

WLGA RESPONSE

Strengthening Local Government: Delivering for People

Welsh Government Green Paper

June 2018



Introduction

1. The WLGA's Green Paper response provides a general commentary on the key policy proposals within the Green Paper. It does not seek to specifically respond to each of the 33 questions in the consultation document. Instead it sets out a detailed narrative which attempts to take on board comments from our member authorities and from our Leaders who debated and agreed this response at the WLGA Executive Board on 25th May 2018.
2. There is much in the Green Paper that the WLGA supports and welcomes; the WLGA and Welsh Government have a shared commitment and vision for local government:

“...strong and empowered local government which can provide bold, determined and focused local leadership...Our vision is for empowered local authorities which have the freedom, powers and values that drive them to look to the future, learning from the past but not stuck in it.”
3. Where we differ, however, is the implication that local government 'is stuck in the past' and that 'bold, determined, focused' leadership is an aspiration only for the future. This submission will demonstrate that councils have had to take tough and difficult decisions which has required resolute and determined leadership, an approach not always mirrored in other parts of the Welsh public sector.
4. The decade of debate and disagreement over structural reform means that local government is often crudely caricatured as being a block on progress or resistant to reform. The evidence shows the opposite.
5. Local government is providing bold and determined leadership and has done so throughout the challenges of austerity; local government is not stuck in the past but has learned from it; local services have improved despite financial constraints; local authorities have done all the 'heavy-lifting' on cuts and have demonstrated remarkable resilience whilst also leading radical reform. The city deals and growth bids are evidence of this bold, collective leadership, articulating an ambitious vision for regional regeneration which in turn provides a beacon of progress amid the uncertainty of Brexit.

6. There is common ground between the Welsh Government and WLGA on the 'diagnosis' of the challenges and increasing pressures being faced by Wales' local public services. But there is difference and disagreement over the causal factors, the prognosis and the 'prescribed treatments' available. In short, the Welsh Government perspective is that scale is the causal factor and that greater scale can lead to recovery, if not a cure.
7. Local government in turn regards the reduction in funding as the causal factor and that only sustainable funding can lead to sustainable services and, furthermore, that the Welsh Government's prescribed treatment will cause more harm than good.
8. Local government continues to express concern that the Welsh Government reform proposals are shaped by politics rather than evidence. Successive structural reform proposals have been based on cartographical creativity rather than grounded in robust evidence or underpinned by a compelling business case.
9. Until the Welsh Government 'learns the lessons of the past' and provides a compelling and fully costed and funded programme of reform, Welsh local government cannot support proposals that would lead to distraction, costly service disruption, thousands of job losses and damage to local communities and economies across Wales.
10. The proposed empowerment and greater flexibilities promised are welcomed by WLGA but many are needed now to allow local government to be responsive and ensure the resilience of their services. Holding such powers back unless and until structural reform is delivered is a false economy that will only lead to greater challenges and pressures. New powers are being offered only as an incentive to local government to commit to reform, but they should be seen as incentive for Welsh Government to mitigate austerity and improve outcomes for the public and the most vulnerable in our communities. The power of general competence is a case in point, it is yet to be introduced in Wales but has been in place in England since 2012 and Northern Ireland since 2014.
11. The Cabinet Secretary has challenged local government to provide a radical response to the Green Paper, but how radical is the Green Paper itself in revisiting the arguments of the past decade without providing any new analysis or new evidence?
12. Our radical response is already being delivered; local government is already leading and delivering radical regional reform, based on functions not form. We are transforming local services through digital technology, through new ways of delivering social care and education and through one of the most successful recycling programmes in the world.

A Decade of Distraction

13. The Welsh Government Green Paper is the most recent contribution to the debate on local government reform.
14. The Welsh Government has actively explored different variants of local government reform since 2004, when the "Making the Connections" programme was introduced.
15. The Welsh Government's successive positions on local government reform have been predicated on the proposition that the structure of local government in Wales is not sustainable. The Cabinet Secretary Alun Davies AM has articulated this point in detail in introducing the Green Paper, where he states:

"Wales needs strong, effective, empowered local authorities which can weather continued austerity and build local democratic structures fit for future generations. I do not believe that our local authorities, as currently constituted, can fully play this role; and I am not alone.

"Councils have been clear that services are wearing down to the point of collapse and there is a general acceptance that things cannot carry on as they are and a general acknowledgement that more money, even if it were available, would not solve the problem.

"I also know local government has made real efforts to change, adapt and invest for the future but I also understand that in the face of UK Government cuts, there are limited options to ensuring the future sustainability of local services. Unless we do something radical in response to these challenges we all recognise, the role of local government will increasingly be one of managed decline".

16. There is much in this statement that the WLGA would endorse and we welcome the debate that the Cabinet Secretary has introduced.
17. We strongly reject however the reference to an acceptance that 'more money...would not solve the problem'. The WLGA has long argued that local public services are underfunded and repeatedly made the case for adequate resources for local government. It is unclear who, at least outside of the Welsh Government, 'generally acknowledges' that more money would not be a prerequisite to solving the problems of growing demographic demands and service pressures.
18. As this response shows, austerity in Wales has been selective. The question now is one that the Welsh Government must urgently address through its own political and resource choices if it truly believes that local government sustainability is under threat.
19. The current trajectory for local government is towards a narrow core offer increasingly centred on social care. This is the default outcome of sustained resource increases in the NHS, consequent reductions in the RSG, rapidly rising

demand for social care and of tightening resources. Within councils this has had to be managed on an annualised allocation basis with significant reductions to specific grant allocations outside the RSG all instituted under the banner of de-hypothecation. There are also emerging problems with school budgets which the teachers' pay rise will accelerate. The Welsh Government response to this is to repeat the mantra that Welsh councils have been more protected than their English counterparts (which the WLGA fully accepts) even though some services have been cut by over 50% and councils are close to losing a third of their pre-austerity budgets.

History repeats itself

20. It is worth reflecting that this same argument about sustainability has also been at the heart of the Welsh Government's reform programmes over 15 years and has been in sharp focus since the onset of authority. The two main themes of reform programmes have either been a focus on collaboration or more latterly structural reform now cast as the "answer" to decreasing budgets.

21. Viewing the argument from the other end of the lens, what has been remarkable is that in the face of a period of unprecedented cuts and austerity, the current system of local government has shown huge resilience.

