



**Neudd y Cyngor
Y Rhadyr
Brynbuga
NP15 1GA**

**County Hall
Rhadyr
Usk
NP15 1GA**

14 Hydref 2014

14th October 2014

**Notice of meeting:
Extraordinary Meeting of
Monmouthshire County Council**

***Hysbysiad o gyfarfod:
Cyfarfod Anghyffredin Cyngor Sir Fynwy***

**Wednesday 22nd October 2014, at 2.00pm
Council Chamber, County Hall, Rhadyr, Usk**

***Dydd Mercher 22 Hydref 2014, am 2.00yp
Siambr y Cyngor, Neuadd y Cyngor, Y Rhadyr, Brynbuga***

AGENDA

The Council welcomes contributions from members of the public through the medium of Welsh or English. We respectfully ask that you provide us with adequate notice to accommodate your needs.

Item No	Item
1.	Apologies for absence.
2.	To receive declarations of interest.
3.	Report of the Head of Democracy and Regulatory Services: Appointment to outside bodies (copy attached)
4.	Report of the Chief Executive: Reforming Local Government White Paper (copy attached)

**Paul Matthews
Chief Executive
*Prif Weithredwr***

***I Gadeirydd ac Aelodau
Cyngor Sir Fynwy***

**To the Chairman and Members of
Monmouthshire County Council**

Aims and Values of Monmouthshire County Council

Sustainable and Resilient Communities

Outcomes we are working towards

Nobody Is Left Behind

- Older people are able to live their good life
- People have access to appropriate and affordable housing
- People have good access and mobility

People Are Confident, Capable and Involved

- People's lives are not affected by alcohol and drug misuse
- Families are supported
- People feel safe

Our County Thrives

- Business and enterprise
- People have access to practical and flexible learning
- People protect and enhance the environment

Our priorities

- Schools
- Protection of vulnerable people
- Supporting Business and Job Creation

Our Values

- **Openness:** we aspire to be open and honest to develop trusting relationships.
- **Fairness:** we aspire to provide fair choice, opportunities and experiences and become an organisation built on mutual respect.
- **Flexibility:** we aspire to be flexible in our thinking and action to become an effective and efficient organisation.
- **Teamwork:** we aspire to work together to share our successes and failures by building on our strengths and supporting one another to achieve our goals.

Nodau a Gwerthoedd Cyngor Sir Fynwy

Cymunedau Cynaliadwy a Chryf

Canlyniadau y gweithiwn i'w cyflawni

Neb yn cael ei adael ar ôl

- Gall pobl hŷn fyw bywyd da
- Pobl â mynediad i dai addas a fforddiadwy
- Pobl â mynediad a symudedd da

Pobl yn hyderus, galluog ac yn cymryd rhan

- Camddefnyddio alcohol a chyffuriau ddim yn effeithio ar fywydau pobl
- Teuluoedd yn cael eu cefnogi
- Pobl yn teimlo'n ddiogel

Ein sir yn ffynnu

- Busnes a menter
- Pobl â mynediad i ddysgu ymarferol a hyblyg
- Pobl yn diogelu ac yn cyfoethogi'r amgylchedd

Ein blaenoriaethau

- Ysgolion
- Diogelu pobl agored i niwed
- Cefnogi busnes a chreu swyddi

Ein gwerthoedd

- **Bod yn agored:** anelwn fod yn agored ac onest i ddatblygu perthnasoedd ymddiriedus
- **Tegwch:** anelwn ddarparu dewis teg, cyfleoedd a phrofiadau a dod yn sefydliad a adeiladwyd ar barch un at y llall.
- **Hyblygrwydd:** anelwn fod yn hyblyg yn ein syniadau a'n gweithredoedd i ddod yn sefydliad effeithlon ac effeithiol.
- **Gwaith tîm:** anelwn gydweithio i rannu ein llwyddiannau a'n methiannau drwy adeiladu ar ein cryfderau a chefnogi ein gilydd i gyflawni ein nodau.

**MONMOUTHSHIRE COUNTY COUNCIL
REPORT**

SUBJECT:	APPOINTMENTS TO OUTSIDE BODIES
DIRECTORATE:	Chief Executive
MEETING:	Special Council
DATE:	22nd October 2014
DIVISION/WARDS AFFECTED:	All

1. PURPOSE:

- 1.1 To appoint a member to serve as an EAS Board Member.
- 1.2 To appoint two members to serve on the EAS Audit Board.

2. RECOMMENDATIONS:

- 2.1 That County Councillor R. Greenland replaces County Councillor P.A. Fox on the EAS Board.
- 2.2 That two members of the Children and Young People Select Committee are appointed as members of the Audit Committee.

3. REASONS:

- 3.1 A report was submitted to Cabinet on 15th October 2014, to endorse changes to the governance structure of the South East Wales Education Achievement Service.
- 3.2 New proposals include the addition of an Audit Committee.

4. RESOURCE IMPLICATIONS:

None

5. CONSULTATION:

Cabinet
Senior Leadership Team
Head of Legal Services
Head of Democracy and Regulatory Services
Local Democracy Manager
Chair and Vice Chair of Children and Young Peoples Select

6. BACKGROUND PAPERS:

Appendix 1 - Cabinet Report 15th October 2014:
'Education Achievement Service – Governance Changes'

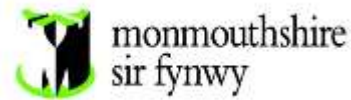
7. AUTHOR:

Sarah King, Senior Democratic Services Officer

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SUBJECT:	EDUCATION ACHIEVEMENT SERVICE – GOVERNANCE CHANGES
DIRECTORATE:	Children and Young People
MEETING:	Cabinet
DATE:	15th October 2014
DIVISION/WARDS AFFECTED:	Countywide

1. PURPOSE:

1.1 Cabinet to endorse changes to the governance structure of the South East Wales Education Achievement Service.

2. RECOMMENDATIONS:

2.1 Endorse a model of governance that captures the requirements of the Wales Government national model.

2.2 That, in addition to the requirement of the National Model, the current Joint Executive Group (terms of reference attached at Appendix 3) be retained and that an Audit Committee for the Company (terms of reference attached at Appendix 4) be established.

