

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	Date	8 December 2020		
Title	Local Government Reform proposal for the Bay area				
Report of	Chief Executive				
Purpose of the Report					
To request Cabinet's endorsement of the full proposal for a unitary council for the Bay area.					
Key Decision (Y/N)	Y	Date of Notice	19/11/20	Exempt (Y/N)	N

Report Summary

At meetings on 5 November 2020, Cabinet endorsed, and full Council authorised the submission of an outline proposal for a unitary authority for the Bay to the Ministry of Housing, Communities and Local Government and the subsequent preparation of a full proposal. This report now presents that full proposal for approval.

If approved, the Barrow, South Lakeland and Lancaster councils will present the full proposal to Government, demonstrating how a unitary council will be an effective driver and enabler of economic, social and environmental benefits for the area's residents, businesses and visitors, realise the strategic potential of the area and enable transformation of public services.

Members should note the full report pack for detailed information, including the following appendices:

- Appendix 1 - The full unitary council proposal for the Bay
- Appendix 2 - A summary of engagement and consultation work
- Appendix 3 - The government's letter of invitation to the Cumbria authorities, which includes the core criteria
- Appendix 4 - The government letter regarding Type C proposals

Recommendations

It is recommended that Cabinet

- 1. Approves the full proposal for a unitary council for the Bay area (attached at Appendix 1) and recommends it to Council for their consideration and approval before submission by the Leader and Chief Executive to the Government by 9 December 2020; and**
- 2. Authorises the Chief Executive, in consultation with the Leader, to approve any minor amendments that may arise following consideration of the proposal by Barrow Borough and South Lakeland District Councils, prior to submission.**

Relationship to Policy Framework

Exploring the case for reform has taken account of the benefits a change to local government could deliver and relates to all services delivered by the council as well

as the outcomes for our communities. In addition, a new unitary council would have access to additional resources and a greater degree of influence over sub regional and national policy.

Conclusion of Impact Assessment(s), where applicable

Climate ✓	Wellbeing & Social Value ✓
Digital ✓	Health & Safety ✓
Equality ✓	Community Safety ✓

Developing the case for reorganisation and reform has required consideration of the benefits a change to local government could deliver for economic prosperity and resilience within Morecambe Bay and the opportunities to improve and maximise the wellbeing of residents and positively reduce inequalities. This accords with the Council’s priorities of working across boundaries to deliver economic prosperity, strong and involved communities, community wealth, health and well-being, social value and tackling the climate emergency.

A key element of the proposal is that it demonstrates improvement to local government and service delivery and provide stronger strategic and local leadership across the area. The proposal clearly indicates the benefits and positive impacts it seeks to realise for the health, social, economic and environmental wellbeing of the area.

Details of Consultation

A comprehensive programme of communications and engagement has been undertaken over the last few weeks to inform residents, businesses, stakeholder organisations, councillors and employees about the development of the proposal and engage their views. Communications were coordinated across the three councils.

Stakeholder meetings have included Health, residents and businesses, other local authorities, parish and town councils, Police, Fire and Rescue, the third sector, Local Enterprise Partnerships

A resident and business survey has been made available online by each Council and an independent opinion poll carried out. Councillor briefings have taken place and online staff briefing provided with further briefings scheduled.

A summary of the engagement and findings is provided at Appendix 3.
The main outcomes are:

- The Opinion Poll demonstrates a broad level of support for the Bay proposals amongst residents across the area.
- Engagement with strategic bodies indicates that:
 - there are benefits to be derived through collaborative work to align and transform services to achieve better outcomes for residents and improve the sustainability of services
 - collaboration will improve the strategic voice and influence of the Bay area.
 - there are no fundamental or irresolvable issues which would stand in the way of a Bay proposal being implemented

- The survey demonstrates a very high degree of public support for organising local government on the scale and geography of the Bay

Some points arising from the engagement work will inform the design and development of the proposal, in the event Government approve its implementation.

Legal Implications

Proposals for a unitary authority are being submitted under Part 1 of the Local Government and Public Involvement in Health Act 2007 (“The 2007 Act”).

