

## Agenda item No. 3

Title: **Local Government White Paper - Invitation to councils - Proposals for unitary structures - Pioneers for new two tier models**

Portfolio holder: **Sarah Content - Leader**

Reporting officer: **Andrew Pate – Chief Executive**

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### **Purpose**

To provide members of Council with:

- Up-to-date information including:
  - The details of the Secretary of State's invitation and the national context.
  - Actions taken and being taken by the County Council and neighbouring district councils within Wiltshire.
  - The implications arising from this Council's agreed resolution and actions taken to implement that resolution.
- Recommendations for further action.

### **Secretary of State's Invitation**

The Secretary of State wrote to all councils at the end of October inviting them to submit proposals before the 25<sup>th</sup> January 2007 for:

- new unitary structures, or
- pathfinder arrangements for enhanced two-tier working

It was made clear that proposals did not need to be submitted. In fact the Secretary of State has been clear in all her presentations about the White Paper that she regards re-organisation of local government as potentially being a "major distraction".

The invitation stressed that it was expected that only 8 new unitary councils would be created although the wording in the invitation was not definitive and alternative numbers of new councils might be created depending on the quality of proposals.

The White Paper states that the Secretary of State expects two tier working to evolve in places where new unitary councils do not emerge.

*"...services should be designed around the needs of the citizen and the community, not around the processes and structures of individual agencies."*

As an alternative to creating new unitary councils there is an option to either evolve existing arrangements in line with the White Paper or to opt to be a pioneer for new arrangements.

The pioneer or pathfinder option carries with it the benefit of enabling legislation should the pathfinder bid be approved and should there be any need for such legislation. There would also be a need to share information on a regular basis, to be subject to special scrutiny from the Department of Communities and Local Government, and to disseminate best practice and lessons learnt. There is no indication that additional resources would be made available to assist with this process.

The Secretary of State's invitation is available through our web site and can also be found in the Members' Room. Please note:

- New unitary councils – proposals must be:
  - Affordable – value for money and any costs of change met from the councils' existing resources.
  - Supported – by a broad cross section of partners and stakeholders.

And provide:

- Strong, effective and accountable strategic leadership.
- Neighbourhood flexibility and empowerment.
- Value for money and equity.

*Risks will rest with the new council or councils affected by the change, capital cannot be used to finance any revenue costs of change, additional ongoing savings will be required in excess of the usual Gershon (now) 3% savings. Costs of reorganisation must not result in an increase in council tax.*

- Pathfinders for enhanced two tier working – proposals must provide:
  - Unified service delivery so that service users have no need to understand the differences between county and district councils.
  - Strong leadership for place shaping.
  - Effective accountability so that people know who is responsible for what.

*Proposals must be submitted by all the districts and the county council for a county area. Similar rules about affordability apply. Where not approved the Government expects partnerships to take forward, as far as possible, their proposals without any new enabling legislation.*

- Other two tier areas that do not submit proposals - should aim to achieve the improvements set out in the White Paper. The three parts of most relevance to the structural issue are:

- Strategic leader and place shaper - effective partnership arrangements – Local Area Agreements in place – more influential Local Strategic Partnerships.
- Efficiency – challenge traditional methods of delivery, root out waste and work with other public bodies to share assets, systems, data, skills and knowledge more effectively.
- Empowered communities and community cohesion – a wide range of ideas to promote the role of the elected member and the council in local communities.

*In all cases the idea is to ensure that two tier working does not get in the way. There are obvious benefits of the current system that can be maintained but any diseconomies must be kept to a minimum. Gershon efficiency targets will act as a real incentive to 'root out waste'.*

### **Actions taken within Wiltshire and elsewhere**

The County Council has resolved to research a case for a unitary county. They have employed consultants and are gathering extensive data to enable them to do this. A key part of the work is the financial case that needs to be underpinned by reliable staff structures based on sound service strategies and realistic estimates of one-off costs of change.

The County does not meet until 16<sup>th</sup> January to consider the case. At that time they may or may not decide to submit a proposal to Government.