22. The key strands of this programme of reform have included several reviews, commissions, reports, Green and White Papers and legislation:

October 2004	Making the Connections: Delivering Better Services for Wales, the 5-year action plan
June 2005	Delivering the Connections: From Vision to Action
July 2006	Making the Connections. The Report Beyond Boundaries: Citizen-centred Public Services ("the Beecham Report")
Nov 2006	Welsh Assembly Government's Response to the Beecham Report, Making the Connections – Delivering Beyond Boundaries: Transforming Public Services in Wales,
March 2011	Independent Task and Finish Report, Viv Thomas Report – The Structure of Local Education Authorities in Wales
March 2011	Local, Regional, National: What services are best delivered where? (the 'Simpson Review')
Jan 2014	Report of the Commission on Public Service Governance and Delivery (the Williams Commission Report)

April 2014	"The Future Delivery of Education Services in Wales" – Robert Hill Report
July 2014	Reforming Local Government White Paper
Sept 2014	Welsh Government Invitation to Principal Local Authorities in Wales to submit proposals for voluntary merger
Feb 2015	Reforming Local Government: Power to Local People White Paper
June 2015	Future Configuration of Local Government in Wales Welsh Government Statement (Map of 8 or 9 merged authorities)
Nov 2015	Local Government (Wales) Act
Nov 2015	Draft Local Government (Wales) Bill
January 2017	Reforming Local Government: Resilient and Renewed White Paper
March 2018	Strengthening Local Government: Delivering for People Green Paper

23. Throughout, local government has sought to fully engage with Welsh Government and there is real evidence of transformational change. Some of this has been in response to the reform programme but most it has resulted from local authorities pursuing vigorous programmes of change and internal restructuring which have ensured ongoing viability.
24. The progress and successful reforms outlined in the section below demonstrates what can be achieved through a shared vision, constructive engagement and a commitment to partnership governance between Welsh and local government.
25. In the past four years since the Williams Commission reported in 2014, the pace of Welsh Government activity has accelerated although the effectiveness of this is debatable.
26. Following the publication of 63 recommendations in the Williams Report of which only four dealt with reorganisation proposals four either 10, 11, or 12 authorities were mooted. A further report put forward by former UK Government adviser Robert Hill also suggested reducing the number of local education authorities (LEAs) in Wales by a third by April 2014.
27. The Williams proposals were initially pursued by the Welsh Government in its 2015 White Paper, which outlined its 'preferred model' of 12 merged authorities.
28. The Welsh Government invitation for expressions of interest for voluntary mergers saw six councils coming forward with business cases, but all were rejected by the Welsh Government.

29. A further programme of reform in 2015 saw a subsequent “threat” of the creation of 6 authorities but which eventually led to firm proposals by the then Minister for Public Services Leighton Andrews AM for 8 or 9 authorities which were outlined in a White Paper and subsequent Draft Bill.
30. The Welsh Government’s approach was not supported by local government who raised collective concerns that the proposals were a distraction and would lead to an extended period of uncertainty. It is not surprising in this respect that the then WLGA Leader Cllr Bob Wellington noted in June 2015 that ‘...there is nothing more dangerous in a combat zone than a general with a map’.
31. Local government reform, based on a merger programme, was rejected by the Welsh Government following the 2016 Assembly elections and there then followed a pragmatic assurance that there would be no structural change for a decade and that a regional approach should be pursued by councils which chimed with the ongoing work on city deals and growth bids. The Staff Commission, which was set up to deal with the workforce dimensions of reform based on the proposal for eight or nine councils, was abolished only weeks before the 2018 Green Paper was published, which proposed 10 merged authorities.
32. One of the rejected expressions of interest was between Bridgend and the Vale of Glamorgan councils on the grounds that it crossed an LHB boundary. The single tangible piece of structural reform progressed to date is the proposal to move Bridgend authority area to within the boundaries of Cwm Taff Local Health Board, a process which is ongoing.

Reflections to date

33. Welsh Government itself needs to reflect on the fact that this extended period of distraction and uncertainty has caused real instability and lack of clarity.
34. The Welsh Government’s most recent confirmation that structural reform had been ruled out for 10 years had been welcomed by the WLGA for the assurance it provided. It allowed ambitious reforms, such as the city deals and growth bids to flourish. To have this debate yet again is for many in local government akin to the Myth of Sisyphus in Greek mythology, where a King was punished by the Gods by having repeatedly to roll a huge stone up a hill only to have it roll down again as soon as he reached the summit. This uncertainty has undoubtedly affected staff morale and tempered medium and long-term planning.
35. The Welsh Government’s reform programme has been characterised by some as ‘little more than an act of faith-based policy making’; it has been based on the ‘solution’ that ‘big is beautiful’, that scale provides answers to a range of often ill-defined problems and that mergers (in a variety of different configurations) are necessary.

36. Politics rather than economics has dominated thinking. Whilst the reform proposals have been strong on rhetoric, they have been weak on evidence, ironically with the burden of proof typically being placed on local authorities themselves.
37. The available empirical and academic evidence to support this work is at best contested and is often ambiguous. From Betsi Cadwaladr Local Health Board to Birmingham City Council, the history of some of the UK's largest public-sector bodies is often one of turmoil and dysfunction. Indeed, the recent conclusion by academics at De Montfort University is telling:
38. "Despite the inconclusive nature of the literature it is intriguing that many policy-makers and practitioners in local government and other public-sector bodies, hold to the firm belief that larger units are, and must be, inherently better, more efficient and effective, cheaper and better performers than smaller units; intriguing, because the evidence does not consistently support this opinion".
39. This is further supported by work by the Cardiff Business School who found the following from their analysis of available literature:
- Descriptive analysis of local government reorganisation in the 1990s suggests the transition costs may have outweighed efficiency gains (Chisholm, 2002)
 - Case study research also identified important managerial and organizational challenges in making unitary structures work (DCLG, 2010)
 - Regression analysis indicates the process of voluntary local government reorganisation in 2008 in England led to higher expenditure and lower performance (Andrews and Boyne, 2012)
 - Difference-in-difference (DiD) analysis suggests administrative savings were realised post-2008 but that reserves had been depleted (Andrews, 2015).
40. It is therefore surprising that the Welsh Government, through the Green Paper, has not sought to provide any further or new evidence to underpin the case for reform; it has merely recast the rationale to one of empowerment and sustainability, rather than one of underperformance, and has reshaped the map of eight/nine authorities to ten.
41. The Green Paper notes that the Welsh Government accepts:
- "...that since the RIA was published, and faced with ongoing austerity, local authorities have not stood still. Some of the benefits associated with creating fewer, larger local authorities, such as reduced management numbers and reductions in staff costs, may have already been realised (as potentially will the associated one-off costs)."*
42. However, the Green Paper does not include any up-to-date cost-benefit analysis and almost apologetically notes that the costs and benefits exercise of the 2015 Draft Bill would need to be updated, asking: *"Do you have evidence on costs,*

benefits and savings of each option which can inform decision-making? If so, please provide details.”