2.3 That a report will be brought to the next meeting of Council to:

1. agree two Council nominations to the Audit Committee (drawn from the Children and Young People Select Committee)
2. agree a replacement as a Council nominated Main Board Director given the intention of the Leader to stand down from this position.

3. BACKGROUND AND KEY ISSUES:

3.1 A 'National Model' of regional working for school improvement was introduced by the Minister for Education and Skills in March 2014. The national model contains five key themes

1. Mission, values and principles of effective school improvement
2. The scope of regional consortia
3. Delivery of respective regional consortia and local authority functions
4. Governance and accountability
5. The organisation and operation of consortia

While the South East Wales Education Achievement Service reflects the majority of the 'National Model', it is recognised that the 'Governance' element requires some further consideration in order to comply with the statutory framework. This paper has been prepared for each of the five partner local authority's in order to agree a governance model which meets the requirements of the National Model.

After reflecting on the national model, it is proposed that the following governance structure is implemented in order to meet the national model. Some governance arrangements are already in place therefore this proposal includes a combination of current, revised and additional governance arrangements. Draft Terms of Reference for each of the governing groups are included in Appendix 1-4.

In summary the proposal includes:

1. **The continuance of a South East Wales EAS Board:**
2. **The addition of a South East Wales EAS Executive Board**
3. **The continuance of the JEG (Joint Executive Group)**
4. **The addition of an Audit Committee**

3.2 **The continuance of a South East Wales EAS Board:**

Board Membership Proposal:

Currently the EAS Board is made up of nominated Directors and Councillors from each of the five councils. Leaders from each Council have expressed a desire to see a consistent approach of nominated board members across the five Local Authorities. It is suggested that such board members should be:

- Senior Cabinet Members (who do not hold the portfolio for Education) but have the right skills and experience to make decisions.
- A Lead Chief Executive and
- the Managing Director of the EAS
- The Chair of the Executive Board

Role of Board Member:

Board members will have responsibility for approving the consortia budget (including remuneration), business planning and performance management of the regional consortia. Meetings will focus on monitoring progress against the Business Plan. The Board may delegate operational decision making to the Executive Board. The Board must demonstrate sustained control and should not act as a 'rubber stamping' body. The Board will appoint senior EAS staff and deal with H.R related issues.

3.3 The addition of a South East Wales EAS Executive Board:

Executive Board Membership Proposal:

Membership will include the Chairperson of the EAS Board, The Managing Director (acting as a paid official and not an Executive Board Member) a Lead Chief Executive and no more than 5 individuals appointed to the Executive Board. These individuals will include a Welsh Government representative and individuals with expertise in school improvement (one of whom must be a serving Head teacher drawn from a school within the consortium area). The Board will approve Executive Board members. The Lead Chief Executive should change on an annual basis. Paul Matthews, Chief Executive of Monmouthshire County Council has volunteered for this role in the first instance.

Role of Board Member:

The Executive Board acts as an advisory group and on instruction from the South East Wales EAS Board. The Executive Board is accountable to the South East Wales EAS Board, but will have delegated powers to consider and recommend an annual Business Plan in line with the set budget, monitor and evaluate progress and outcomes of the Business Plan. The Executive Board will recommend to the EAS Board appropriate levels of remuneration for the managing director and top team and appoint or remove the Managing Director.

3.4 The continuance of the JEG (Joint Executive Group)

JEG Membership Proposal:

Leaders have been clear that they wish to see the continuation of the JEG in order to ensure that the five Cabinet Members with the portfolio for Education and each Chief Education Officer from across the region engage in meaningful discussion linked to commissioning and validation.

The role of the JEG

The JEG challenges the delivery of the EAS Service and will determine if the EAS is meeting the standards required. It is the forum whereby each Consortium Member can be made aware of any issue which may affect another Consortium Member, which may in turn affect and risk the delivery of services to it.

The JEG is also a mechanism to ensure that they are satisfied that they are meeting their statutory functions are being delivered properly and if not to consider whether alternative arrangements need to be made (this enable's JEG members to report back to elected members).

*Please note that the continuance of a JEG group will be in 'addition' to the advice set out in the National Model. The EAS Board and Managing Directors will be aware of the JEG and will seek to work with it positively (although it will not sit within the company structure).

3.5 The addition of an Audit Committee

Scrutiny is a vital component of the governance model. With such large financial investment value for money needs to be evident. Individual local scrutiny arrangements have slight variances and have considered the need for a joint scrutiny panel linked to the EAS. A preference now is the establishment of an Audit Committee rather than a joint scrutiny committee.

Audit Committee Membership

This would be made up of two nominees form each of the five Councils. Theses nominees are likely to be (but not required to be) members of the local scrutiny committee with portfolio responsibility.

The Role of Audit Committee

The audit committee will scrutinise the financial reporting process, in relation to risk management systems and internal and external audit functions. Its role is to provide advice and recommendations to the EAS Board within the scope of their terms of reference. The Managing Director must ensure that the terms of reference for the Audit Committee are approved by the EAS Board.

