

Public Services in Wales

Mike Hedges

July 2018

Foreword

It is a great pleasure to provide this Forward to Mike Hedges' latest short policy pamphlet.

We know that the Labour Party in Wales faces a recurrent challenge in reapplying our beliefs and principles to the challenges of our times. Any Party which has repeatedly achieved the support of so many Welsh voters has to work hard to go on earning that support. Demonstrating that we have a rich reservoir of policy ideas through which we can shape our collective futures is a vital part of that ever-necessary effort.

Since his election to the National Assembly in 2011, Mike Hedges has consistently played that part. As the chair of a major Assembly committee, he is deeply involved in debating and formulating new policy ideas. As a former council leader he has an immediate appreciation how those policy proposals have to be capable of being turned into practical action.

Both of those qualities are regularly apparent in this pamphlet. It pushes at the boundaries of our Party's thinking in a series of ways, and not everyone will agree with the conclusions the author draws from his evidence. But that is exactly as it should be. We have to be a Party in which debate is both vigorous and welcomed. That certainly includes discussion of the way in which public services are organised - and, as in Mike's emphatic and convincing demolition of the case for elected Mayors in Wales, ways in which that should not be taken forward.

This autumn we will conduct an election for the next Leader of Welsh Labour. That process needs, I believe, to share many of the characteristics of the pages which follow: open, straightforward, committed and clear about the argument presented. I warmly recommend it to anyone who has an interest in the future of public services in Wales.

Mark Drakeford

Introduction

This pamphlet explores the structure of Welsh public services.

The structure of public services has changed considerably over the last 25 years. With further changes being proposed including a number of proposals to further reduce the number of principal councils in Wales.

In this short pamphlet I look at the current structure of public services in Wales and the direction of travel of Welsh public services.

It then compares council tax and council performance against council size to see if there is a correlation.

It then looks at, how I believe, local public services in Wales should be organised.

Finally it looks at the creation of elected mayors and whether a case has been made for them.

Structure of public service in Wales

Over the last 25 years there have been service reorganisations that have created larger organisations throughout the Welsh Government controlled public sector. There is generally a political consensus at the National Assembly that larger organisations are better than smaller ones and that mergers are generally a good thing.

Currently in Wales we have:

- The Welsh Ambulance Service (WAST) that was established in 1998 by the amalgamation of four existing ambulance Trusts, and the ambulance service provided by Pembrokeshire and Derwen NHS Trust.
- Public Health Wales was created at the same time as the local health boards by the merger of National Public Health Service, Wales Centre for Health, Welsh Cancer Intelligence & Surveillance Unit, Congenital Anomaly Register & Information Service for Wales, and Screening Services Wales.
- 7 local Health boards that now plan, secure and deliver healthcare services in their areas, replacing the 22 LHBs and the 7 NHS Trusts which together performed these functions previously. The population sizes vary between Powys at just over 130,000 to Betsi Cadwaladr at just under 700,000.
- The National Procurement Service was created by the Welsh Government on 12 March 2013. Its remit is to secure in the region of £1bn worth of goods and services in common and repetitive spend.
- Natural Resources Wales was formed by the merger of the Countryside Council for Wales, Environment Agency Wales, and the Forestry Commission Wales. Since its creation there has been a number of loans from *Invest to Save* to fund redundancies and a highly critical auditor general report regarding the sale of trees.
- 2 Trunk Road agencies have replaced the former 8 County Council run agencies. The Welsh Government reviewed the way in which trunk roads and motorways were being managed, and they decided to reduce the number of trunk road agencies from eight down to three and then down to two.
- 3 National Parks. Following the Environment Act 1995, each national park has been managed by its own national park authority since April 1997. Previously they were governed by the local county councils. There have been calls for the three to merge into one National Park for Wales but that has been rejected.
- 3 Fire and Rescue services which were formed as a consequence of local government reorganisation in 1995, replacing the 8 former County Council Fire and rescue services.
- 4 regional Education Consortium were created from the 22 unitary authorities in Wales responsible for education.
- 22 County or County Borough councils were created in 1995 by the merger of county and district councils. For several years there have been calls from some politicians for local government mergers.
- Over 700 Community and Town Councils

Are mergers always right?