43. The Welsh Government has also not addressed the concerns of the Assembly's Communities, Equality and Local Government Committee Report on the Draft Local Government Wales Bill in 2016, which called for 'urgent' clarification of the costings and funding of mergers and the implications of pay harmonisation and council tax harmonisation¹.
44. In its evidence to the Williams Commission in 2013, the WLGA set out a several principles that should underpin and be a prerequisite of any major reform programme; they remain as relevant today as they did in 2013:
- “Any discussions around major service reconfigurations or structural changes should be subject to a range of key tests. At a minimum these should include the following:
 - That local government is given clear assurances from Welsh Government on retaining its functional integrity and that consideration is given to increasing democratic control over other public services such as public health and community services.
 - That in line with Welsh Government policy there must be a presumption against placing functions currently under democratic control into non-governmental bodies like quangos.
 - That service provision in Wales is clearly linked to the subsidiarity principle namely the idea that decisions must be taken as closely as possible to the citizen.
 - That in terms of timing there is no consideration of reorganization until more stability is returned to the public finances (otherwise transition costs will equal cuts to services).
 - That any transition costs of local government reorganization should be met from grant.
 - That a detailed commissioned cost benefit analysis of restructuring be undertaken.”
45. The Welsh Government did not adequately meet these 'tests' in either the 2014 or 2015 White Papers, nor are these addressed in the current Green Paper.
46. Notwithstanding local government's view that the case for reform is flawed, the 'methodology' of reform remains inconsistent and unclear; the only underpinning rationale for the proposed units of local government are the boundaries of the current Local Health Boards. Both the Green Paper and previous Welsh Government White Papers fail to provide a methodology or compelling narrative

¹ <http://www.assembly.wales/laid%20documents/cr-ld10601/cr-ld10601-e.pdf>

that explains the creation of authorities ranging vastly in scale from Powys at 132,160 to Cardiff and the Vale at 489,931 or that three of the proposed new authorities are smaller than three of the existing authorities that will be merged into yet larger authorities.

47. In publishing the Green Paper, the Welsh Government has not addressed local government's collective and repeated concerns about an evidence-base and a less than compelling business case for reform. A range of fundamental yet unanswered questions that have previously been put to the Welsh Government during previous reform discussions are therefore included in the Conclusion below.

Local democracy and accountability

48. The WLGA has welcomed the Cabinet Secretary's commitment to empower local government and to champion local accountability and local democracy. The WLGA responded positively to the consultation on powers and flexibilities in January 2018 and looks forward to hearing the Welsh Government's response and proposals for empowerment².
49. This commitment is reiterated in the Green Paper. The narrative however appears to increasingly suggest that such powers will only be available post-merger to larger authorities. This is inconsistent with the Welsh Government's localist narrative; if the Welsh Government believes in local government and local democracy based on principles of empowerment, freedoms and flexibility, such powers should be transferred irrespective of reform.
50. As noted in the introduction, withholding new powers and flexibilities is a false economy and many of the financial flexibilities and powers put forward by the WLGA would strengthen authorities' resilience and sustainability of some services. Other than the General Power of Competence, which was introduced in England in 2012, the Green Paper is unfortunately silent about what functions and powers the Welsh Government might consider investing in or transferring to local government.
51. Despite the Cabinet Secretary's welcome commitment to local democracy and accountability, the Welsh Government more broadly is embarking on reforms that contradict this localist commitment; for example, the WLGA Leader has expressed concern about the drift towards English-style education commissioners in the regions and proposals for the re-emergence of an ELWA-like quango responsible for the whole of post-16 education provision.
52. Local government is democratically accountable and is the most transparent part of government and the public sector in Wales. Council meetings are open to the public and many are webcast, councillors are accessible to members of the public and decisions are scrutinised publicly. Councils are held to account for the policies and performance at the ballot box. The previous Draft Local Government

² WLGA Response to powers and flexibilities consultation – January 2018
<http://www.wlga.wales/SharedFiles/Download.aspx?pageid=62&mid=665&fileid=1446>

(Wales) Draft Bill sought to introduce new duties and standards on councils around access, public engagement and publicity yet such expectations or standards do not apply equally across the public sector in Wales.

53. The WLGA's previous responses to reform proposals argued that there should be consistency across the public sector in terms of expectations around public access and transparency. Given growing concerns regarding the range and roles of public appointments in Welsh public life, the WLGA further recommends that the Welsh Government should publish a national Register of Public Appointments. This register should be updated annually and list individuals, their remuneration packages, terms of office, declarations of interest and the names and numbers of the bodies to which they are appointed. Such an approach would aid accessibility, improve transparency and clarify who was responsible for taking often significant decisions that affect public services or people's lives.
54. There is a further contradiction in the Green Paper with regards the principle of local freedoms and flexibilities. The Green Paper proposals for 10 merged authorities are rigid; although the Green Paper promotes voluntary mergers in Option 1, voluntary mergers would only be acceptable to the Welsh Government if they were on the prescribed footprint of 10 as specified in the Green Paper. This was specifically reinforced in a letter from the Cabinet Secretary on 17th May which stated:

"I should also clarify an apparent misunderstanding, your letter suggested that the footprint meetings were proposed 'on the boundaries associated with option 3' of the Green Paper and were not supported because the WLGA has 'ruled out' that option. To be clear, the Green Paper proposes that the draft future footprint applies to all three options outlined."

55. Although the WLGA supports voluntary mergers in principle, as this is a matter for local democratic discretion and negotiation, the WLGA does not however support the rigid constraints as proposed by the Welsh Government's merger proposals.