4. RESOURCE IMPLICATIONS:

None.

5. SUSTAINABLE DEVELOPMENT AND EQUALITY IMPLICATIONS:

None.

6. CONSULTEES:

This report was prepared after consultation with:

- Chief Executives of Newport, Torfaen, Caerphilly, Blaenau Gwent and Monmouthshire Local Authorities
- Leaders of Newport, Torfaen, Caerphilly, Blaenau Gwent and Monmouthshire Councils
- Consortium Directors of Education
- South East Wales Education Achievement Service
- Cabinet Members for Education across the five local authorities

7. BACKGROUND PAPERS:

Welsh Government: A National Model for Regional Working in Wales February 17th 2014

8. AUTHOR:

Paul Matthews

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Appendix 1:

Draft Terms of Reference of the South East Wales EAS Board

The work of South East Wales Education Achievement Service will be overseen by an EAS Board. Local authorities should note that the EAS Board may make decisions which affect the delivery of and resources available for improving school performance. Therefore, local authorities should make sure that the governance arrangements put in place do not contradict local authority decision making and democratic accountability.

The EAS Board will have responsibility for approving the consortia budget (including remuneration), business planning and performance management of the regional consortia.

Consortia and local authorities should make sure that the members of EAS Board have the right skills, experience and seniority to make decisions; have a clear understanding of their collaborative regional responsibility; and are clear about their roles and responsibilities and how these dovetail with the democratic accountabilities.

The membership of the EAS Board will include:

- Five Senior Cabinet Members representing the five Local Authorities (who do not hold the portfolio for Education)
- A Lead Chief Executive
- The Managing Director of the South East Wales EAS
- The Chair of the Executive Board

The EAS Board will:

- Nominate and agree a Chair
- Meet once a school term to oversee the work of the consortium.
- Hold an annual meeting to focus on considering and agreeing the draft business plan and the accompanying budget.
- Delegate the operational decision making of the consortium to an executive board whose role will be to oversee, support and challenge the work of the regional consortium.
- Monitor the progress and outcomes of the business plan.
- establish arrangements for appointments of senior staff and to deal with HR issues such as grievances

The Managing Director and the lead Chief Executive shall:

- After consultation with the Chair of the Board, agree the agenda and papers to be prepared for each EAS Board meeting.

*Normally meetings of the joint committee will be open to the public.

Appendix 2:

Draft Terms of Reference for the EAS Executive Board

The EAS Board will delegate the operational decision making of the consortium to an executive board whose role will be to oversee, support and challenge the work of the regional consortium.

The membership of the EAS Executive Board will be appointed by the EAS Board to include:

One representative Chief Executive;

A nominee of Welsh Government (observer status);

The lead Director of Education;

The Managing Director of the EAS; and

No more than [five] individuals who will be appointed, with the approval of the joint committee, for their expertise in education, leadership and corporate governance drawn from an approved pool of individuals assembled by the WLGA and Welsh Government. Those nominated shall include at least one serving head teacher drawn from a school within the consortium area.

Reporting regularly to the EAS Board, the Executive Board will have delegated responsibility for the implementation of:

- Strategy – executive board members will constructively challenge and contribute to the development of strategy to enable the organisation achieving its goals;
- Business planning – executive board members will consider and recommend an annual business plan to the EAS Board;

- Budget – executive board members will ensure that the business plan agreed is in line with the budget; performance – executive board members will monitor and review the performance of management in meeting assigned goals and objectives and monitor the reporting of performance;
- Self-evaluation and risk – executive board members will need to have arrangements in place to make sure that regional consortia financial controls and systems are robust where necessary this will be reported to individual local authorities; people – executive board members will recommend to the EAS Board appropriate levels of remuneration for the managing director and top team
- And have the prime role in appointing/removing the managing director.

The role of the Chair of the Executive Board will be to:

- Set the agenda for the executive board in conjunction with the managing director and ensure that the board operates effectively;
- Ensure the provision of accurate, timely and clear information for other executive board members;
- Ensure that the executive board operates effectively in all aspects of its role;
- Ensure the provision of accurate, timely and clear information for other executive board members;
- Support effective communication with constituent local authorities and Welsh Government;
- Facilitate effective contributions from all executive board members and ensure appropriate relationships between executive board members and between executive board members and officers.

The Managing Director and Chair of the Executive board shall attend meetings of the EAS Board.

Appendix 3

Draft Terms of Reference for the Joint Executive Group

The Joint Executive Group (JEG) has been established as a forum for Members and Senior Officers of the five participating authorities to discuss monitor and agree issues associated with the Education Achievement Service.

The Collaboration Agreement provides details of the purpose and responsibilities of the group and should be referred to as the definitive document.

Responsibility of Group

The following areas fall within the remit of the group:

- Approving the business plan for each financial year.
- Approving the annual budget for each financial year

- Approving the Company's objectives
- Approving the Company's priorities for each Financial Year
- Agreeing the Performance Review Proforma
- Agreeing the Commissioned Services to be provided to each Home Authority by the Company for each Academic Year
- Setting and monitoring the Company's performance against the objectives

Specific Tasks

The Joint Executive Group shall agree on or before the last week in September each year:

- each Home Authority's funding contribution for the first Financial Year as set out in the Schedule 2 (Funding);
- the charging model which determines each Home Authority's future obligation to provide funding to the Company set out in Schedule 2 (Funding);
- Objectives for the period from the Commencement Date to 1 September 2015 and set out in Schedule 6 (Objectives);
- the Commission Services standards as set out in Schedule 4 of the Commissioning Agreement; and
- agreeing the Commissioned Services to be provided to each Home Authority in the first Financial Year by the Company.

