

At: Cadeirydd ac Aelodau Cyngor Sir

Dyddiad: 7 Tachwedd 2014

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Annwyl Gyngorydd

Cyfeiriaf at y rhaglen ar gyfer cyfarfod y **CYNGOR SIR** sydd i'w gynnal am **2.00 pm**, **DYDD LLUN, 17 TACHWEDD 2014 yn COUNCIL CHAMBER, COUNTY HALL, RUTHIN LL15 1YN** ac ryw'n amgáu'r adroddiad canlynol.

Rhif Eitem
Agenda

4 UNO GWIRFODDOL RHWNG CYNGOR BWRDEISTREF SIROL CONWY A CHYNGOR SIR DDINBYCH – DATGAN DIDDORDEB (Tudalennau 3 - 16)

Ystyried adroddiad gan y Prif Weithredwr (copi ynghlwm) i ddarparu diweddariad ynglŷn â'r gwaith a wnaed ar gyfer yr opsiwn uno gwirfoddol ers cyfarfod y Cyngor ar 9 Medi 2014, ac i argymhell bod y Cyngor yn cytuno i gyflwyno'r Datganiad Diddordeb sydd ynghlwm i Lywodraeth Cymru erbyn diwedd Tachwedd 2014.

Yn gywir

G Williams

Pennaeth Gwasanaethau Cyfreithiol, AD a Democrataidd

AELODAETH

Cynghorwyr

Ian Armstrong
Raymond Bartley
Brian Blakeley
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Y Wasg a'r Llyfrgelloedd
Cynghorau Tref a Chymuned

Report on the Strategic Implications of a Voluntary Early Merger between Conwy CBC and Denbighshire CC

November 2014

1. Purpose of the Report

The purpose of this report is to advise the Councils of Conwy and Denbighshire on the following matters:

- The likely costs of voluntary merger;
- Any additional costs associated with being an early adopter or pathfinder;
- Likely ongoing financial benefits of merger;
- Advantages and disadvantages of early voluntary merger.

2. Introduction

The elected members of Conwy CBC and Denbighshire CC are meeting on 17 November 2014 to decide whether or not to submit a Merger Proposal to the Welsh Government. Both authorities have supported exploratory negotiations with each other and with Welsh Government. Such negotiations are subject to the level and form of support offered by Welsh Government.

Notwithstanding this, both authorities are aware that the adoption of an early merger will create a number of challenges, not simply in terms of rationalising organisational structures, but also in terms of service delivery. This report considers a number of key questions as follows:

- What will be the implications for the delivery of services to the combined population?
- What will be the key issues to be resolved by being one of the first two authorities to merge?
- What will be the financial consequences in terms of funding?
- What will be the cost of transition and, perhaps more importantly, what will be the additional costs associated with being the first merger?
- What savings can be achieved and what is the likely pay-back period compared with the cost incurred in achieving a successful merger?

Both authorities are aware that being amongst the first to consider these questions will require additional resources due to the intractability of some of the issues that will need to be resolved. They feel that it is fair for early merger work to be seen by Welsh Government as a "Pathfinder" for solving merger issues and for that to be recognised through financial support. They will be able to develop a model for merger that can be used by those undertaking subsequent mergers. The experience gained by all involved can be cascaded to other authorities through developing a blueprint for merger, training workshops, mentoring and the dissemination of information on legal and technical issues.

3. Implications for Service Delivery

First and foremost Conwy and Denbighshire exist to provide services to local people. Inevitably there are differences in the way the two authorities deliver those services and in the level of funding provided. The merger will need to find a way of harmonising both the methods of delivery and the levels of funding while, at the same time, sustaining and improving the services provided.