From the above it can be seen that the direction of travel is to larger and fewer organisations. Those who look at it simply, calculate the savings from reducing the number of senior staff and thus provide more money for front line services.

Mergers are expensive with redundancy costs and the cost of re badging the organisation. More expensive is creating a single ICT system from the systems of the predecessor organisations. Some will still be under contract and others will need to be updated or closed down and merged into the new system.

All these are up-front costs, and whilst the cost of local government reorganisation in 1996 was approximately 5% of annual expenditure for each council, that was without the variations in terms and conditions between authorities that exist today.

The simplistic conclusions of some is that following a merger, all the senior post duplication is removed and thus substantial ongoing savings are made. This ignores issues such as the senior managers carry out tasks and if the number is reduced the tasks have to be reassigned and the same number of decisions need to be made.

Economic theory predicts that an organization may become less efficient if it becomes too large.

Larger organisations often suffer *poor communication* because they find it difficult to maintain an effective flow of information between departments, divisions or between head office and outlying parts.

Coordination problems also affect large organisations with many departments and divisions as they find it much harder to coordinate operations.

'*X*' *inefficiency* is the loss of management efficiency that occurs when organisations become large and operate in uncompetitive markets. Such losses of efficiency include over paying for resources, such as paying managers salaries higher than needed to secure their services, and excessive waste of resources.

This leads to three questions on public services as they are currently configured.

Do the larger organisations such as Betsi Cadwaladr perform better than smaller ones?

Has the creation of all Wales organisations such as the Welsh ambulance service produced an improved service?

Has the reduction in the number of organisations carrying out a function such as the trunk road agency, Natural Resources Wales and the National Procurement Service improved the services being provided?

Local Government in Wales

As local Government mergers are again being considered and there is a belief held by some politicians and others that we need larger local authorities, although calling a reconstituted Dyfed a local Council does seem, to me at least, a little strange.

The current size of local authorities in Wales are shown below

Rank	District	Population
1	Cardiff	361,500
2	Swansea	244,500
3	Rhondda Cynon Taf	238,300
4	Carmarthenshire	185,600
5	Caerphilly	180,500
6	Flintshire	154,400
7	Newport	149,100
8	Bridgend	143,200
9	Neath Port Talbot	141,600
10	Wrexham	136,700
11	Powys	132,200
12	Vale of Glamorgan	128,500
13	Pembrokeshire	124,000
14	Gwynedd	123,600
15	Conwy	116,500
16	Denbighshire	94,800
17	Monmouthshire	92,800
18	Torfaen	92,100
19	Ceredigion	74,100
20	Isle of Anglesey	69,700
21	Blaenau Gwent	69,600
22	Merthyr Tydfil	59,800

England and Scotland have several unitary authorities larger than Cardiff but Scotland has 5 smaller than Merthyr (Inverclyde, Clackmanshire, Western Isles, Orkney and Shetland) and England one (Rutland).

If Larger Authorities were more efficient and effective then two things would happen Council tax would be lower and performance would be better. The Council tax should show that the larger authorities and Powys which has been deemed not to need to be merged charging the lowest amount. Using Welsh Government data on 2018/19 County and County Borough Council tax rates it shows the council tax in ascending order and compares it with the relative position of the council in terms of size.