Membership of Group

Each Home Authority shall, (i) a Cabinet Member responsible for Education and (ii) the Director of Education to be members of the Joint Executive Group.

Any member of the Joint Executive Group may appoint an alternate to attend meetings in his or her place. Prior to the commencement of any Financial Year each Home Authority shall, by written notice to the secretariat nominate its alternate.

The members of the Joint Executive Group shall appoint one member to be the Chair of the Joint Executive Group for a period of 12 months from the date of appointment. The appointment of chair shall rotate in the following order:

Blaenau Gwent County Borough Council

Caerphilly County Borough Council

Torfaen County Borough Council

Monmouthshire County Council

Newport City County

Administration

The Home Authority of the person appointed as Chair pursuant shall also act as secretariat to the Joint Executive Group and shall deliver such Secretariat Services at no charge to the Home Authorities. If the Chair is absent or unable or unwilling to preside at a meeting of the Joint Executive Group, the members present may appoint another member to chair the meeting. The Joint Executive Group may regulate their proceedings on such terms as they think fit provided the Joint Executive Group meet at least four times in any Financial Year.

The quorum for meetings of the Joint Executive Group shall be four (4) Cabinet Members responsible for Education. No business shall be transacted at any meeting of the Joint Executive Group unless a quorum is present. If no quorum is present within half an hour of the time for which the meeting was called, the meeting shall be cancelled. If a quorum ceases to be present at any time during the meeting, the meeting shall be adjourned. Each member of the Joint Executive Group (or his or her alternate) shall have one vote. Decisions at Joint Executive Group meetings shall only be carried where (1) there is a simple majority of votes in favour and (2) at least four Cabinet Members responsible for Education or their alternates vote in favour. Decisions in relation to the matters identified in the Responsibilities of the Group shall require the unanimous decision of the Joint Executive Group.

Agenda / Minutes

The Agenda for each meeting will be agreed by the nominated chair in liaison with the Lead Director of the EAS and the home authorities. Items for inclusion on the agenda, together with supporting papers, must be passed to the secretariat 10 working days prior to the meeting. Agenda to be issued to all members of JEG five working days prior to the meeting. Draft minutes from meetings to be issued within five working days of the meeting

Appendix 4

Draft Terms of Reference for the EAS Audit Committee

The functions of the Audit Committee are to;

- Reviewing and scrutinising the EAS affairs
- Make reports and recommendations in relation to the EAS financial affairs
- Reviewing and assess the risk management, internal control and corporate governance arrangements of the EAS
- Make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements
- Oversee the EAS internal and external audit arrangements and
- Review the financial statements prepared by the EAS

Terms of Reference

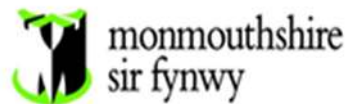
To exercise the following functions and take the following resolved decisions, under delegated powers:-

- To appoint the Chair of the Audit Committee
- To receive and approve the EAS Annual Statement of Accounts in accordance with the Accounts and Audit Regulations

- To receive and approve the Annual Internal Audit Report
- To receive and approve the Annual Internal Audit Plan
- To review and approve the annual programme for internal audits, the audit priorities and effectiveness of the programme in providing adequate assurance in respect of the EAS's main business risks
- To review and monitor the effectiveness of the EAS system of internal control and the proper administration of its financial affairs, including corporate governance and risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements
- To engage with external auditors and inspection agencies and other relevant bodies to ensure that there are effective relationships between external and internal audit.

To exercise the following functions and make recommendations, where appropriate

- To monitor and oversee the implementation and outcomes of the internal audit programme and, where necessary, review and make recommendations regarding unsatisfactory audit reports
- To review the adequacy of the EAS internal audit resources and to make recommendations, where necessary
- To seek assurances on the adequacy of EAS Board or management responses to internal audit advice, findings and recommendations and monitor implementation and compliance with agreed action plans
- To consider the Annual Audit and Inspection Letter, make any recommendations to the Board and to monitor the Boards response to individual risks or areas of concern identified in the Letter
- To receive and consider inspection reports from external regulators and inspectors and to make recommendations and, where necessary, monitor implementation and compliance with agreed action plans
- To monitor and review decisions to waive Contracts Standing Orders and urgent executive decisions taken without consultation and to make recommendations where appropriate.
- To make recommendations to the Managing Director and the Chair of the EAS Board in relation to the Financial Procedures and Regulations set out in the EAS Constitution
- To recommend to EAS Board the appointment of further lay Board or Audit Committee members, where appropriate.



SUBJECT: Reforming Local Government White Paper
DIRECTORATE: Chief Executives
MEETING: Special Council
DATE: 22nd October 2014
DIVISION/WARDS AFFECTED: Countywide

1. Purpose

- 1.1 To consider Monmouthshire County Council's response to the Reforming Local Government White Paper issued by Wales Government and to its prospectus for Voluntary Merger.

2. Recommendations

- 2.1 That Council agrees a position on its approach to merger with another Council / Council (s). The options are:
- 2.1.1 To adopt the preferred Wales Government position and agree to merge with Newport City Council;
 - 2.1.2 To seek to explore an 'exceptional arrangement' merger, with potential participants likely to be Blaenau Gwent County Borough Council and Torfaen County Borough Council;
 - 2.1.3 If either 2.1.1 or 2.1.2 is the preferred position to determine whether to adopt the 'voluntary merger' approach set out below;
 - 2.1.4 To resist a merger proposal and advocate a case for Monmouthshire remaining as a standalone County Council; and /or,
 - 2.1.5 To resist a merger proposal and advocate the development of a 'combined authority' model.
- 2.2 If Council determines to explore merger or if Council is compelled by Wales Government at a future date to merge that delegated authority is given to the Leader of the Council and Chief Executive to engage with counterparts in initial discussions about merger.