In terms of the overall profile of the two councils there is a marked difference in terms of population and the level of spending per head shown in the table below:

TABLE 1 – STATISTICAL PROFILE

Authority	Population 000s	Gross Revenue Spend 2014/15 £000	Spend Per Head £
Conwy	115.3	272,028	2,359
Denbighshire	93.9	238,057	2,535
Conwy/Denbighshire Merged	209.2	510,085	2,438

The merger will offer up the opportunity for the merged councils to look afresh at levels of service provision and it is anticipated that this will need to be done within the overall envelope of resources available. However, there are some areas where the differential in spend will require a significant rebalancing of resources between the two areas. In the following table we show the levels of spending per head for each of the main service areas:

TABLE 2 – EXPENDITURE PER HEAD OF POPULATION

SERVICE AREA	CONWY SPEND PER HEAD £	DENBIGHSHIRE SPEND PER HEAD £	DIFFERENCE £
EDUCATION	844.14	983.60	139.46
SOCIAL SERVICES	522.43	558.66	36.23
HOUSING	353.52	328.71	24.81
ENVIRONMENTAL SERVICES	162.89	132.20	30.69
ROADS & TRANSPORT	85.79	96.78	10.99
LIBRARIES, CULTURE ETC.	89.94	104.25	14.31
PLANNING & ECONOMIC DEVELOPMENT	18.23	27.66	9.43

Notes to the tables:

1. The figures in this, and subsequent tables, are based on research carried out by CIPFA for the WLGA.
2. Approximately 85% of the figure for Housing costs relates to Housing Benefit.
3. Housing excludes the HRA.

We discuss the key issues for the largest services in the following paragraphs.

4. Education

On the basis of the research that we have carried out to date we foresee a potential major issue with the education service, that being the distribution of resources under the LMS formula. Currently there is a difference in spending between the two authorities amounting to £139.46 per head of population with Denbighshire being significantly higher than Conwy. Under a merged authority there would be a need for a major redistribution of resources with money flowing from Denbighshire to Conwy. The same conclusion is reached when looking at figures for schools delegated budgets. Inevitably there would be winners and losers and lower levels of funding in some areas could lead to some schools being no longer viable and consequently a need to review service delivery models and school provision. This could be overcome by increasing total resources either through increased central funding or through savings generated elsewhere.

5. Social Services

Traditionally Wales has tended to adopt an integrated approach to social services provision rather than splitting children's and adult services. However, the Social Services & Well-Being (Wales) Bill, which is currently going through the Welsh Assembly, is set to create a new agenda including moving adoption services in Wales towards regional consortia of councils, allowing courts to give social workers and police the right to enter premises where abuse of vulnerable adults is suspected and introducing national eligibility criteria for local authorities to follow. There are also measures to encourage more co-operation and collaboration between health and social care and measures, such as portable assessments, designed to ensure consistency of services people receive when they move within Wales. A new merged authority could bring added benefits to the Health agenda in that the merged authority would be coterminous with the emerging geographic divisions within the Betsi Cadwaladr LHB.

Building on the vision set out in the Welsh Government's strategy, local government leaders have developed an ambitious implementation plan that has been described as 'a landmark document which demonstrates the absolute commitment of local government to transforming social services in Wales'. The plan combines the delivery of regional programmes alongside national projects, with clear political and professional ownership. Denbighshire is the lead in the North Wales Commissioning Hub along with the five other councils. Conwy hosts the Telecare Service across North Wales (excluding Wrexham).

Four regional social services improvement collaboratives across Wales are managing key aspects of the programme. Managed by Directors of Social Services and with support from council Leaders, Cabinet Members and Chief Executives, these collaboratives are involved in a wide range of projects such as; the Older People's Project (Western Bay) focusing on early intervention and prevention; the Fostering Services Project (South East Wales) exploring collaboration between local authorities in the recruitment, assessment and training of foster carers; the development of sustainable learning disability services (Mid and West Wales) and the Commissioning Strategy (North Wales).

The transformation in services which the Bill is seeking comes at a time of severe public sector austerity, with even more cuts to budgets expected across Wales in the near future. Add to this the acute and unsustainable growth in demand for care and support services that have been evident in recent years, the pressures on services are severe. There are also issues with the rising numbers of children looked after by local authorities or with child protection plans; people with profound disabilities and with very old people with complex conditions and extensive support needs.