The flawed case for reform

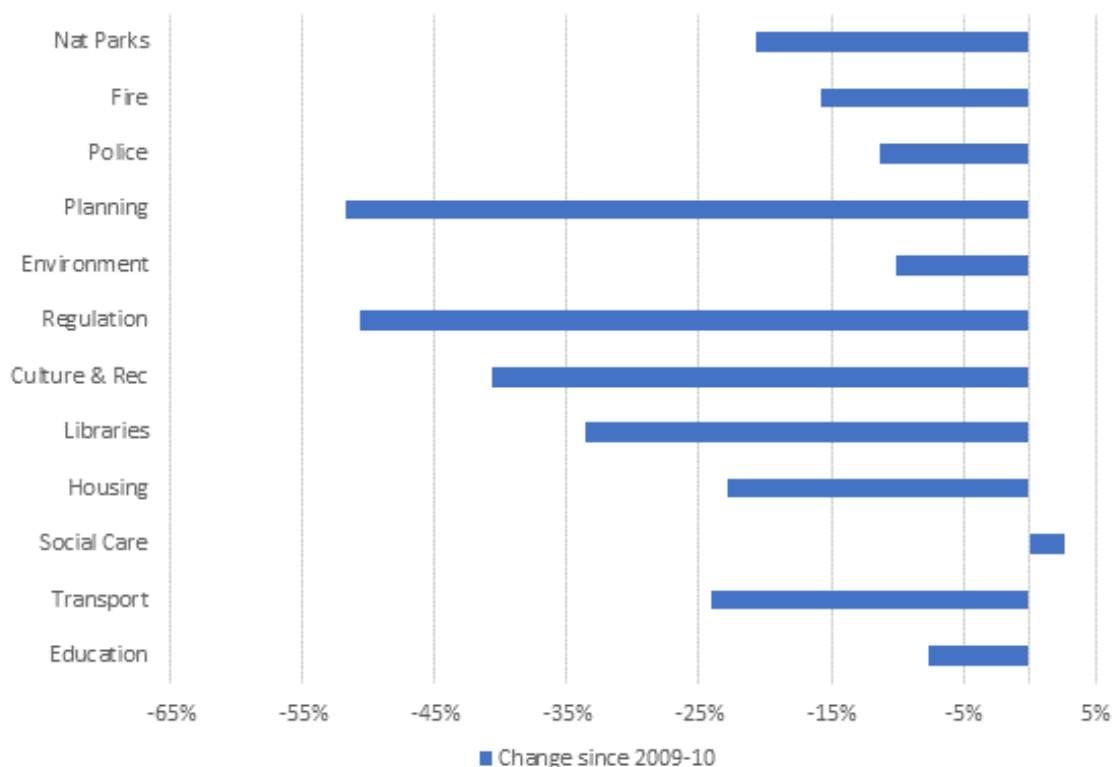
56. The WLGA agrees with the Welsh Government that the sustainability of public services is the significant challenge of the coming decade – funding has and continues to be drastically reduced at a time when demands and demographic pressures are increasing. The WLGA has commissioned independent research which provides a robust evidence-base to underpin this.
57. What this evidence and wider academic analysis shows is that it is the current and projected levels of council funding that is unsustainable³ not the structure of local government.

³ <http://www.walespublicservices2025.org.uk/files/2017/11/Local-Gvt-Report-Final-221117.pdf>
<https://www.ifs.org.uk/uploads/publications/docs/IFS%20report%20R120.pdf>
<https://www.ifs.org.uk/bns/bn131.pdf>

58. The WLGA therefore fundamentally disagrees with the Green Paper's central thesis that current structures are not only unsustainable but that reform would deliver financial sustainability.
59. The Green Paper's case for reform is based on the proposition that larger structures can "weather the financial storm" better than smaller authorities. In short, the argument is that larger scale bodies are inherently more sustainable.
60. Unfortunately, the evidence shows us that scale is not a prerequisite of sustainability and history (and the very recent history of public services) shows us that no organisation is too big to fail.
61. The sustainability argument cannot be made without reference to fair and sustainable funding; structures (whatever their scale) cannot be sustainable without sustainable resources. The real challenge to local public services is not scale but resources; whilst austerity has reduced the Welsh block, the Welsh Government has sought to increasingly invest in the health service rather than local government.
62. Before Easter, Prime Minister Theresa May announced she had accepted the case for a longer-term, and bigger financial commitment to the NHS and social care in England. The question is if significant consequential to the Welsh block grant follow, will the Welsh Government recognise that the NHS in Wales has had record levels of funding over the past 5 years while councils have done all the 'heavy lifting' on cuts? Will more resources be steered to the local government because next year's financial settlement is already predicated on an unacceptable -1%.
63. Larger, merged authorities would be no more sustainable if the inequitable and unsustainable distribution of funding continues. A larger social services department covering the proposed new 'Dyfed' would not be in any better position to face the demographic pressures of the future if its funding was merely the amalgamation of the cuts budgets being provided to the constituent councils of Carmarthenshire, Ceredigion and Pembrokeshire. In other unprotected service areas, bringing together sub-optimal services is based on a financial 'finger-in-the-air' assumption that 'two plus two will equal five'. Indeed, the costs of mergers could have a further destabilising impact.
64. If mergers are all about ensuring sustainability, then the Green Paper's timescales undermine the case for reform, unless there is a radical departure from the current funding projections. Even if the 'immediacy' of Option 3 was accepted, it offers no shelter from austerity as next year's financial settlement set provisionally at minus 1% will be crunch time for a range of councils this autumn. Furthermore, the idea that a programme of reorganisation up to 2026, as per Option 2, offers any short-term fix to funding pressures is unrealistic. Whatever the outcome of this debate it is resources not structures that will determine the future of Welsh councils.
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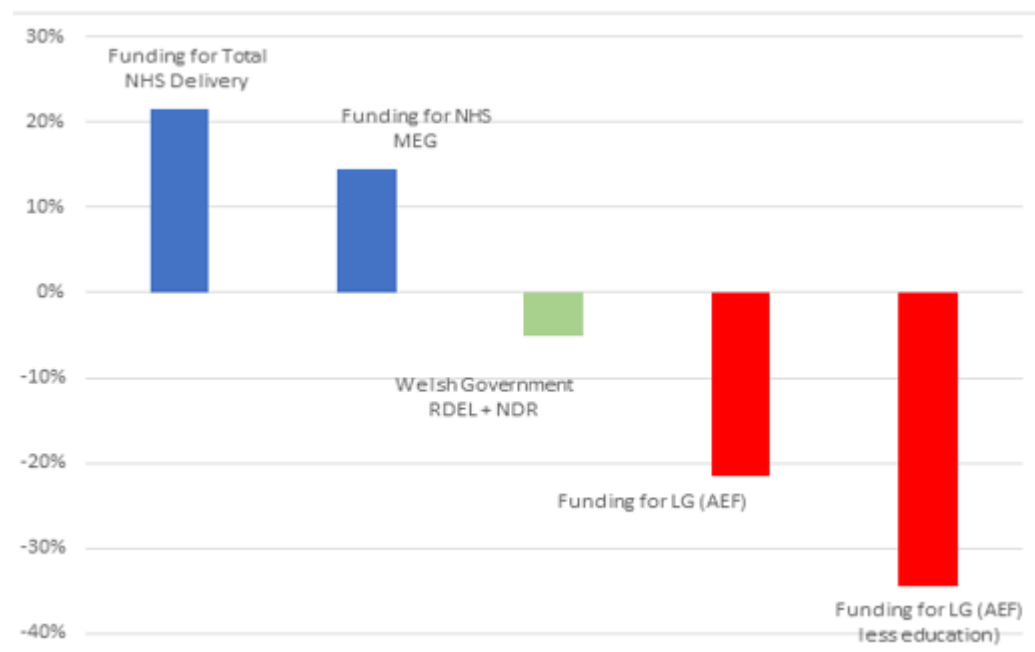
65. The 22 councils in Wales have been in the frontline of public expenditure cuts in Wales. The two tables below show the scale of expenditure reduction across services. Even in social care, where there has been a measure of relative protection, the Health Foundation calculate that an annual uplift of 4% over the next decade is required to deal with the scale of problems associated with chronic conditions, dementia, looked after children etc. Schools have also received protection in the same period but there is an emerging problem in terms of school deficits and the massive challenges to meet the teachers' pay award.