- The financial case is being prepared by PriceWaterhouseCoopers. It is a proposal not a set of independent figures. It is prepared for the County Council and is not audited information. It will only be as reliable as the assumptions on which it is based.

The County were to look at pathfinder options. Decisions by West Wiltshire, Salisbury and Kennet mean that this option is no longer available. There is not agreement across the county to look at this. Without such agreement one of the key criteria for a bid cannot be met.

All of the districts, with the exception of North Wiltshire, have decided to oppose the unitary county option. North Wiltshire wishes to see an audited financial case to support the proposal. It is therefore difficult to see how they will receive the information they require in time for the 25<sup>th</sup> January submission deadline.

Recent press reports suggest that about 50% of county councils are submitting proposals for new unitary county level authorities.

District councils are generally not submitting proposals except in areas where they have a very strong local and urban identity, Exeter being the most notable example in the South West.

Most district councils have concluded that they are, on their own, too small to be sustainable and economic new unitary councils. Some county councils have concluded they are too big.

More complex arrangements involving some joint working and collaboration are always possible. Such arrangements may form the basis for making some of the proposals for new urban town or city based councils viable. Such arrangements will be commonplace in the pathfinder proposals that go forward.

In the northern part of England, in 2004, both Regional and Unitary local government was actively considered. There was not popular support for the regional proposals and the unitary councils did not go forward partly for that reason.

In 1994 the Local Government Commission proposed a range of new unitary councils and these were agreed and implemented mainly in urban areas. In the South West that involved Bath and North East Somerset, Bristol, Swindon, North Somerset, South Gloucestershire, Torbay and Plymouth. Unitary proposals for shire areas were generally rejected.

### **Key issues**

Many of the key issues are reflected in the information leaflet attached and previously referred to.

For the unitary County Council proposal they include:

Possible advantages:

- Economies of scale – bigger is better – combining management and administration.
- More joined up – fewer tiers of local government – means less scope for disagreement or differing policies.
- Better leadership – one council to represent the whole area – where there is a strong identity the council can represent that identity – especially in cities.
- Simplicity – easier to know who does what.

On the other hand there is always the risk of:

- Major disruption to services – possibly for several years.
- More bureaucracy – bigger is not always better.
- More silos – large departments that do not work well together.
- Democratic deficit – we have the lowest ratio of councillors to citizens in Western Europe – unitaries mean more than half our elected councillors are removed.

- More remote – larger authorities, working on their own, find it hard to keep in touch with and respond to local communities.
- Council tax increases – if the costs of change cannot be met from predicted savings.

Issues to consider include:

- This Council's low level of costs which make it the second lowest spending per head of population in England of all the 238 District Councils.
- The achievement of economies that has already taken place at this Council through the use of competition resulting in effective partnerships with the private sector.
- The effective partnership working already taking place through the Customers First Partnership – a county wide joint committee that has jointly procured new systems, started to look at sharing services between councils and which has created joint customer standards, shared customer information and joined up web access.
- The ambitious Wiltshire Improvement Partnership which is tackling the key community empowerment and partnership working issues set out in the White Paper – this has substantial financial backing from the Government Office for the South West.

In addition there is the local geography:

- The geographic size of the county and the remoteness of large parts of the county from Trowbridge, not least because of the central location of the vast open spaces of Salisbury Plain.
- The county has a population of 448,000 and an area of 3,255 square kilometres. West Wiltshire has a population of 125,000 and an area of 518 square kilometres.
- There are 20 community areas across Wiltshire and 5 across West Wiltshire. The West Wiltshire 5 Towns Initiative is a good example of the right size of partnership enabling communities to effectively work together. There is no equivalent and effective partnership for all 20 community areas across the county.
- Place shaping including: regeneration, support for business, and engagement with local communities often takes place at town or community area level. There are good examples of this in West Wiltshire. It is not clear how a unitary county would help this agenda.