In addition, there is a particular local issue that the fees paid to private sector care providers are much higher in Conwy than in Denbighshire. Conwy currently spends £15m on private sector providers while Denbighshire spends £12m. Potentially charges could be harmonised upwards leading to a need for additional resources. Given that this fits with the Welsh Government agenda there could be a good case for specific and additional funding.

There may be differences between the eligibility criteria currently applied across the two authorities, together with variations in service delivery approaches to current clients. There is a risk that until harmonisation of service is achieved across the merged area the new authority may face challenge or even Judicial Review in relation to those services delivered to, what would be one larger client base.

6. Waste Recycling Arrangements

Public interest, and hence political interest, in any changes to waste collection, disposal and recycling should not be under-estimated. However, the current arrangements across Wales at the household level are broadly similar. The significant differences appear in the cost to councils particularly for disposal. This will be an issue requiring a focus on producing efficiencies and increased effectiveness for the merged councils over the medium term. Conwy and Denbighshire are already collaborating on the North Wales Residual Waste Treatment Partnership. However, there are some differences on the waste collection process. Denbighshire's recycling rate is slightly higher, while Conwy's waste and recycling service costs are significantly lower, so harmonisation could be difficult. Welsh Government's national strategy recommends that all local authorities carry out source separated rather than commingled recycling, which may also be a significant factor.

7. Service provision conclusions

We have identified a number of areas where the harmonisation of service provision will necessarily lead to local debate and decision. Until these decisions have been taken and the precise changes agreed it is not possible to assess the financial implications for transitional costs with any degree of precision at this time. This is due to a range of factors including:

- The political dimension caused by future elections which may change the composition of the merged council and may lead to changes in the direction of service delivery;
- The political appetite to move further towards commissioning rather than in-house delivery;
- The growing agenda for cross public sector working, for example, between social services and the health sector;
- The change in the public's demand for services over the period between now and the creation of the merged authorities;
- The style and organisation of the merged council.

Our overall understanding is that Conwy and Denbighshire will continue to respond to the growing pressure on spending and will change service levels and models of delivery accordingly. We are aware that the authorities are concerned about a period of potential stagnation during the uncertain times ahead. Each authority has plans in place to change services. However, decisions on implementation are likely to be delayed so that a change in one authority will not adversely impact the other. In essence there could be a period of “planning blight” where potential service improvement will not be made. This is a good argument for pushing on with the merger plans for 2018/19 and not delaying until 2020/21.

8. Financial issues

There are three major financial issues that will require resolution if voluntary merger is to proceed and these are:

- Council Tax harmonisation;
- Superannuation arrangements;
- Revenue Support Grant arrangements.

9. Council Tax Harmonisation

Harmonisation of Council tax may occur under a number of scenarios i.e. authorities could level down to the lowest, they could equalise around the weighted average or they could level up to the highest. To assist with financial stability the third option is the most prudent. However, under this scenario it is possible that a significant amount of income could be foregone. This could arise in circumstances where the higher rate authority is forced into a standstill situation while the lower rate authority catches up. Assuming a 5% cap on increases this could take more than one year during which time the higher authority may have to limit increases to a rate lower than that which it would otherwise have chosen to set. Other scenarios could be developed that would lead to little or no income foregone. At this stage we have not carried out any research into what would be the most likely approach to harmonisation and hence we have not calculated a figure for income foregone. A further issue is that, at the moment, the legality of charging different council tax levels for different areas of a merged authority is untested but it might be possible for Welsh Government to apply a form of transitional Council Tax relief to assist those households in Conwy that would otherwise face an increase in Council tax purely as a consequence of merger.

10. Superannuation arrangements

At the moment Conwy’s superannuation fund is managed by Gwynedd while Denbighshire falls within the Clwyd pension fund. Each fund will have different contribution rates for employers and each has different arrangements for eliminating its pension liability. This will undoubtedly lead to significant transition cost in terms of unravelling the different arrangements but, more importantly, there will be a need to decide how pension funds will be managed in the future. There are many options including setting up new regional funds or creating a single fund for Wales in addition to maintaining the status quo. The Staff Commission has superannuation arrangements included within its terms of reference but a potential early merger would require earlier consideration of this issue for Conwy and Denbighshire.

