articulate the cost and benefits of a merger.
- 4.68 Welsh Government have stated that they wish to develop an approach that allows for negotiation and joint development between Welsh Government and a group of councils who are willing and able to engage with them on shaping future local government arrangements.
- 4.69 There is a related view that it might be reasonable to assume that those councils who step forward voluntarily will have a greater claim for Welsh Government support than those who do not. This would seem reasonable, as much of the thinking, detailed costings and process will be tried and tested by the early adopters.
- 4.70 Welsh Government have set out a default model in their consultation that would see Bridgend merging with Neath and Port Talbot. It could be argued that if the council wishes to merge with Neath Port Talbot there is no need to express an interest in voluntary merger since it will eventually happen by default as and when legislation is put into place.

- 4.71 However, there are some indications that a merger of Swansea and Neath Port Talbot may be proposed with or without Bridgend. If this is the case then simply waiting to see what emerges may be counterproductive if this council has a strong view on whether or not it wishes to merge with both Swansea and Neath Port Talbot.
- 4.72 If the Council wishes to merge with the Vale of Glamorgan then an expression of interest in voluntary merger is most probably required in order to clearly indicate that both councils are serious about that proposition. It seems unlikely that BCBC and Vale of Glamorgan could expect such a counter proposal to be taken seriously by the Welsh Government if both councils did not take the opportunity to register their interest in developing this.

Conclusion and Summary

- 4.73 BCBC is currently required to operate across two distinct regions of Wales and to operate very complex partnership arrangements. These complex arrangements are not sustainable and will become even less so as the Council responds to successive years of reduced funding. The proposals by Welsh Government to reduce the number of councils in Wales presents an opportunity to ensure that public service provision for the communities of Bridgend county are simplified and more effective.
- 4.74 Bridgend has linkages with a number of public sector partners to both the east and the west, meaning that the choice of authority with whom to merge is not as clear cut as it may be in some other parts of Wales. Nevertheless the balance of benefits to the community is achieved through a merger with the Vale of Glamorgan Council. In particular this would allow Bridgend to continue to contribute to and benefit economically from the development of the Cardiff Capital City Region, maintain momentum in educational improvement and ensure the geographical alignment with the majority of other public services serving this area. Arrangements with the NHS would still be complex since a merged Vale of Glamorgan and Bridgend would be served by two Health Boards. However the increased emphasis on service integration at a locality level and recent changes in the alignment of acute services means that such a combined council would be well placed to influence the simplification of health arrangements in this area.
- 4.75 A combined authority with the Vale of Glamorgan would still seek to work with other local authorities over a wider area and this would apply to both Cardiff City Council and other local authorities in the city region and with Neath Port Talbot and Swansea City Council with whom it would share a health board.
- 4.76 There is uncertainty over the approach to be taken to council mergers and the ability of Welsh Government to finance and support such mergers. However, Bridgend's interests are best served by engaging positively and constructively with the reorganisation agenda. This will allow Bridgend to have greater influence over how public services are developed and potentially bring the clarity and certainty required to allow for sound planning more quickly than if Bridgend waits to have merger forced upon it.

4.77 Bridgend recognises that public services will have to change significantly in the face of continued reductions in funding. Consequently the Council already has an ambitious transformation agenda that looks to make changes over the short to medium term. The Council will need to consider the scale and depth of further transformation required in subsequent years and together with the Vale of Glamorgan could seek to accelerate that transformation agenda through a voluntary merger. However any expression of interest in voluntary merger will need to be clear that progression to merger would be subject to the establishment of a sound and fully funded business case.

5. Effect on Policy Framework and Procedure Rules

5.1 At this stage there is no impact on the Policy Framework or Procedure Rules.

6. Equality Impact Assessment

6.1 The possible impact of a merger on protected characteristic groups, employees, service users and customers will not be fully understood until further detailed planning has been undertaken and service delivery models for adult and children's social care, funding streams for 3rd sector organisations and proposed staff/service structures have been determined. A full Equality Impact Assessment on a merger will be required to consider high level impacts, possibilities of mitigating such an impact and opportunities for improved service delivery models when the Council is in a position to better consider operating and service delivery arrangements.

7. Financial implications

7.1 There would be a number of significant financial and other resource (e.g. people, assets and technology) implications of pursuing any merger. While the prospectus refers to "support" from the Welsh Government there is no commitment at this point to provide any additional funding to meet the costs of merger. BCBC already has significant savings targets for the coming years and until a business case is developed there is no guarantee that a merger would deliver a further recurrent saving for BCBC.

7.2 Welsh Government does not know what its settlement is for 2016-17 or beyond. At the same time the Council does not have a settlement beyond 2015-16 and there are no funds in baseline budgets or Council reserves to meet the anticipated costs of reorganisation (the most significant of which have been described earlier in this report and relate to the harmonisation of council tax, pay and terms and conditions including pensions).

7.3 Against that background there is a risk that pursuing early voluntary merger, would create an expectation with stakeholders that may not be affordable and clarity is unlikely to be obtained until the Welsh Government sets its budget for 2016-17 in the second half of next year. As such any decision to submit an Expression of Interest in voluntary merger must be caveated by making it clear that a voluntary merger can only be pursued if a satisfactory business case can be constructed which would need to include assurances that the full costs of merger can be funded.

- 7.4 In addition to the financial implications covered in paragraphs 4.52 to 4.61 above, a merger of BCBC with any other council would also result in the need to harmonise funding as well as service delivery arrangements. The table below shows the overall spend per head of population, but within this figure there will be variable expenditure on specific services which would also need to be harmonised. This would need to include an analysis of different service standards and delivery models and the financial implications of moving to consistent delivery arrangements for a merged organisation.

| | Population (2013 midyear estimates) | Gross Expenditure 2014-15 £ million | Gross Expenditure per Head of Population |
|-------------------|--|---|--|
| Bridgend | 140,500 | 325.4 | £2,316.02 |
| Neath Port Talbot | 139,900 | 355.0 | £2,537.53 |
| Vale of Glamorgan | 127,200 | 285.7 | £2,246.07 |

- 7.5 Planning and implementing a merger would also require a dedicated programme team for the duration of the project as well as potentially some external support. Welsh Government have not been specific as to what support they will offer and an expression of interest should clearly identify what support this authority would require in order to develop that expression of interest into a firm proposal supported by a robust business case.
- 7.6 There is a risk that the Council will be distracted from developing and delivering plans and projects that will enable the delivery of the £50 million recurrent savings identified in its Medium Term Finance Strategy. If an expression of interest is pursued then the Council's existing trajectory of service transformation will need to be maintained and developed in an integrated way with any merger.

8. Recommendation

It is recommended that:

- 8.1 Council approves that BCBC and the Vale of Glamorgan proceed to develop a joint expression of interest to merge voluntarily and to submit this expression of interest to Welsh Government by 28th November 2014.

DARREN MEPHAM
CHIEF EXECUTIVE
November 2014

Background documents

None