By letter of 9 October the Secretary of State for Housing, Communities and Local Government, in exercise of his powers under Part 1 of the Local Government and Public Involvement in Health Act 2007 invited the principal authorities in Cumbria to make a proposal in accordance with the attached letter at Appendix 3. In essence the Council had approximately 4 weeks to submit an Outline proposal and a further 4 weeks to submit a Full Proposal.

Section 3(5) of the 2007 Act requires authorities to have regard to guidance issued by the Secretary of State as to: “what a proposal should seek to achieve”; and “matters that should be taken into account in formulating a proposal”. Guidance for this invitation has been attached to the invitation to submit a proposal at Appendix 3.

Whilst there is no statutory consultation process the letter from the Secretary of State made it clear that any proposals should include a good deal of local support as assessed in the round overall across the whole area of the proposal. The Councils have carried engagement on the proposal and the results of this are attached at Appendix 2.

Once the Secretary of State has received a proposal in response to an invitation, he may seek advice from the Local Government Boundary Commission for England, which may recommend that:

he implements the proposal;

he does not implement it; or

he may make an alternative proposal.

Before making any Order the Secretary of State (s.7 of the 2007 Act) will consult every authority affected by the proposal (except the authority or authorities who made the proposal) and such other persons as he considers appropriate.

If the proposal is agreed by the Secretary of State, it is then implemented by a Structural Changes Order which is laid before Parliament. The Order is likely to create new shadow authorities, provide for elections, a shadow executive to take decisions, appoint staff, transfer assets and secure implementation and then dissolve the old authorities and effect the transfer of functions to the new authorities on 1st April probably 2 years hence in 2023.

The Secretary of State has invited proposals which include a Type C proposal. At present Cumbria Fire Authority is part of the County Council, whereas in Lancashire there is a Combined Fire Authority covering the area of the County Council along with the two unitary authorities of Blackpool and Blackburn with Darwen represented on a separate statutory corporation. Part 1 of the Policing and Crime Act 2017 places a duty on police, fire and ambulance services to work together and enables Police and

Crime Commissioners to take on responsibility for fire and rescue services where a local case is made under the 2017 Act

The legislation for the organisation and reorganisation of police areas and police and crime commissioner's does not constrain our ability to form a new unitary council which crosses existing county boundaries. If our Type C proposal is accepted the Secretary of State will consider what incidental or consequential provisions he may (should he wish to) make under Part I of the 2007 Act. There are also powers under s32 of the Police Act 1996 to bring the police areas and Police and Crime Commissioner boundaries in line with the new structure of the local authority. Similar transitional provisions with regard to Fire Authorities will apply.

Financial Implications

There are many potential financial implications of changing the structure of local government. These were last experienced in this area in 1974 when the current Lancaster district was created and some parts of north Lancashire became part of the South Lakeland and Barrow administrative areas.

It is expected that any reorganisation would result in additional one-off costs to implement the changes and then recurring variations in costs and income following the change. How these changes will balance out will depend on the individual circumstances of each local authority and the options adopted: without carrying out the analysis it is not accurate to assume the impacts modelled and delivered elsewhere would be replicated in Lancaster district as part of the Bay.

Particular issues to be considered include existing base budgets, the relative income base of each authority, existing levels of council tax and government grants, capital expenditure, assets owned, levels of borrowing, pensions, potential redundancy costs, relative salary and staffing levels, potential costs of aligning IT systems and the speed and ability to realign service delivery to realise efficiency savings while providing strong strategic and local leadership.

It will be necessary to set a single level of Council Tax for any new authority: the levels will be determined by existing Council Tax levels.

Each authority has been asked to submit details of expenditure, income, staffing, balance sheet assets and liabilities, key funding streams, five-year financial plans and expected demographic and non-demographic growth. This detail has been used to prepare information relating to the potential changes in funding and costs and are identified in the full proposal at Appendix 1.

It should be noted that, if the Bay unitary proposal is supported by government, further very detailed work will continue via a shadow authority and into the early years of the new unitary.