11. Revenue Support Grant (RSG)

Another issue that will require resolution on a national basis is the question of RSG arrangements. Of particular concern to Conwy is the operation of the RSG floor which was of benefit to Denbighshire in 2014/15 and to Conwy in previous years. Transitional arrangements will be required to mitigate the impact of any floor not applying to a merged authority compared with separate settlements for the financial years 2018/19 and 2019/20 during the lead up to vesting day for the rest of Wales.

12. Transition Costs

Clearly there will be significant costs attached to planning the merger and actually making the transformation of the two organisations into one a reality. Whilst that would be true for any merger we believe that the transition costs could be greater for an early adopter for a variety of reasons that we set out in this section of our report. In particular extra cost could arise from:

- Solving problems for the first time. As a pathfinder the two authorities will be investing time in identifying challenges and finding original solutions that can be used by the second phase of mergers;
- Carrying out the merger in a shorter time. This will mean investment in a period of intensive change requiring staff dedicated to the project. Experienced staff that understand both authorities will need to be freed up to work on the transformation issues. Their posts will need to be backfilled giving rise to real costs. Carrying out the merger over a longer time period could enable more work to be absorbed in-house without the same degree of backfilling;
- Changing services within a tight timeframe. Services will have to be harmonised more quickly which will lead to the need for financial support during the transition phase. A good example will be the schools funding formula which could give rise to a major redistribution of funds for schools. In the short term financial support may be required to mitigate the impact of redistribution whilst service redesign takes place, which would take time to introduce;
- Contract termination costs. A shorter lead in time could give rise to potential contract termination costs in areas such as buildings, ICT, vehicles and those service areas which have contacts with private sector providers.

Transition costs there are likely to be in four main areas:

- People – including the cost of redundancy;
- Property Assets – comprised of the costs of disposal of surplus accommodation or re-modelling retained accommodation;
- Systems/ICT – these are the costs of systems integration and moving staff and services onto a common platform;
- Programme Costs – these relate to the change management project team that will be required to integrate the two organisations.

For each of the above we have set out the rationale behind our thinking together with an estimate of the cost that would be incurred, highlighting the additional costs associated with being an early adopter:

13. People Costs

We have considered the following areas of cost:

- Post TUPE harmonisation of grading structures or salary protection including job evaluation;
- Additional travel costs;
- Redundancy/early retirement payments;
- Recruitment costs;
- Backfilling of posts for any staff seconded to the transition programme – (see Programme Costs later in this report);
- Contingencies required to cover the above where accurate estimates cannot be made.

The assumptions that we have made and our cost estimates are as follows:

- Estimate of the cost of carrying out the job evaluation process - **£272,000**
- Harmonisation of grading structures/salary protection based on harmonising salaries at the average of the two authorities. Depending on the detailed assumptions made, the cost of harmonisation could be somewhere in a range of £3m to £9m spread over three years and starting in 2018/19. Given that the Staff Commission may well enforce a method of harmonisation we have not included a figure for these costs in our calculations, at the present time;
- Additional travel costs – in examining the location and size of offices it appears that few, if any, would be closed although there would be probably be co-location of staff by function. We have therefore included a small cost element in property related costs (see below);
- Redundancy – we have assumed a de-layering of management posts and the elimination of apparently duplicated posts. We have not included any posts which might be lost due to efficiencies in service provision. We have used figures provided by authorities for the average length of service by department and salary band. We have also used enhanced payment multipliers as appropriate - **£1,231,000**;
- Recruitment costs – we have assumed no additional recruitment costs due to the relatively small number of posts affected;
- Early retirement payments – the authorities allow access to pension benefits for all those aged over 55 years and there are schemes in Conwy and Denbighshire for enhanced redundancy or compensation payments in excess of the statutory minimum redundancy payment i.e. 1.5 x the statutory amount. These compensation or enhanced payments can be used by individuals to buy added years in the LGPS. No added years are granted by the authorities;
- Pension Actuarial Reduction of Benefits costs – where staff access pension benefits early, no actuarial reduction is applied and the cost of this “pension strain” would fall on the revenue account. However, we have assumed that the costs would be relatively small given that the age for accessing benefits is set to increase to 57 from 2015 and that a relatively small percentage of staff would fall into this bracket. This is also an issue that is likely to be decided by the Staff Commission.