3. Background

- 3.1 In April 2013, the Welsh Government announced the establishment of the Commission on Public Service Governance and Delivery, chaired by Sir Paul Williams (also known as the 'Williams Commission'), to examine all aspects of governance and delivery in the devolved public sector in Wales. The Williams Commission published its report on 20th January 2014, which made 62 recommendations, including proposals for local government reorganisation in Wales through the merger of local authorities.
- 3.2 The Welsh Government published a White Paper, entitled 'Devolution, Democracy and Delivery – Reforming Local Government', on 8th July 2014. The White Paper sets out proposals for local government in Wales in the

21st Century and focuses mainly on future legislation to support the proposed merger of local authorities in Wales, which would reduce the number of councils from the existing 22 to a preferred number of 12, including the proposed merger of Monmouthshire County Council and Newport City Council.

4. Key Issues

4.1 The White Paper does not ask any questions relating specifically to the question of whether local authorities agree with the merger proposals put forward by both the Williams Commission and the Welsh Government. Instead, on the basis that the proposed mergers will happen by 2020, local authorities are asked whether they are considering voluntary merger or not.

4.2 The Welsh Government published its 'Invitation to Principal Local Authorities in Wales to submit proposals for voluntary merger' or the 'prospectus' for voluntary mergers on 18th September 2014.

4.3 The Minister for Public Services, Leighton Andrews AM, has made his personal position clear that local government reorganisation in Wales will happen and, on 23rd September 2014, 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."

4.4 The Minister clarified, at a meeting of the WLGA Council on 26th September 2014, his expectation that proposals for merger will reflect the proposals put forward in the White Paper, unless there are exceptional circumstances. That being the case, the expectation is that Monmouthshire County Council would seek a voluntary merger, or face a compulsory merger, with Newport City Council:

- Voluntary Merger between Monmouthshire and Newport City Councils by 1st April 2018
- Compulsory Merger between the Monmouthshire and Newport City Councils by 1st April 2020

4.5 In the light of these options, the Council needs to consider its direction of travel: support for voluntary merger by April 2018; making the case for an alternative based on exceptional circumstances; or a strategy of waiting for the initiation of legislation and the imposition of a mandatory merger process in April 2020. To date, whilst some political groups have submitted views to Wales Government, the Council has not formed and stated a position.

The Voluntary Merger Option

4.6 Those authorities which agree to voluntary merger would merge two years ahead of the compulsory or enforced merger of authorities. In the view of Welsh Government, this would enable the benefits of scale and efficiencies to be realised earlier.

- 4.7 A decision to proceed with a voluntary merger would assist in providing greater certainty to employees about the future timescale and process for merger, provide authorities with the stability of an additional year to plan for transition and would require one less set of elections. Early candidates for merger would also be provided with additional incentives, flexibilities and support from the Welsh Government.
- 4.8 The Williams Commission recommended that early candidates for voluntary merger be incentivised and this has been reflected in the Welsh Government 'prospectus' that was published on 18th September 2014. This sets out the process and requirements for voluntary merger and, in turn, what support will be made available from the Welsh Government.
- 4.9 Whilst it is not clear exactly what form these additional resources will take, they may include additional funding to support the merger process, including supporting the harmonisation of terms and conditions, and tackling equal pay and pension arrangements. The Minister for Public Services has confirmed that he will announce more details about the funds that will be made available by the Welsh Government to incentivise voluntary mergers shortly.
- 4.10 Wales Government will also consider providing practical support to those authorities which agree to voluntary merger and who are prepared to act as model authorities to develop innovative approaches to scrutiny and public engagement, increased democratic participation and greater diversity of representation.
- 4.11 In this respect, voluntary merger would increase the ability of the Council to shape the terms of reorganisation, including the possibilities of drawing down financial support to facilitate the merger process and negotiating with Wales Government financial flexibilities to respond more effectively to the severe financial pressures that are projected to impact on the Council in the medium term.

Greater devolution of powers and freedoms to new authorities

- 4.12 Discussions with the Welsh Government on the devolution of greater powers, responsibilities and flexibilities to the new merged local authority two years in advance of other authorities. It should be noted that the nature of these powers have not been explicitly outlined within the 'prospectus'.
- 4.13 The Williams Commission has argued the case for reducing the complexity faced by Local Government, for simpler funding arrangements focused on achieving outcomes, and for greater freedom and flexibility. The Welsh Government agreed with the Commission's findings in this area, and has argued that there is scope to go further, as stated in paragraph 97 of the White Paper:

'Just as we seek greater powers through devolution of responsibilities from the UK Government, our ambition is to pass

powers and responsibilities to Local Authorities wherever appropriate. However, this requires Authorities of sufficient scale to be able effectively and sustainably to take on these additional responsibilities.'

Discussions with Newport City Council

- 4.14 Newport City Council passed a motion on 23 September 2014 which rejected the Williams Commission proposal for merger with Monmouthshire and supported the position that Newport is a viable and successful Authority, which should continue in its current form. Consequent to this decision there have been no discussions between the Leader and Chief Executive of Monmouthshire County Council with their counterparts from Newport City Council. If Council does decide to explore this option today then the following information becomes relevant.