Council	Band D Council Tax relative size from table above	
Pembrokeshire	994	13
Newport	1,057	7
Caerphilly	1,058	5
Wrexham	1093	10
Isle of Anglesey	1140	20
Cardiff	1155	1
Conwy	1168	15
Flintshire	1178	6
Vale of Glamorgan	1,187	12
Powys	1189	11
Carmarthenshire	1,197	4
Ceredigion	1226	19
Torfaen	1,242	18
Monmouthshire	1,242	17
Denbighshire	1248	16
Swansea	1269	2
Gwynedd	1301	14
Bridgend	1396	8
Rhondda Cynon	1,406	3
Neath Port Talbot	1,497	9
Merthyr Tydfil	1500	21
Blaenau Gwent	1571	22

Whilst the two smallest authorities are in the bottom two places regarding Council tax medium sized authorities appear to perform better than either large or small authorities. Does Council performance show that the larger Authorities by population and Powys perform best?

According to the Western Mail “Newly released figures demonstrate that the quality of services delivered by local authorities in Wales is not determined by the size of the council.”

The table is based on 28 indicators across the range of local government, including education, social care, housing, environment and transport, planning and regulatory services, leisure and culture and corporate health.

With four points on offer for councils that performed in the top quartile of each indicator, a maximum score of 112 was possible. Depending on their performance, councils scored between one and four points in each indicator.

This uses figures published in 2015/16 and I will update these figures when I can access the 2016/17 figures.

Council	Score	Relative size
Vale of Glamorgan	86	12
Denbighshire	85	16
Carmarthenshire	79	4
Pembrokeshire	77	13
Rhondda Cynon Taf	77	3
Merthyr Tydfil	76	22
Wrexham	76	10
Neath Port Talbot	73	9
Gwynedd	72	14
Flintshire	71	6
Caerphilly	70	5
Conwy	68	15
Isle of Anglesey	68	29
Blaenau Gwent	67	21
Bridgend	67	8
Monmouthshire	66	17
Newport	66	7
Torfaen	66	18
Cardiff	64	1
Ceredigion	61	19
Powys	61	11
Swansea	59	2

From this it is not possible to conclude that larger councils and Powys perform better with medium sized authorities taking three of the top four places.

In Scotland the variation in council tax is much less than Wales but the lowest council tax is the Western Islands and Shetland and the largest Council, Glasgow, has the largest band D council tax.

I didn't find it possible to get the same data for Scotland as is available for Wales on relative performance.

I look forward to reading an explanation on how larger councils perform better and an explanation of the advantages of larger councils.

The future structure of public service in Wales

I have previously looked at the changes in structure of the public sector in Wales and the performance of Local Authorities. Now I am addressing how I believe we can go forward.

We need the same regional footprint for all public services provided by the Welsh Government. To give an example of current inconsistency: those of us who live in Swansea have a different regional footprint for almost every service. For Health, Swansea, Neath Port Talbot and Bridgend are combined; the Fire and Rescue Authority covers Swansea, Neath Port Talbot, Carmarthenshire, Ceredigion, Powys and Pembrokeshire; the educational improvement boundary is the same but policing, which is currently non-devolved, includes all the former county of Glamorgan except for Caerphilly; and finally, the Welsh Ambulance Service covers the whole of Wales.

The aim should be to have all services within the three or four footprints of Wales: the Cardiff City region; the Swansea City region; and mid and/or North Wales. Whilst services could, and in many cases will, be on a smaller footprint than the regions, no service should cut across the regional boundaries unless it is an all-Wales service which would be very rare. This will allow regional working across services to be undertaken far more easily.

There is nothing intrinsically good about the current structure of local government in Wales. Why were the councils of Rhondda, Cynon Valley and Taff Ely merged into one but Blaenau Gwent and Merthyr district Councils turned into unitary authorities? Change should only be considered where there is a very strong chance of improving service and/or reducing cost over the medium term because of the initial cost of change.

Having spent several years discussing local government re organisation as if it were some silver bullet to solve the lack of funding for councils the threat of reorganisation receded and has now been brought back. It was as if the economic theory that predicts that an organization may become less efficient if it becomes too large or diseconomies of scale was unknown.