14. Property Costs

We have considered the following areas of cost:

- Options to reduce the property portfolio;
- Costs of disposal of surplus property;
- Costs of remodelling retained properties;
- Potential rental income;

- Potential for capital receipts from property disposal.

We have not evaluated:

- Contract termination/novation costs;
- Branding and marketing costs.

The assumptions that we have made and our cost estimates are as follows:

- There is a mixed portfolio of office space containing numerous small properties;
- Given the relatively small number of staff being made redundant we have not been able to identify any offices that could be closed;
- We have assumed that some expenditure will be incurred in the co-location of staff and in re-modelling retained accommodation amounting to **£250,000**.

15. Systems/ICT Costs

We have considered the following areas of cost:

- Systems integration costs – external costs;
- Systems costs – cost of backfilling posts for internal team;
- New hardware, software; networks, cabling etc.;
- New software licences;
- Transfer from legacy systems;
- Contingency sums to cover the above.

We have not evaluated contract termination/novation costs for all systems.

The assumptions that we have made and our cost estimates are as follows:

- We have examined details of the main systems used e.g. GL, CT, CRM etc. and we reviewed contract/licence termination dates;
- In all cases contracts/licences are held on a rolling renewal basis or end well before 2018/19. Therefore, we have assumed no cost for contract termination;
- We have also assumed a neutral position on software and hardware costs as the cost of technology changes constantly;
- Most costs will be incurred on systems harmonisation and migration carried out mainly in-house with external assistance from suppliers;
- For the latter we have estimated costs at **£180,000**;
- The bulk of the cost will be incurred on backfilling posts to create an internal programme team. We have assumed that this will take two years using seven staff. Using “typical” salaries and on-costs we have estimated these costs at **£772,000**.

16. Programme Change Costs

We have considered the following areas of cost:

- Programme management costs;
- Transition management;
- Organisational development and business process re-engineering;
- Workforce remodelling costs;
- External support costs;
- Contingencies.

We have not evaluated prescribed legislative consultation and stake-holder engagement costs associated with establishing the new organisation. Nor have we looked at any 'Close Down' costs or 'Shadow' authority costs. In reality there may be a need for a third "Management Team" in the year before vesting day but, as the precise mechanism for setting up the new authority is unknown at this stage, we have not evaluated the cost of that team.

The assumptions that we have made and our cost estimates are as follows:

- Backfilling of posts for the staff seconded to the transition/change programme – we have assumed that a Programme Team will be required for a period of 2 years. Staff would be released and their posts backfilled leading to additional staff costs;
- We have assumed that 20 staff will be required for the merger and using "typical" salaries and on-costs the costs would **be £1,768,000**;
- We have also assumed that a small amount of external consultancy support would be required amounting to **£241,000**.

Because Conwy and Denbighshire will be early adopters we have allowed for the fact that they will need to identify issues and challenges and find solutions in advance of other authorities. We have assumed that they will need to set up a project planning and research team for the three years before vesting date commencing in 2015/16. Based on five people drawn from the disciplines of HR, Finance, Legal, Estates and IT this will incur an additional cost of **£841,000**. By acting as a "Pathfinder" authority they will be able to develop a blueprint for the second phase of mergers and they could share their learning with other authorities.

17. Summary of financial issues

Clearly these costs will fall over a period of time both before and after vesting day on 1 April 2018. In the following two tables we set out our current estimate of the likely costs in total, together with our comments on those costs. An indication of the possible timing of those costs is also included. We have grouped the costs to reflect the way that they have been presented in the earlier sections of this report. As noted above these figures are based on research carried out by CIPFA on behalf of the WLGA.