Expression of Interest / Merger Issues to be considered

- 4.15 Any expressions of interest in voluntary merger must be submitted to the Welsh Government by 28th November 2014.
- 4.16 Expressions of interest will need to assess whether a proposal for voluntary merger could proceed within the timescale set out by the Welsh Government. There would also be the need to identify and outline the main enablers and obstacles to merger, and deliver a vision for the potential new Authority.
- 4.17 Further to this, the Welsh Government's 'prospectus' for voluntary mergers outlines a number of factors to be considered:
- Political and scrutiny structures and practices;
 - Staff structures, including in particular senior management structures, and operational structures in priority areas;
 - Financial and budget structures and processes, including Council Tax;
 - Internal support systems and processes, including ICT systems;
 - Assets and estates; and
 - Service delivery policies and practices, including accessibility, eligibility and charging policies.
- 4.18 Initially for each of the above factors, any Expression of Interest will need to identify, broadly, any enablers or obstacles to merger, including:
- How similar (or different) are each Authority's arrangements now?
 - What would be the extent and complexity of change, especially in priority areas?
 - What would be the timescales for making such change having regard to the timescales laid out elsewhere in this paper?
 - What would be the likely one-off and recurrent costs and benefits and how soon could savings be realised? Main costs may include staff, property, information technology, corporate, consultation and communication while savings may arise from asset and contract rationalisation shared support services, streamlined processes and staff numbers.

- Are there any significant obstacles to these processes? What proposals are there to address these?
- Will it be possible to build on existing collaboration or pooling arrangements?
- Will it be possible to rationalise structures, systems, processes and access channels, and/or adopt best practice

Alternative Arrangements

4.19 Wales Government would prefer proposals for early voluntary merger which concur with the proposals set out in the White Paper. However, the Wales Government has indicated in the 'prospectus' that it would be willing to consider alternatives which meet the following principles:

- Proposals consisting of mergers of existing, neighbouring Local Authorities to form the 'building blocks' of a new Authority. They will not entertain proposals for merging only parts of existing Local Authorities, or redrawing boundaries from scratch. They would, however, consider proposals from Authorities seeking to group together into larger configurations.
- Proposals must not jeopardise the Welsh Government's desire for coherence and the wider merger and reform programme by, for example, having the effect of leaving one Local Authority unable to merge.

4.20 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 reduce complexity, strengthen strategic and operational collaboration, and improve integration of front-line services. These are the key issues which the Williams Commission identified as being achievable through the alignment of public service administrative boundaries. They would also have to demonstrate the firm support of their public service partners for this proposal, and demonstrate their commitment by being part of the voluntary, early merger programme.

4.21 Members should be aware that there is interest from Torfaen and Blaenau Gwent in Monmouthshire joining with these two Council areas to form one new Council. Whilst this is not consistent with the views of the Williams Commission, given the stated views taken by Caerphilly and Newport to remain as free-standing Councils, it would seem a legitimate alternative if there was a will to proceed. To date, no conversation involving the Chief Executive and Leader of Monmouthshire County Council have taken place on this option.

4.22 The Council could, of course, propose to the Welsh Government that Monmouthshire should be treated as a "stand-alone" local authority. Such a case would rest on the argument that the geographical and rural characteristics of a County with a proliferation of small hamlets, villages and towns does not sit well with the characteristics of neighbouring areas; particularly Newport which, even though a small city, is still an urban settlement with very different issues and problems to address. Indeed the characteristics of Monmouthshire are akin to those of Carmarthenshire.

and Powys and these will both remain as stand-alone Councils.

- 4.23 In this connection a number of Councils including Caerphilly, Newport, Wrexham and Ynys Mon Councils have publicly stated that they wish to stand alone – although it needs to be emphasised that their line of argument runs counter to the options set out in the White Paper.
- 4.24 The Welsh Local Government Association (WLGA) issued a discussion paper to its member authorities in July 2014 on the proposed creation of Combined Authorities in Wales as a response to local government reorganisation. Though the proposal did not gain the support of the WLGA Council, it was recognised that on a voluntary basis, they could yet form part of the city-region debate in South East Wales.
- 4.25 The core principle, as set out in the WLGA discussion paper, is that decisions should be taken at the most appropriate geographical level. The evidence from cities in the UK and internationally supports the case for transport planning and delivery; and economic development (i.e. skills; tourism; inward investment; marketing and branding; and major regeneration schemes) to be considered across at the metropolitan, or city-region level.
- 4.26 An important point is that the case for more effective city-region governance in the Cardiff Capital Region, potentially focusing on a Combined Authority that includes representation from local authorities, stands on its own merits and is a valid option to pursue.

Resource and Organisational Implications

Developing a Detailed Business Case

- 4.27 The Williams Commission provided a high order financial analysis of the cost of reorganisation. Whilst this work provides broad estimates, it should not be considered a detailed business case which is reflective of the specific costs faced by individual local authorities. As a basis for a business case the work done to date should therefore be considered as being a limited and 'heavily qualified' analysis of the costs of mergers.
- 4.28 The WLGA has also undertaken a body of work to consider the high level costs of reorganisation. It should be further noted that the Williams Commission did not fully accept the WLGA's estimated costs (provided by Deloitte) of between £200 and £400 million with recurrent annual savings of between £92 and £100 million.
- 4.29 The Williams Commission noted that a *"full and detailed costing is beyond our remit"* but believes *'...the upfront costs of merger could be closer to £80-£100m...with recurrent annual savings of perhaps £60-80m...we can estimate with some confidence that the payback period for these costs would probably be somewhere between 18 and 30 months.'* However, the Commission caveats these costs as *'...necessarily very rough estimates...and we must qualify them heavily.'*