Transitional costs will be required to develop and implement all arrangements, and this will be a shared issue for all three councils. However, analysis suggests that over a ten-year period the cost of local government substantially reduces, becoming considerably more sustainable in the long term.

If the proposal is approved by government, developing arrangements will need to be supported by ongoing consideration of financial implications at every stage.

Other Resource or Risk Implications

Resource requirements moving forwards are fully considered and addressed as part of the full proposal and the costs associated with this carry a good business case. Clearly, there are significant benefits for the district and the wider Bay area that can be delivered by the council playing a full role in designing and implementing any new arrangements for a unitary council. There are no further immediate resource issues to raise in this report.

If supported by government, the implementation of the proposal would naturally lead to a TUPE transfer of employees from the various respective councils to the successor unitary authority. Transitional planning arrangements will develop the detail of the new authority's service delivery and workforce.

Identified risks if the proposal is approved and submitted to government are as follows:

Proposal does not meet the criteria set by Government for LGR proposals with the consequence that the proposal could be dismissed by government or be challenged by others.

This risk has been addressed by strong compliance with the criteria based on professional advice and confirmation from government, as required.

Proposal does not gain support of local bodies and other public sector organisations, which would create a risk that the proposal would not be supported by government.

This risk has been significantly addressed by strong stakeholder and public engagement and consultation, over the last few weeks evidencing that support for a unitary proposal for the Bay area is strong.

LGR will place pressures on existing resources.

Whilst development of the proposal has been necessary at a time when there are many other pressures on local government, this challenge was short term and has now been successfully met. Moving forwards, if the proposal is successful, significant further work would be required and the transformational shift towards a Bay unitary and the associated outcomes and benefits would need to be a priority for all three councils. Transition resources have been costed into the proposals to reflect this and will mean that there should be no reduction in quality of service to residents whilst unitary arrangements are developed and implemented.

Section 151 Officer's Comments

After a decade of having to make substantial savings Local Government continues to face significant financial challenges leading to suggestions that the current two tier model of local government is reaching the limits of what can be achieved and that the way in which services are administered and delivered needs to be rethought.

The proposal looks to establish a new Unitary for the Bay Area across two existing County Council boundaries. Increasing the scale at which Local Authorities operate can provide significant financial benefits through economies of scale. These benefits tend to be generated by reducing duplication across front and back office functions, senior management as well as reductions in areas such as property costs etc. However, it does require the disaggregation of services currently provided by both Lancashire and Cumbria County Council's such as Children's and Adult Social Care. This would result in additional costs being incurred, both because of the

disaggregation process, but also in terms of the lost opportunity costs associated with not maximising the potential benefits on offer.

In addition, any new Authority would inherit a share of assets such as school buildings etc to deliver its new services but also its share of liabilities associated with pensions, long-term borrowing, or other obligations such as PFI/ PPP which are currently with both County Council's.

The Council has contributed to the production of the indicative financial benefits within the proposal (Appendix 1 Section 4.4 - Finance and affordability). Members may wish to consider and challenge as appropriate. If the proposal is approved by Government, developing arrangements will need to be supported by ongoing consideration of financial implications at every stage.

Monitoring Officer's Comments

The Monitoring Officer has been involved in the drafting of this report and has no further comments.

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Links to Background Papers

1.0 Background

- 1.1 At meetings on 5 November 2020, Cabinet endorsed, and full Council authorised the submission of an outline proposal for a unitary authority for the Bay to the Ministry of Housing, Communities and Local Government. The outline proposal was also agreed by South Lakeland District and Barrow Borough Councils on the same day and was then submitted to the government by the required deadline of 9 November 2020.
- 1.1 Since that date, and with Council's authorisation, work has continued to develop the full proposal that is required to be submitted to government by 9 December.
- 1.2 The government's criteria and expectations for new unitary proposals are set out in Appendix 3 and include requirements around sustainable service delivery, value for money, population and local support.
- 1.3 The full proposal forms Appendix 1 to this report. The proposal presents the case for a new unitary council for the Bay, focussed on the cohesiveness of the area and its communities. It indicates the opportunities, strengths and strategic needs of the area's communities and economy and how they may best be addressed through the leadership and resources of local government based on the geography of the functioning economic area and health services footprint.