Fig 1. Change in Local Government Spend, 2009-10 to 2017-18, adjusted for inflation



66. In terms of austerity's selective impact in Wales the reality of Welsh Government budget decision making is set out in the table below.

Fig 2: 10 Years of Austerity: Funding Changes from 2009-10 to 2019-20 (£m)



67. The Welsh Government rightly states that Welsh local government services have received relative protection compared to England. However, Welsh local government budgets are now back to their 2003 levels and that 25,000 jobs have been lost since the onset of austerity in 2010.
68. The fact that the seven large local health boards have received a 22% uplift since 2012 raises significant questions. There is no straight read across in terms of the way that the NHS and local government are funded with the former not allowed to borrow, keep reserves and raise tax. However latest figures show that four Welsh health boards have a combined rolling deficit of £360m over three years. This has a direct parallel with social care. If bigger health boards are struggling with the increasing demands and costs of health care, why is there an assumption that bigger local authorities will fare any better with the increasing demands and costs of social care? The deep financial problems of large English county councils like Surrey (pop 1.1 million) Somerset (population 545,000) and the “bankrupt” condition of Northamptonshire (population 733,000) is salutary in this respect.
69. Equally there is no deficit funding model in councils who are required by law to set balanced budgets. It is to the considerable credit of all 22 councils that this has been achieved throughout austerity, with record levels of council tax collected and year on year improved performance on the official set of Welsh Government indicators. This despite massive service reductions and far fewer employees.
70. Local government has innovated and reformed during a period of significant contraction. Whilst local government has rejected the top-down mantra of mergers, it has not stood still and has delivered significant efficiencies, developed

collaborative ventures, managed and transformed services and supported communities through one of the most challenging periods in decades.

Overstated rewards, understated risks

71. The Green Paper describes a future of a 'strong and empowered local government which can provide bold, determined and focused local leadership'.
72. The WLGA shares this vision of bolder, empowered and reinvigorated local government leading Wales' local communities but in turn argues that, through their resilience in the face of austerity and the leadership through regional regeneration, councils are already delivering on this ambition.
73. The Green Paper, like the White Papers before, frequently refers to the challenges of austerity. The Green Paper however describes mergers as a solution to austerity, whereas the WLGA believes that mergers will compound austerity, both in terms of disruption to council services but also the impact on Wales' communities and local economies.
74. Despite the references to austerity, the Green Paper makes no mention of Brexit and the uncertainty and risks this brings for public service delivery, regeneration funding and social cohesion. All public services, and local authorities in particular, are seeking to respond to the instability that Brexit has created and provide reassurance to businesses, employees and our service users.
75. Wholesale structural reform during Brexit will inevitably cause additional instability, undermining councils' ability to focus on core service delivery. There remain concerns that Brexit may have significant economic impacts on Welsh businesses and communities. Notwithstanding the additional pressures on public finances that Brexit brings, structural reform of local government during this period will not only cause distraction to those trying to mitigate the impacts of Brexit on communities, but may also further impact on the future resilience of local communities and economies.
76. The Green Paper describes how the Welsh Government values local government's workforce:

"Across Wales, local authorities are valued employers and are often significant in local labour markets. When jobs are lost in a local authority, they are often difficult to replace. Employment in local government means fair work where individuals have a voice, are valued and serve their communities. For many, working for the council still has a resonance beyond the detail of the job or the name of the employer."
77. The WLGA agrees with this statement wholeheartedly. Local government is the biggest employer in Wales, values its workforce and is one of the largest procurers of products and services from businesses in Wales.

78. The current structure of 22 local authorities ensures that many thousands of comparatively well paid, secure and stable jobs are distributed around Wales' communities, often to rural areas or deprived communities that have seen private sector employment opportunities decline during recent decades. In turn, this distribution benefits local economies in terms of individuals' spending power and the councils' procurement of local goods and services.
79. The Green Paper notes that "If we proceed with one of the options in this consultation, we recognise that change will be unsettling for those working in local government and will have implications for most if not all of them." The WLGA argues that all the options will have implications for all staff.
80. During the 2016 merger debate, Unison's former Head of Local Government Services in Wales warned of 15,000 job losses because of mergers. The Green Paper is however silent on the specifics of the inevitable job losses and the resultant impact this will have on Wales' most deprived communities in a post-Brexit Wales.
81. This is one of local government's biggest concerns, as the WLGA Leader noted in the WLGA's Council meeting in March:
- "History tells us that reorganisations are paid for by people's jobs. Thousands of local government jobs were lost in the 1990s and it will be the same again. What will that do for employment prospects of our young people in Newport, in Aberaeron, in Mold, in Pontypool, in Barry, in Llangefni, in Porth and dare I say it in Ebbw Vale? In employment terms, council jobs are the "golden thread" that runs through our communities and sustain our villages, towns and cities."*
82. The Green Paper is predicated on the 2015 Regulatory Impact Assessment (RIA) savings projections of between £430m and £915m between 2020-21 and 2029-30. The RIA noted that reducing the numbers of Chief Executives and Chief Officers could contribute a £23m saving. The remaining substantive savings can therefore only be made from a significant reduction in the wider workforce and a relocation of centres of employment in the new authority areas (i.e. to release assets and create economies of scale).
83. Mergers will therefore be a double-whammy of job losses for thousands of hard-working individuals and job losses to many of Wales' communities, including deprived and/or rural communities, communities who are already experiencing the employment and economic uncertainty of Brexit.

Devolution Success: Welsh Government - Local Government Partnership

84. Much of the progress highlighted in the previous section has been achieved through partnership; councils working together and councils working with Welsh Government. A glance at the history of devolution over the past two decades shows that some of the most significant achievements of that period have been

achieved because of co-production between councils and Welsh government to deliver successful outcomes:

RECYCLING

Policies jointly agreed with Welsh Government and introduced by Councils have seen Wales achieve recycling rates of 63.8% for municipal solid waste, which includes household plastic and other packaging, Wales is set to become the world leader for recycling by next year. The biggest public-sector procurement to date, Prosiect Gwyrdd, has seen councils sign a 25-year deal with Viridor on an Energy from Waste plant in Cardiff.