- 4.30 Examples from across the UK point to some of the benefits as well as the costs. Cornwall, for example, made the transition to a unitary council by reorganising seven councils into a single unit with a population of 536,000 and 22,000 staff. The initial up front cost was £17.7 million around which there remains some lack of clarity; however, this is now seen to be delivering ongoing efficiency savings of around £15 million.
- 4.31 Recouping transition costs is therefore central to any reorganisation proposal. Any savings past the transition period are likely to emerge as a result of staff reductions, disposal of assets, common IT systems, reducing central overheads and enhanced procurement power. The caveat, of course, is that some these savings are likely to be achieved as part of measures to deal with the budget challenge over the next three years.
- 4.32 In sum, the absence of a full cost benefit analysis is significant, and the Council will need to consider options for the development of a full business case should it elect to submit an expression of interest for a voluntary merger. This work would need to be undertaken in the case of a compulsory merger, but the timescales would not be so critical.
- 4.33 In terms of a business case, the Welsh Government 'prospectus' for voluntary mergers notes that:
- Given the severe financial pressures being faced, it is unrealistic to expect the Welsh Government to provide large injections of cash to support a process of mergers.
 - The object must be for Authorities to come forward with proposals to minimise the costs and maximise the early realisation of benefits. Nonetheless, they recognise there are often costs involved in transformation, and are committed to discussing the scope and nature of these during the preparation of the fully developed Merger Proposal, which must be submitted by 30th June 2015.

Organisational Integration

- 4.34 If the authority elects to pursue a voluntary or a compulsory merger, there are a number of practical considerations associated with the process that are both complex in nature and bring with them resource implications. Some of the main considerations are outlined below:

- **HR and Workforce Issues**

There are a number of HR and workforce considerations that would need to be addressed as part of any merger. These will include:

- *Terms and Conditions:* Staff at Monmouthshire will be subject to different terms and conditions to those at other Councils. As a rule of thumb we are likely to be paying less than others for similar positions. Any merger would require the

harmonisation of these conditions as well as the integration of pay-roll processes. The issue of terms and conditions is particularly relevant given the legal focus on equal pay. Much of this work would be resource intensive in staff time, as a range of key activities would need to take place. For instance, all posts in scope would have to be job evaluated; a process likely to be commensurate in terms of length and scale with the job evaluation/single status exercise recently undertaken by the Council. As there is no standard implementation of job evaluation in Wales albeit that most used the same base model, initial work would need to address the approach and future grading structure before the actual process could begin.

- *Pensions:* Pension arrangements for both councils are already administered by the Gwent Pension Fund, but councils have different liability profiles which would need to be considered by the Actuary.
- *Staff Commission:* It is anticipated that a staff commission will be established at a national level as an independent body to support the transition process, with similar arrangements having been in place in the past. The Staff Commission could advise on matters arising from reorganisation such as the recruitment and transfer of staff and potentially any other issue relating such as standardised terms and conditions. The Minister for Public Services has confirmed that proposals for the establishment of a non-statutory public service staff commission to assist in the merger transition process will be brought forward later this year. The Minister also expects all local authorities that are proposing to proceed with voluntary merger to hold formal discussions with their recognised trade unions.
- *Organisation structure:* Currently the two organisations operate with different senior management structures, with service delivery arrangements structured accordingly. These arrangements would have to be revisited in the context of any merger proposal and would be expected to result in early and significant cost savings.

- **Financial and budget issues**

4.35 All Councils in Wales are going to have to work hard to maintain solvency over the next few years. Spending decisions and priorities will be different. Aggregate External Finance received from Wales Government will be different as will Council Tax levels and levels of debt exposure. These differences take little work to identify, they are in published end of year accounts, but they will require significant effort to equalise / harmonise / rationalise. Joining Councils is not an 'even' activity. There will be some bumps and poor alignment to contend with.

- **Costs**

As stated above; the Williams Commission report provided limited and 'heavily qualified' analysis of the costs of mergers. Currently, estimates range from £80 million to £400 million (see paragraphs 50-51). Analysis on the length of the return period and the achievable cashable savings also vary. In short, there is currently

no detailed financial analysis for local government in Wales for proposed mergers, certainly not reflecting issues unique to Monmouthshire. In addition, it is difficult to extrapolate budget, staffing and cost figures at a time when councils have had to make – and will continue to do make – significant financial savings over the next 3 years.

- **Delivery Models**

Organisations will have and, over the next three years are likely to adopt, very different delivery models to those currently in operation, to respond to the financial challenges they face. Any merger will therefore be complicated by the range of different delivery models being taken forward, and these will need to be revisited at appropriate times.

- **Internal support systems and processes**

The issue of contracts and integration of systems and processes represents a key challenge. Transition arrangements would require integration and harmonisation managed through a change management programme to provide minimal disruption to services. This is replicated in the myriad of other service applications in operation all of which will need separate consideration. The work in this area will be more complex than in past reorganisations as, over recent years, IT systems have become more complex.

- **External contractual arrangements**

The external spending arrangements of both councils are subject to the same overall requirements of European Directives, the National Procurement Service and other current frameworks. In addition, each Council has its own local procurement rules which would need to be harmonised. Any significant contracts already in place would need to be considered in respect of novation clauses, while new arrangements should be subject to future-proofing to enable as easy a transition as possible.

- **Assets and property**

Councils will need to consider the consolidation and potential disposal of assets and property as part of a merged authority. By way of example, there can be only one headquarters – so where is it?

- **Elected Members and Community Representation**

Numbers of Councillors and areas represented will change and would be subject to an electoral review to be undertaken by the Local Democracy and Boundary Commission for Wales (LDBCW). The number of electoral divisions would also vary. These issues would need to be factored in to any transition arrangements, with the work and timescales of the LDBCW being a key consideration.