When it comes to the finances:

- In previous reviews independent experts have always expressed great caution about the accuracy of financial proposals. These include the former Local Government Commission and the existing Boundary Committee which is part of the Electoral Commission.

- The payback periods based on national research are uncertain and depend on the accuracy of local assumptions about staffing levels required and whether expected efficiencies will in fact materialise.
- National research into the benefits of council size, as referred to in the White Paper, provides a very mixed picture. There is no clear relationship between size, cost and performance.

*Ongoing costs and savings in some detail:*

- Figures for ongoing costs and benefits vary widely. PriceWaterhouseCoopers (PWC) model predicts a saving of about £1.5 million a year.
  - That's the cost of running a separate organisation: management overheads from a separate management team, separate democratic services, separate auditors etc. (*They refer to this as the 'cost of being in business'. So the saving, if there is a new unitary county only, is the value of this figure for each of the 4 districts added together. That's about 2.5% of net revenue expenditure for 4 districts. West Wiltshire already has exceptionally low costs*).
  - Some counties are quoting much larger figures. For example Shropshire have suggested about £8 million a year.
  - National research and reports by experts such as Professor Michael Chisholm (Cambridge University) are far less confident about the savings.
  - In 2004 the Electoral Commission was not persuaded by any of the claimed savings when they looked at the options for unitary counties in the north east and west of England – they were also looking at regional government at the time.
- Total local government expenditure in Wiltshire (excluding schools) is approximately £270 million. The estimated savings, based on the PWC model and if they materialise, equate to less than 1% of the total net local government budget in Wiltshire.
- Any ongoing savings need to be offset by the costs of Council Tax equalisation. That's the effect of creating one level of council tax for the county area and we believe this would result in lost revenue of about £1.3 million in Wiltshire.
- There is also the costs of any borrowing or use of capital resources to consider.
- Annual government grant of £1.3 million would also be lost from Wiltshire (as a whole), without a change of government rules, simply as a result of creating a single unitary council.

*One off costs in some detail:*

- Figures for one off or transitional costs vary widely. National research suggests a cost of about £30 million to create a new unitary county.

- Any efficiencies depend on successfully rationalising offices, integrating systems, and effectively resourcing the change to new unitary councils including the period of running of a shadow council (in the year of planning before the new council comes into being).
- Then there are the costs of redundancy and early retirement.

*So the annual savings and one off costs are far from certain. Estimates vary widely. Before any net savings are created one off costs have to be paid for, so does the loss of £2.6 million – government grant and ‘council tax equalisation’.*

*"Although figures do vary widely, any financial benefits of change rapidly become overshadowed by annual 3% efficiency targets."*

There are the issues about democratic representation:

- At present West Wiltshire benefits from 57 elected Councillors – 44 District and 13 County - getting involved in local decisions and community leadership.
- A unitary county proposal, if the usual ratios based on unitary councils elsewhere apply, is likely to result in a loss of 50% of councillors.
  - Unitaries on average have a ratio of 1 councillor to 2,553 electors; the equivalent average for a district is 1 to 1,361 electors. The highest ratio for a unitary is 1 to 4,168 electors.

A series of research documents and the findings from the last review in 1994 are all sign posted through links on our web site. For details see the homepage at [www.westwiltshire.gov.uk](http://www.westwiltshire.gov.uk).

And finally, what about the impact on people and places:

- A unitary county would cover Chippenham, Trowbridge, Salisbury and Devizes. Some Councillors would feel very detached from the decisions they were making, not least decisions about planning and regeneration that are local and important to the local place.
- A unitary county would be serving a wide area of population, with the plain in the middle. Would it be accessible for all those people? How would it relate to all the 248 local councils in the 20 community areas?

### **Effect on strategies and codes**

There are fundamental implications if there is a change in the structure of local government:

- Delay (possibly protracted or permanent) in achievement of WWDC corporate priorities.

- New elections for a shadow authority followed by a new authority.
- New corporate plan and strategies for that authority.
- New constitutional framework.

It is worth noting that this Council's approach, as set out in the Corporate Plan, is entirely consistent with the White Paper.