- 1.4 The proposal sets out the approach which has been followed to develop a clear and justified proposal which meets the criteria for local government reorganisation. It demonstrates that the Bay is a credible geography and population size, that the proposal has strong level of local support, that it will deliver affordable and efficient local government and that is deliverable.
- 1.5 The proposal is founded on the principle that 'form follows function'. The starting point is an understanding of what needs to be addressed in the Bay area, 'the drivers of change.' The proposal identifies the critical importance and opportunity for public services transformation so that whole system approaches are adopted to address needs. It sets out opportunity for a new relationship between communities, the third sector and public services, enabling co production of services and principles of subsidiarity. From this assessment of needs and opportunities for service reform come the objectives for the Bay Authority and the basis on which success can be measured.
- 1.6 The proposal provides comparison with alternative proposals against the criteria for reorganisation. It presents a financial assessment, identifying financial cost, benefits and sustainability of The Bay. It sets out the cost and approach to managing the transition from existing to new arrangements. It emphasises that by adopting the form follows function approach, the most significant benefits for the area and the affordability of public services are derived from service reform and transformation in addition to the savings from organisation structural changes.
- 1.7 The proposal provides commentary on an option for the organisation of local government in the remainder of Cumbria, should the proposal for the Bay be implemented, as well as useful commentary with regard to Lancashire. It presents the opportunity for future discussions to proceed on combined authorities and devolution of powers and resources from Government.
- 1.8 Outline proposals were submitted by Cumbria County Council for a single unitary council for Cumbria and by Carlisle City Council for two unitary councils within Cumbria and by Allerdale Borough Council for two unitary councils within Cumbria. These two outline proposals did not specify how the existing district areas would be grouped to create the two new unitary councils.
- 1.9 The Bay full proposal provides a comparison of these proposals and concludes the Bay proposal will deliver the strongest outcomes and benefits for the Bay area whilst enabling a sustainable unitary council to be established in Cumbria to the north and complementing potential unitary arrangements in Lancashire.
- 1.6 Members will be aware of recent local government reorganisation discussions in Lancashire and the early indications of a possible three unitary approach to

what is currently the Lancashire County Council administrative area plus that covered by the Blackpool and Blackburn with Darwen unitaries. In this context, Lancaster district could potentially become part of a North West Lancashire unitary that would also include Blackpool, Wyre, Fylde and Ribble Valley.

1.7 At this stage, no detailed analysis has been undertaken on this model by the potential constituent authorities to allow for a straight comparison. However, it is apparent that a new unitary proposal on this footprint would face some important challenges in terms of meeting the government's requirements:

- **Improved local service delivery, greater value for money, savings, stronger strategic and local leadership and more sustainable structures**

Improvements to meet these requirements are challenged by the lack of a functioning economic area, no identifiable Travel to Work Areas, Travel to Learn Areas and no aligned health service footprint. There are no existing local government shared strategies on this footprint.

- **Commands a good deal of local support**

There is no evidence of local support for a unitary on a North West Lancashire footprint and recent local engagement and consultation has evidenced that local public and stakeholder support is primarily for the Bay unitary.

- **A credible geography with an aggregate population within the range of 300,00 to 600,000**

A North West Lancashire model on this footprint would meet population requirements and does provide continuity. The challenge would be the need to make a case for a "credible geography", given the degree of geographical separation Lancaster district has from the wider area and the lack of any aligned services, strategies or priorities upon which to build a case.

1.8 For clarity, the analysis contained in the Bay proposal has been undertaken on the basis that unitary structures for local government are preferred by government and will provide critical structures as part of any devolution deals moving forwards. On that basis, no detailed analysis has been undertaken of the status quo arrangements, which in any event are well understood.