<https://www.walesonline.co.uk/news/wales-news/recycling-wales-rise-just-one-13522184>

SOCIAL CARE

The Social Services and Wellbeing Act 2014 is the biggest piece of legislation since devolution. It was introduced following co-production between Welsh Government and Councils and seeks to improve the well-being of people who need care and support, and carers who need support, and for transforming social services in Wales. Local authorities are leading the reforms locally and seeking to drive regional reform and the integration of health and social care via the 7 Regional Partnership Boards.

<http://www.iwa.wales/click/2018/03/can-communities-contribution-care-wellbeing-maximised/>

HOUSING

Welsh Government and Councils have used the Housing Wales Act, to innovate and to work with anyone facing homelessness, whether through family breakdown, rent or mortgage arrears or eviction, and to help all those who actually become homeless, rather than those who reach certain thresholds of priority need. This has been recognised as “trailblazing” across the UK. <https://www.theguardian.com/society/2016/apr/26/welsh-law-early-support-prevents-homelessness-crisis>

WORKFORCE

Wales has a national Workforce Partnership Council (WPC), chaired by our First Minister. The vision for Public Services in Wales is shared by Social Partners – the Welsh Government, WLGA and Wales TUC - and we as local government employers are proud to have rejected outsourcing, supported the Trade Union Act and reverse the divisive UK approach which has been viewed an attack on workers’ rights

<http://gov.wales/newsroom/improvingpublicservices/2017/170718-tradeunionbill/?lang=en>

21st CENTURY SCHOOLS

Across Wales, 21st Century schools stand out in our communities as a signal of our massive commitment to the future of our children. All children deserve the best school environment to enhance their life chances to grow and learn. It is a unique collaboration between Welsh Government, the WLGA, local authorities, colleges and dioceses.

<https://www.veredus.co.uk/news/how-has-wales-benefitted-from-the-21st-century-school-s-programme--news-17263>

WELSH LANGUAGE AND CULTURE

Local government has embraced the Welsh Government's 2050 ambition and strategic approach to the Welsh language. Local government has a long tradition in promoting and supporting Welsh culture and collectively, through the WLGA, provides national funding for the Urdd and National Eisteddfods. Local authorities, working constructively with the Welsh Government and the Welsh Language Commissioner, has successfully implemented the Welsh Language Standards. There had been some speculation that the roll out of the Standards would meet some resistance, however, despite some administrative challenges, councils have led the way at the vanguard of the reforms and have been commended by the Commissioner.

<http://www.comisiynyddygymraeg.cymru/English/News/Pages/Welsh-Local-Government-Association-and-the-Welsh-Language-Commissioner-acknowledge-an-improvement-in-Welsh-language-service.aspx>

PUTTING WALES ON A GLOBAL STAGE

The achievements of the "Team Wales" approach in the staging of outstanding global events has seen councils at the heart of staging the 2010 Ryder Cup and the 2014 NATO Summit across Newport and Cardiff. Similarly, the 2017 UEFA Champions League Final focused worldwide attention on Cardiff with a hugely successful outcome. Such events have been repeated across Wales not least the innovative approach by all Welsh councils in securing the future of the National Eisteddfod through an agreement made with WLGA in 2006.

<https://www.walesonline.co.uk/sport/football/football-news/full-cardiff-champions-league-dossier-13157323>

COLLABORATION AND JOINT WORKING IN ECONOMIC DEVELOPMENT, SKILLS AND REGENERATION

The city deal developments and growth bids are a clear demonstration of local government's commitment to and leadership of collaborative reform. These have grown from the bottom-up, local government leading a regional response, pooling expertise and resources and taking calculated risks for the collective good. Space precludes setting out the intensive work to date of the Cardiff Capital Region, Swansea Bay City Deal, North Wales Growth Bid and Growing Mid Wales. The key point is that these regional partnerships will deliver some of the most ambitious and transformative regeneration initiatives since devolution. These successes have demonstrated the ambition and commitment of local leadership and the benefit of constructive partnership between local government and the Welsh Government. <http://www.assembly.wales/laid%20documents/cr-ld11264/cr-ld11264-e.pdf>

Service Realities

85. No one in local government disputes the scale of the challenges ahead. Authorities have struggled in key service areas over the past years with some placed in special measures in terms of Estyn inspections or adverse social services outcomes. Professor Leighton Andrews has subsequently admitted “that the case for reform rested to a large extent on system failure in education”. And yet since 2015 no authorities have been placed in special measures by Welsh Government in this function.
86. The nature of public services is characterised by complexity, diversity and risk. In the same period the Welsh Government has also experienced significant problems in terms of delivering successful outcomes with programmes like Communities First, problems selling publicly owned land, the largest LHB in special measures for three years, poor record keeping in terms of payments to companies, the problems of the race track in Ebbw Vale etc. Similar challenges in the Welsh NHS are well documented and failure is an ever-present threat in public services.
87. The 22 local authorities have shown considerable resilience with the ability to return to, and recover, an equilibrium following these outcomes. In the same vein they have demonstrated considerable adaptive capacity; in short, the ability of a system to manage and accommodate change, and to adapt to challenges. A key feature of this adaptive capacity is that councils make themselves resilient by continually varying their key functions and processes so that they are prepared to adapt to the needs of their communities when problems occur.
88. In respect of service challenges, local government has demonstrably proved its ability to take tough decisions and transform services over the recent period. Eleven authorities have transferred their housing stock, others have set up community trusts for leisure and libraries, back office services have been significantly downsized. It is patently the case, having saved in the region of £1billion pounds it is hard to envisage any anticipated savings from LGR coming close to this or such further amounts being saved without recourse to significant job losses. The heroic assumption that reorganisation can be paid for solely by reducing senior management and councillor numbers has been one of the persisting myths of this debate for over a decade. Previous restructures have taken place in an environment of growth in resources, but Welsh councils can only expect significant reductions in real-terms funding.

Next Steps

89. The Cabinet Secretary has challenged local government to provide a radical response to the Green Paper. The WLGA argues in turn that local government is already embarking on a radical reform programme and remains on course to deliver the Welsh Government’s vision from 2016-17.