Much of this rests on the presumption that the LDBCW will complete its work in a timely fashion by the required election dates. The Commission would need legislative certainty to do this since under its current remit it has no power to review non-existent authorities. If there are any “early adopters”, this means that the

Commission can only start its work when (and if) the First Bill receives Royal Assent in November 2015. It is then assumed that they will have to wait for Welsh Ministers to develop the necessary subordinate legislation to proceed further which is envisaged to be in place in February 2016 (again assuming no slippage).

Change Management

4.36 Any merger of such large organisations would generate challenges in terms of the management of change. The difficult issue of the wholesale integration of those issues set out above in order to create one functional organisation would represent a long term – but achievable – project, which would probably continue well beyond the establishment of the new authority.

Timescales

4.37 The proposed timetables are based on a number of assumptions set out by the Welsh Government in terms of the proposed legislative process to support the merger process and the number of electoral reviews that will need to be undertaken by the Local Democracy and Boundary Commission for Wales.

28 November 2014	Deadline for submission of Expressions of Interest in voluntary merger
January 2015	Welsh Government will introduce a first Bill that will enable preparatory work for a programme of mergers. This will include the powers to enable ministers to require the Local Democracy and Boundary Commission for Wales to start work on considering and making recommendations for electoral arrangements for proposed new authorities.
30 June 2015	Deadline for submission of fully developed Merger Proposal – with full cost benefit analysis and impact assessment – if an Expression of Interest in voluntary merger is to be pursued.
February 2016	The Welsh Ministers will develop the necessary subordinate legislation for approval by the Assembly.
May 2016	National Assembly for Wales elections
May 2017	Local government elections to existing councils for a three year term (unless the authority is unaffected by merger, for the authorities it would be a 5 year term). There would be no elections in May 2017 to authorities wishing to voluntarily merge. Instead, their term will be extended to 2018.
October 2017	A shadow authority and shadow council for the merged authority would be established, consisting of the full body of serving Councillors on the constituent councils.

April 2018	Vesting Day for the new voluntarily merged councils would be 1 st April 2018.
May 2018	Elections to the new merged authorities would be held in May 2018, based on new wards following an electoral review. Councillors would serve for four years until a full round of local elections take place in May 2022.
May 2019	Local government elections to the new authorities (based on compulsory mergers), with councillors elected for a three year term.
April 2020	The resulting councils will exist as 'shadow authorities' until Vesting Day on 1 st April 2020.
May 2022	In May 2022 full local government elections, for all authorities, would be held, for a proposed term of five years

Financial Implications

- 4.38 There are no financial implications arising from this report. Should an expression of interest for voluntary merger be progressed then significant financial analysis work will be required firstly to feed into the initial application and then to the business case which will need to be submitted in June 2015. Although the WG's "Prospectus for Voluntary Mergers" set out potential ways in which Councils would be supported in following this process the fine details are not clear and so any such financial flexibilities and incentives would need to be clarified before final decisions in respect of a voluntary merger are taken in November 2014.

Legal Implications

- 4.39 There are no immediate legal implications arising from the recommendations in the report.
- 4.40 In the event that discussions about the potential submission of an Expression of Interest in voluntary merger are productive then the recommendations recognise that a further report will be required. It will also be necessary in respect of any submission to develop an appropriate inter authority agreement/memorandum between the relevant bodies to manage commitments, responsibilities and resource requirements to ensure the submission is suitably supported and can be implemented if approved.
- 4.41 As recognised elsewhere in the report any merger will require considerable work to be undertaken in relation to employment, contract, property and other assets and liabilities matters including amongst other things:
- Due diligence to investigate, establish and share relevant information;
 - Management of activities during the transition period to include controls over merging authorities entering into significant new contracts, sales of assets or incurring liabilities without some form of notification/approval;

- Management of legacy issues and transfers of contracts and assets including arrangements with suppliers/service providers in terms of transition to new arrangements (such as novation and extension of existing contracts to cover the whole of the merged administrative boundary, early termination of contracts and/or managed/phased exit from legacy arrangements to enable commencement of single procurement for services/supplies for the merged authority);
- Management of the whole range of employment transitions involved in a reorganisation;
- Establishing the new constitution, governance arrangements, policies and strategies;
- Dealings with properties, surrenders, assignments, transfer and amendments of registrations;
- Dealing with any corporate vehicles including any transfers of shares or resignations/ renewals of membership;
- Review and variation of nominations to other bodies.

4.42 Whilst legislation will undoubtedly provide a framework within which the above matters will be managed it is inevitable that there will be a need for legal protocols between the merging authorities; management, negotiation and procurement of contracts and other legal transaction documentation as well as advice on various legal issues, responsibilities and entitlements.

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Background Papers

Report of the Commission in Public Service Governance and Delivery ('Williams Commission')

<http://wales.gov.uk/topics/improvingservices/public-service-governance-and-delivery/report/?lang=en>

Devolution, Democracy and Delivery White Paper – Reforming Local Government

<http://wales.gov.uk/docs/dsjlg/consultation/140725-white-paper-consultationv2-en.pdf>

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

<http://wales.gov.uk/docs/dsjlg/publications/localgov/140918-lg-proposals-voluntary-merger-en.pdf>

WLGA Discussion Paper – The Creation of Four Combined Authorities for Wales?

<http://www.wlga.gov.uk/wlga-corporate-publications/discussion-paper-the-creation-of-four-combined-authorities-for-wales/>

WLGA Discussion Paper on Combined Authorities – Frequently Asked Questions

<http://www.wlga.gov.uk/wlga-corporate-publications/combined-authorities-frequently-asked-questions/>