1.9 As members are aware, the Bay proposal covers an area that crosses the Lancashire and Cumbria county boundary as established in the 1974 local government re-organisation. At that time, Lancaster City Council was created and some parts of north Lancashire became part of the South Lakeland and Barrow administrative areas. Whilst it seems likely that these historic links are part of the reason for the feeling of connection between the communities around the Bay, it has still been important to fully confirm that the government's invitation to Cumbrian authorities allowed for cross county boundary proposals. This has been ascertained and a copy of the government's response, which

describes the Bay unitary proposal as a Type C proposal, is attached at Appendix 4.

2.0 Proposals

- 2.1 The full proposal is at Appendix 1 to this report (to be published by 4 December) and sets out the rationale and supporting case for developing a new unitary council for the Bay area. The proposal indicates the opportunities, strengths and strategic needs of the area's communities and economy and how they may best be addressed through the leadership and resources of local government based on the combined footprint of the three districts of Lancaster, South Lakeland and Barrow, which is also the geography of the functioning economic area and health services footprint.
- 2.2 In addition to structural change, the proposal indicates the benefits that can be realised through public service reform, within local government and collaboratively with other service providers. The area offers the population scale envisaged by the Government's invitation, with a population c320,000.
- 2.3 The proposal acknowledges the historic and current associations between places and communities across the Morecambe Bay area. This strengthens the rationale for the organisation of local government at a scale and footprint readily identified by residents and businesses. This enables locally based, accessible and engaged local government.
- 2.4 Cabinet is asked to consider and endorse the full proposal for approval by full Council and submission to government on the 9th December 2020.

3.0 Options and Options Analysis (including risk assessment)

Option 1: Submit the proposal to government by 9 December 2020
<p>Advantages:</p> <p>The Bay unitary option remains on the table to be considered by government.</p> <p>The preferences of our residents and stakeholders are supported.</p> <p>Builds on the strong relationship with the Bay authorities and partners.</p> <p>Potential for benefits and opportunities for our residents and businesses, opportunities for shared priorities and outcomes across the Bay area, more sustainable services working with connected communities, integrated health and social care reform.</p>

Provides a greater opportunity to deliver the economic prosperity and growth identified in The Bay Prosperity and Resilience Strategy, sooner and at scale

Potential for a louder voice with government with opportunities to influence policy developments, funding priorities and investment.

Potential for a coordinated Bay wide approach to climate change action.

Potential for more devolved funding and responsibilities as a unitary council within a Combined Authority area

Disadvantages:

Moving forwards, a great deal of work will be required but there will be the opportunity to plan and resource this well.

Risks:

There is a risk that the Bay proposal is not supported by government. All possible steps have been taken to ensure a strong proposal is made.

Option 2: Do not submit the proposal to government

Advantages:

None. No obvious advantages, particularly as the option to remain as a single district is unlikely to continue as local government reorganisation and devolution plans develop at the national government level.

Disadvantages:

The Bay unitary proposal will not be considered by government and the district will have significantly less influence on any future unitary developments.

Lost opportunity to deliver benefits and outcomes for our residents and businesses, develop for shared priorities and outcomes across the Bay area, more sustainable services working with connected communities, integrated health and social care reform.

The unitary proposal preferred by most residents cannot be progressed.

Reduced opportunity to achieve a louder voice with government to influence policy developments, funding priorities and investment

The Council's influence on local government reorganisation would be significantly reduced.

Lost opportunity to bring additional devolved funds and responsibilities into the district and the wider Bay area sooner than would otherwise be possible.

Lost opportunity for a coordinated Bay wide approach to climate change action.

Risks:

If the Bay proposal is not submitted, early discussions for reorganisation in Lancashire suggest the district could become part of a NW Lancashire potential unitary. Although not fully assessed this model does not present opportunities to build on shared economic functioning areas, Travel to Work/ Learn areas or a shared health footprint. The case therefore carries uncertainty and risk.

4. Officer Preferred Option (and comments)

4.1 The officer preferred option is Option 1, to submit the proposal for a Bay unitary council to the government by the deadline of the 9 December 2020.