90. The WLGA remains fully committed to the collaborative reforms outlined by the Welsh Government in 2017, a reform programme based on regional service collaboration with the retention of the 22 'front-doors' to public services.
91. Collaboration and regionalisation is a means to an end and not an end to itself, so such reforms should be based on clear business cases, that lead to service improvements and/or greater efficiency, where local accountability is maintained through any regional governance arrangements and, most importantly, where there are demonstrable benefits to residents.
92. There is real and advanced innovation in the City Deals and growth bids across Wales could be hindered and undermined by the Green Paper's approach. Regionalism remains a key option as was powerfully argued by Councillor Debbie Wilcox in her speech addressed to the Cabinet Secretary at the WLGA Council in March 2018:

"We have not rejected collaboration or regionalism. I repeat my invitation to you to attend a meeting of the Cardiff City Deal Cabinet to see the remarkable work being undertaken by that groups of councillors. If you accept, you will be the first member of the Welsh Government to do so. In North Wales Aaron Shotton, in the South West Rob Stewart and in mid Wales Ellen ap Gwynn and Rosemarie Harris are making similar significant strides. We didn't need the Welsh Government to mandate us to do this, we got on with it because we recognised it was in the interest of the people and communities we serve. Let us continue this journey together and let us work together to secure better outcomes for those we serve".

93. The WLGA's position has been characterised by some as a rejection of regional reform; the WLGA's response however unequivocally confirmed our support but clarified that mandated collaboration was not supported and unnecessary.
94. Local government is already leading this reform, the city deals and growth bids are the clear evidence of local leadership and collaborative commitment delivering collective rewards. The WLGA's submission to the Welsh Government's initial policy consultation on regional collaboration in December 2016 highlighted other areas of collocative progress by authorities.⁴
95. The WLGA's position was that mandating through legislation would take too much time and was cumbersome (it would be 'one-size-fits-all and certain services that would suit a regional setting in North Wales, for example, might not be suitable across South East Wales); the WLGA's counter-proposal was for ambitious regional deals struck with the Welsh Government on what services would be delivered in different regions and by which timescales, timescales that could be delivered more quickly than legislation.
96. The WLGA was seeking to deliver on these proposed reforms through seeking negotiated regional deals with Welsh Government to ensure those services underpinned by evidenced business cases were delivered regionally, rather than a one-size-fits-all approach of mandated regionalism.

⁴ <http://www.wlga.wales/SharedFiles/Download.aspx?pageid=62&mid=665&fileid=1012>

97. This proposal not only makes sense in terms of 'form following function', but also resonates with the Cabinet Secretary's stated commitment for local determination and flexibility.
98. Whilst the WLGA rejects wholesale mergers, it supports the concept of voluntary mergers; these are a matter for local discretion and if individual councils develop a business case, negotiate and agree a merger locally, then they should be supported in their local reforms. It is in this sense that WLGA Leader Councillor Wilcox has publicly stated to the Cabinet Secretary that WLGA are not wedded to an immutable 22 council structure across Wales. The Welsh Government's position that it would only accept voluntary mergers on its specified map is restrictive and contrary to principles of local democracy and local empowerment. The Welsh Government however should set out a clear national offer, outlining incentives and support, which is available for all authorities to consider. The WLGA supports any 'bottom-up' approaches, where reforms are generated at the local level and councils have the freedom to decide whether - and with whom - to merge. In this setting the LHB boundary constraint is an artificial construct.
99. The problem with all previous arguments from 1996 onward have been debates which have centred on lines on maps rather than resolve the central issue of what local government should look like, how it fits into a devolved settlement, how it should be resourced and what powers it should exercise. The failure to address the "form follows function principle" results in interminable arguments about the pros and cons of mergers undertaken with an evidence base that is weak and a debate that is all about politics.
100. WLGA fully recognises that there are studies which suggest that big savings could flow from mergers. A recent study by E Y Consulting put forward evidence that creating 27 unitary councils across the whole of England could save as much as £2.9bn, according to an independent analysis of local government reorganisation options undertaken for the County Councils Network. This is of course based on an assumption of moving to unitary councils; it should be remembered that the "savings" from this were banked in Wales in 1996.
101. Thus, while there is not a straightforward read across, at its most basic level, the argument is that a fewer councils will need fewer councillors and senior managers, smaller support functions, fewer offices and IT systems than the current 22. In addition, there is the proposition that using the process of establishing new authorities will act as the catalyst to deliver a 21st century digital model of local government offering the opportunity to deliver genuine transformation of the way in which local government in Wales operates. All Welsh councils recognise that there are significant attractions in such an approach and WLGA, SOCITM and Welsh Government are exploring this.
102. In terms of the Green Paper, for the reasons outlined above, the WLGA rejects the rationale for mergers and the constraints imposed by the 10 authority merger model; a one size fits all merger programme where the only 'options' available to local authorities are the timings of mergers – Option 1 would be voluntary, therefore at the choice of authorities, Option 2 by 2026 and Option 3

by the unachievable date of 2022. Voluntary mergers on that footprint are therefore unlikely to be sanctioned locally. This Green Paper again fails to address a range of core issues which are at the heart of the debate. The result is a top down approach from Welsh Government, which has been combined with an elusive narrative about “strengthening local government” but no tangible proposals to examine.

103. In a range of major policy areas there is a clear weakening of the local authority democratic role and growing centralisation. For example, the stealthy shift of responsibility from local authorities to Education consortia so that Welsh Government can control education more directly with its implications for the local accountability for education. In transport, an expected White Paper this autumn is anticipated to build on the recent statement by the Cabinet Secretary for Economy who has proposed “the public transport network will be increasingly directly-owned or operated by Transport for Wales”.
104. These proposals risk removing powers from local democratic oversight and directly elected councils to an appointed quango. For example, the Welsh Government will become the mandatory Concessionary Fares body, a role currently held by local authorities. It is reinforced by finance allocations where Transport for Wales has seen large increases to its budget based on five year allocations criteria. Local authority budgets however remain annual allocations and have been reduced.
105. The creeping return of the “Quango State” in Wales should be a concern for all concerned about democratic accountability and local democracy.
106. Where local government has sought major policy shifts such as replicating the situation in England where public health is in councils Welsh Government has not engaged in the debate. The same applies in terms of a scrutiny role in the NHS. One tangible proposal in the Green Paper which WLGA would welcome is a power of general competence but this has been in place in England since 2011 through the localism act which also saw a dramatic reduction in the scale of audit and inspection. In many policy areas far from strengthening local government it appears that Welsh Government is negating the local democratic role.
107. Before any significant progress can be made in terms of structural reform, the Welsh Government must address the following questions in order to develop a coherent business case prior to any proposals being presented in a White Paper and accompanying regulatory impact assessment:
 - How much will local government reform cost and who pays the up-front costs?
 - What will be the effect on council tax equalisation?
 - Will there be a damping grant to pay for this?
 - Will there be a up front financial settlements for authorities who consider merger to cover the period of the reorganisation transition which for example could be based on a no further cuts policy and positive settlement outcomes?
 - How could this be reconciled for those council tax payers in authorities where mergers are neither required or desired?