Different services need a different method of joint working and some are best carried out but most work best at the current local authority level. Examples of services that would benefit from a joint working model based upon the regional footprint are transport, economic development and regional planning.

Specialised social service provision and educational improvement could be dealt with by two or more councils working together within the regional footprint. Within Wales, it is the Councils that will know best what works for them and consequently they should be allowed to decide locally what works best for an area.

PFI deals need to be examined and a cost-benefit analysis of buying out each scheme undertaken. The revenue cost of PFI schemes is having a detrimental effect on the money available for public service provision. We owe a debt of gratitude to Rhodri Morgan for not getting seduced by the PFI schemes that have unfortunately proven so expensive for public service provision in England. Nevertheless, Wales's PFI bill costs the Welsh public £100m a year that could otherwise be spent on supporting services.

Finance Minister Mark Drakeford has stated: "There have been only 23 schemes in Wales and very, very little new PFI in the devolution era, and of those 23, 21 of them are not the direct responsibility of the Welsh Government, belonging to local authorities and to the health service.

"But we are absolutely open to keeping under continual review whether or not those arrangements could be improved and a better deal secured for the taxpayer, and when we have the next Labour government, then our ability to do that will be much enhanced."

Local authorities could also be encouraged to consider the use of prudential borrowing to remove PFI costs.

Why I'm not in favour of having directly elected Mayors

When David Cameron suggested at the 2015 General Election that he wants “every city to have its own Boris Johnson”, was he really speaking for the vast majority of people? With most major cities throughout the world having directly elected Mayors in charge, you'd think it obvious that each major British city should follow suit; but recent events and public attitudes seem to tell a different story.

In Wales, all 22 local authorities have responsibility for matters ranging from education to social services, highways to housing, economic development to leisure, and so on. They are major service providers that supply us with key services on a daily basis. The London set-up is unique in that there are 32 London Boroughs carrying out most of the functions of Welsh Councils. The Mayor of London has responsibility for only four services, namely fire, police, transport and the London Development Agency, plus setting the London Spatial Plan.

We have already seen local authorities hold referendums to revert back to the previous “Leader and Cabinet” model after experimenting with the Mayoral system. In October 2008, voters in Stoke-on-Trent voted to remove the post of elected Mayor, and more recently, we've seen voters in Hartlepool scrap the position after 10 years of having Stuart “H'Angus” Drummond as their Mayor.

In Wales, the only Welsh local authority to have a referendum for a directly elected Mayor was Ceredigion in May 2004, and the people of Ceredigion overwhelmingly rejected the proposal by almost three to one.

So as well as the clear lack of enthusiasm from the majority of the electorate, what other reasons are there to be cautious of changing the status quo?

One of my main concerns about the Mayoral model relates to concentrating too much power in the hands of one individual, which effectively gives that individual ultimate say over the decision making process. This is counter to the Welsh tradition of collective decision-making as opposed to giving all the power to one individual.

Isn't giving one person total control over these key services for four years a huge risk? Surely concentrating power in one person is not effective or democratic compared to a governance structure where power is more widely distributed? What's to stop an individual from making populist but problematic and undeliverable promises?

The fact is that under the current legislation, the only way a Mayor can be removed during his or her term in office is by being found guilty of behaving in a corrupt manner, sectioned under the Mental Health Act, or by committing a criminal offence. Apart from that, the people of an area are stuck with them for a full term.

When compared to the current “Leader and Cabinet” model, which is used by the majority of local authorities in Wales, it’s clear that the status quo is more fair and democratic. For instance, the Council Leader is considered as “first among equals” with their Cabinet colleagues, who are also democratically elected Councillors.

As I can testify from my previous experience as a Council Leader, most Cabinet meetings lead to vigorous debates where a collective decision is taken by all members of the Cabinet, and not just by the Leader. Distributing power among Cabinet colleagues ensures pluralistic decision making, with vested interests kept in check and good arguments prevailing. On the whole, this makes for a more rigorous system and for a better democratic decision making process.