*There is already, in West Wiltshire, a strong emphasis on designing services around the needs of the citizen and the community.*

The Customers First priority, the countywide supporting partnership, the Sustainable Communities service and service plan all exemplify this. So do the priorities of the Wiltshire Improvement Partnership.

### **Risk management implications**

The costs of change will fall on the new authority as will all associated risks which include:

- Changes costing more than expected.
- Possible delays in implementation of new arrangements.
- Disruption during an extended period of change.
- Potentially adverse (short to medium term) effects on morale and retention of skilled staff.

With or without change there are risks for partnership working. This will, in turn, result in delays to any service improvements that rely on effective partnerships.

This review process does not have the effect of creating (at least in the short term) good collaboration and co-operation between councils. Many areas are already reporting a negative effect.

There is a need to ensure that relationships between councils are not damaged by this competitive process. There is also a need to avoid any adverse effects on morale.

### **Finance and performance implications**

These have mainly been covered in the section on issues. In addition, Council will want to be aware of the effect on existing budgets.

Expenditure by this Council on this review is minimal. We have not engaged consultants nor spent money on any additional staff. There has been expenditure of a few hundred pounds on printing and postage. Staff time has been very restricted and involves a few days of research and activity. A few days has also had to be provided to support the information requests we have received from the County Council.



Every effort is being made to ensure staff and members are well informed and to minimise any disruption and adverse effects on performance. So far this has been effective.

### **Legal and human rights implications**

None at this stage. A new unitary council would be just that, a new legal entity requiring fresh elections.

There are complex rules surrounding this and the rights of staff. A new authority would need to appoint staff. Where there exist staff in more than one tier of government carrying out equivalent jobs there would need to be a fair appointment process. This will apply to staff at all levels including corporate management team.

If a new authority becomes a real possibility Council will need to receive detailed information about these issues.

### **Next steps**

A leaflet has already been produced setting out this Council's position. Council needs to consider if there are any changes to that information that need to be communicated. Alternatively consideration needs to be given to how to better communicate the position already agreed.

So far we have sent the information leaflet to:

- All staff and members.
- All key partners on our Local Strategic Partnership.
- All Towns and Parishes in West Wiltshire.

Consideration needs to be given to communication with the Government Office for the South West (GoSW) and the Department of Communities and Local Government (DCLG). A draft letter reflecting this report can be prepared for GoSW and DCLG if requested.

The timetable in respect of the invitation for proposals for unitary councils is as follows:

- 25<sup>th</sup> January 2007 - submit proposals.
- March 2007 - Government announces preliminary views.
- June 2007 - Stakeholder consultation closes.
- July 2007 – Government final decisions.
- March 2008 – Elections to new unitary councils.
- April 2009 – New unitary councils operational.

This Council will need to consider how it wishes to take forward the challenges in the White Paper, other than those in the invitation.

It is suggested that there be a further report once the Secretary of State has made her announcement in March.

The report may need to address an expression of interest by the Secretary of state in a unitary county for Wiltshire. Alternatively it will need to take forward the agenda for enhancing the existing two tier arrangements:

- Strategic direction - Local Area Agreements and partnership arrangements.
- Efficiencies – scope for better joint working (taking into account this position which already involves extensive use of the private sector to achieve economies).
- Community leadership – how to simplify existing arrangements and enhance the role of ward members as ‘front line’ Councillors.

### **Recommendations**

Council is recommended to:

- Request the Chief Executive to write to GoSW and DCLG setting out its position in relation to the Secretary of State’s invitation - the disruptive effect of this ‘distraction’ whilst referring to the positive approach being proposed to improve existing arrangements outside of the pathfinder process.
- Request a further report in April following the announcement of the Secretary of State’s ‘preliminary views’ and consider the next steps in more detail.

### **Background papers**

These are all to be found through the web links under the heading of Local Government Reorganisation on [www.westwiltshire.gov.uk](http://www.westwiltshire.gov.uk)