- Will there be a commitment to fund a national redundancy scheme because of local government reform as there was with the NHS reorganisation in Wales and in councils in 1996?
- Will there be national redeployment policies based on the principles of workforce planning agreed by the Workforce Partnership Council (for example in the NHS such employees retain the designation as a Redeployment Candidate for a maximum period of 3 months, unless they secure a substantive post in the intervening period)
- In terms of job evaluation who will meet the additional costs of upward pay harmonisation?
- What will mergers mean for existing regional arrangements. If a council is large enough and capable of delivering all functions – could these be dismantled as a result of local democratic choice as part of the “strengthening local government” agenda?
- How many elected members will be required in merged areas? What will be the savings, what it will mean for democratic accountability across Wales and what is the feasible timetable for the Boundary Commission to undertake a review?
- What will be the public consultation on the boundaries of the new authorities, could this be partly determined by local referendums?
- Why do mergers on health boundaries remain sacrosanct?

108. Many of these questions have been asked by local government, the WLGA or Assembly Committees in response to previous Welsh Government reform proposals (see previous WLGA consultation responses in the footnotes below⁵).

Conclusion

109. Professor John Kingdon has argued that the policy process for public sector reform can be situated into three streams: **problems**, **policy** and **politics**. The result is that the possibility of change is at its highest when all three streams come together – when a policy window is open: problem is recognised, a solution available, and the political conditions are right”.

110. The WLGA would argue that when it comes to the Green Paper the nature of the problem is mis-diagnosed, the solution is contested and that, with Welsh politics in flux and continued opposition to reform in the Assembly and local government, the political conditions are uncertain and difficult. Wales will also have a new First Minister in 2019.

⁵ Local Government White Paper – April 2017

<http://www.wlga.wales/SharedFiles/Download.aspx?pageid=62&mid=665&fileid=1008>

Draft Local Government (Wales) Bill 2016

<http://www.wlga.wales/SharedFiles/Download.aspx?pageid=62&mid=665&fileid=62>

Local Government White Paper – April 2015

<http://www.wlga.wales/SharedFiles/Download.aspx?pageid=62&mid=665&fileid=1454>

WLGA Evidence to Local Government Committee on Draft Local Government (Wales) Bill February 2016

<http://www.wlga.wales/SharedFiles/Download.aspx?pageid=62&mid=665&fileid=1450>

WLGA Evidence to Local Government Committee on Local Government (Wales) Bill February 2015

<http://www.wlga.wales/SharedFiles/Download.aspx?pageid=62&mid=665&fileid=1452>

111. In summary, the WLGA's response:

- demonstrates that councils are already delivering a radical response to the challenges faced. The city deals and growth bids are some of the most ambitious, strategic regional regeneration programmes in a generation - these have come from local leadership, collective investment, risk and reward not top down mandation;
- clarifies that local government remains supportive of and is delivering the collaborative regional reforms of the Welsh Government's previous reform programme; local government did not believe in mandation, as this would have been too slow and too inflexible. Collaboration is a means to an end and works only when there is a clear business case and where outcomes can be improved. We therefore argue instead for regional deals with more ambitious timescales;
- supports voluntary mergers, as these are a matter for local discretion and local democratic choice - however, any such mergers should be on the footprint of councils' choosing;
- rejects the arguments for wholesale mergers and believes the Green Paper proposals should be withdrawn;
 - academic evidence is mixed at best and shows that mergers lead to service disruption and costs are typically higher than hoped for and savings are limited, if achieved at all;
 - the WLGA does not believe mergers will improve prospects for sustainability, but that mergers may further undermine sustainability;
 - previous reorganisations have occurred during periods of growth, not during periods of cuts - austerity and the uncertainty of Brexit are major risks;
 - mergers would hit staff and hit the most deprived and rural communities. Unison's former Head of Local Government Services in Wales previously warned of 15,000 job losses as a result of mergers. The possible impact on jobs is scarcely mentioned in the Green Paper. Mergers would see centralisation to achieve savings through economies of scale and the rationalisation of assets and estates. This would be a double whammy of job losses for individuals and job losses for some communities at a time of economic uncertainty with Brexit; and
 - the Green Paper does not include an evidenced business case or a detailed cost benefit analysis.
- outlines that it is council funding that is unsustainable, not council structures. Even if councils merged, the resource and service challenges would remain if councils continued to receive the same levels of funding. Sustainable funding

is the only option and local government needs more equitable funding leading to greater stability. Local government has done all the heavy lifting on cuts over the past seven years. We recognise the record investment in the NHS whose budgets have increased but local government budgets have declined impacting on vital preventative services. Whilst the WLGA recognises that austerity is a UK Government policy, the Welsh Government determines its own priorities and how and where its budget is spent;

- welcomes the Cabinet Secretary's commitment to empower councils, but notes that few powers have been transferred in recent years. The General Power of Competence has long been promised, but was introduced in England in 2012 and in Wales it still only features as a Green Paper proposal;
- expresses concern that, despite promises of additional powers, councils are losing functions and Wales is seeing the creeping return of the quango state in areas such as post-16 education, transport and the growing Welsh Government influence over how we manage our school improvement;
- argues that new powers and greater freedoms for councils should be given now, not later as an inducement to mergers. Such powers and freedoms are needed to mitigate the impact of austerity, to help put services on a more sustainable footing and help improve outcomes for our communities. Holding these powers back is a false economy and will only adversely affect Welsh communities and the most vulnerable in our society; and
- demonstrates what has and can be achieved through constructive partnership governance. Significant progress, major public service reforms and improved outcomes have been delivered in the past decade of devolution through shared local and national leadership, councils working together and councils working with the Welsh Government.

112. The WLGA is therefore willing to work with Welsh Government to create a policy window. The Association is fully prepared to accept that no structure is immutable and councils have a strategic responsibility to continually adapt and reform. We have accepted that 22 councils may not suit the needs of Wales going forward. It is often stated that no one would have started with 22 councils but the reality is that the structure does exist and that improving the current system is more effective than the risk of the costs and disruptions of replacing it. We therefore recognise that the Cabinet Secretary's desire for a national debate on this is laudable and to be applauded.

113. The WLGA believes that the Welsh Government should withdraw the proposed merger programme and footprint set out in the Green Paper and commence a national debate on reform based on empowering councils and examining areas where councils could be immediately strengthened to achieve greater sustainability. The WLGA is prepared to work with the Welsh Government and co-construct a new prospectus to support this work through the formation of a politically-led national forum for reform.