I believe that this also opens the system up to accusations of a “democratic deficit”, as directly elected Mayors will be more likely to be influenced by unelected and unaccountable advisors and lobbyists, which further undermines the role and position of elected Councillors.

Another criticism of the Mayoral system is that it ignores the strengths of the current “Leader and Cabinet” model, and promotes the culture of “personalities over policies” that we have seen in Mayoral elections in England.

For instance, under the present system a Councillor interested in one day becoming leader of their group will do their “apprenticeship” as a Ward councillor; will get to know their local authority’s services and officers; will advance through their Party group through the confidence of their colleagues, and is then chosen to lead their group, confident in the fact that they have a mandate from their Party colleagues. Whilst an elected Mayor can hire and fire Cabinet members at will, a Council Leader has to keep the confidence of their Cabinet colleagues if he or she is to continue as Leader.

My experience is typical: when I was elected to West Glamorgan Council back in 1989, I became Vice-chair of the Finance Committee; then onto Chair of both the Finance and Highways Maintenance Committees; and then, eventually, with the support and confidence of my Labour council colleagues, Leader of the Council in 1997. Within my eight years as a local Councillor, I managed to gain first-hand experience of all the major Councils services and functions, which I believe benefitted me hugely in my role as Leader.

As any individual is able to stand for the position of Mayor, I have serious concerns over a person with no local government knowledge or experience occupying a four year position with direct control over vital services that affect thousands of people each and every day. Whilst some may argue that there is an advantage of electing a local “business person” as Mayor, I’d argue that the size and level of complexity of a council is greater than any local businesses.

One of the strongest arguments put forward in favour of elected Mayors is that they can be a focal point for their community as they become a well-known figurehead. I believe that Council Leaders can be as well-known as elected Mayors within their communities. Was Ken Livingstone better known when he was Mayor of London than when he was as Leader of the

Greater London Council? Is the current Mayor of Liverpool better known than Derek Hatton? Is there a municipal Mayor today better known than David Blunkett when he was Leader of Sheffield Council?

It seems to me that in recently years that the British political system has become more obsessed with the world of American politics, where the likes of directly elected Mayors are the norm and personality takes over from policies as the focus in elections. Just because something works well in one country doesn't mean that it would work well here in Wales, and from my experience the politics of governments and local authorities is far too complex for us to put our faith entirely in one individual.

At a time when people are concerned about the quality, reliability and sustainability of local services delivered by councils, I seriously doubt that local authority governance change is high on the list of anyone's priorities.

Also Councils have a ceremonial Mayor or Lord Mayor who undertakes a large number of duties of a civic nature which are appreciated by local people. This is usually given to the councillor with the longest service who has not been Lord Mayor irrespective of political party. If we have an elected Mayor and a Lord Mayor this would lead to confusion and if we only had an elected Mayor a lot of the organisations attended and supported by the Lord Mayor or Mayor would lose that support.

In my opinion, directly elected Mayors are nothing more than expensive "white elephants" that achieve nothing that cannot be achieved by the current structure. When local authorities across the county are facing considerable problems and challenges, what we need now more than ever is investment in public services, and not wasted investment in costly pet projects that hold very little interest and support among the general public

Conclusion

The short pamphlet comes to a number of conclusions on the complicated subject of public service structure

The larger organisations in Wales on published data are not performing better than the others

A number of very large organisations have had a large number of high profile problems

The decision made by the Welsh Government not to have PFI schemes was both correct and fortunate for Wales

All services should be designed within the footprints of the Cardiff City Region, Swansea City region, Mid Wales and North Wales regions

Joint working between local authorities should exist in areas such as regional planning and transport

Joint working should be promoted between different organisations within the footprints.

I oppose the position of elected mayor due to its concentration of power in the hands of one person and it leading to confusion between the ceremonial mayor and the political mayor