TABLE 3 – SERVICE AND FINANCIAL ISSUES

ISSUE	RANGE OF COSTS	PERIOD	COMMENTS
Equalisation of school spend per pupil	Up to £1.5m p.a.	2018/19 to 2019/20	The current difference is significant and any adjustment would depend on democratic and WG approach
Harmonisation of rates paid to private sector care providers	Not possible to quantify at the present time	2018/19 to 2019/20	This depends on negotiations with providers but likely to harmonise at higher rates
Waste recycling	Not possible to quantify at the present time	2018/19 to 2019/20	Key factors relate to recycling and that will be influenced by local choices and WG recommended approach

Council Tax harmonisation	Range of £1m to £7m	2018/19 to 2019/20	The amount of any Council tax foregone depends on local political decisions and WG approach
Superannuation	Not possible to quantify at the present time	2018/19 onwards	Issues around contribution rates and arrangements for the elimination of the deficits will depend on directions from the Staff Commission
Revenue Support Grant	Not possible to quantify at the present time	2018/19 and 2019/20	Transitional arrangements will be required to mitigate the impact of any floor not applying to a merged authority compared with separate settlements
Pay harmonisation	Up to £3m p.a. for three years	2018/19 and then annually or protection period	Dependent on advice to WG from Staff Commission in particular in respect of pay protection

TABLE 4 – TRANSITION COSTS

ISSUE	TOTAL COSTS £'000	PERIOD	COMMENTS
Redundancy	1,231	2018/19	Estimated for vesting day but could be spread over a longer period
Job evaluation process	272	2018/19 to 2019/20	Cost of the process
Change programme teams	1,768	2017/18 to 2018/19	Change programme to commence in year before vesting day
Change management consultancy support	241	2017/18 to 2018/19	External support commencing in year before vesting day
Property	250	2018/19 to 2020/21	Cost of remodelling/moving people
Systems migration consultancy	180	2017/18 to 2018/19	External costs of systems migration
Systems migration Programme teams	772	2017/18 to 2018/19	Costs of internal systems migration team

Merger planning team	841	2015/16 to 2017/18	Internal team involved in research and planning before vesting day
Total	5,555		

18. Savings Opportunities

Although there will be additional costs incurred in the short to medium term we have identified some savings that will, over time, help to off-set the transitional costs and lead to the delivery of more sustainable and efficient services over the long term. In arriving at our estimate of savings we have made the following assumptions:

- The creation of a single management team;
- Staff and operational savings arise from the creation of single corporate and support services 'back office' functions in e.g. Policy & Democratic Support, Legal Services (including Elections), Financial Services (including Audit), ICT support, Procurement, Asset Management, HR administration; Contact/Customer Services - **£2,259,000**;
- Staff and operational savings derived from merged and rationalised management of "middle office" and "front line" services. The former includes services such as Planning, Building Control, Environmental Health, Revenue and Benefits and Registration while front line services includes Education, Social Services, Waste and Leisure services - **£1,081,000**;
- Possible savings in ICT estates;
- Possible savings in administrative accommodation - **£98,000**;
- Savings in members' allowances based on SRAs, savings from a reduced number of members and savings on election costs spread over the electoral cycle.

In considering how quickly savings might be achieved there is a need to consider the following issues:

- The savings represent a snapshot in time and may not be realisable in the lead up to merger;
- It will probably take two to three years (or longer) to implement all the savings;
- The opportunity to realise savings will diminish over time;
- Future forecasts on settlements could mean that authorities' ability to make savings will be eroded;
- Although the authorities may be early adopters of a merger, savings may not be achieved earlier due to the service issues referred to above and the need for additional funding in the short term to mitigate the effects of shifting resources from one authority to the other. Welsh Government may need to consider granting favourable terms and flexibilities to the authorities

Notwithstanding these comments we believe that realistic savings can be achieved in the areas set out in the following table. Note that these are annual figures.

TABLE 5 – ESTIMATED SAVINGS

Area	%	£'000
Support/Back Office Services	8	2,259

Merged and rationalised management of 'Middle Office' and 'Front-Line' Services	4	1,081
Administrative Accommodation		98
TOTAL		3,438

We also believe that savings can be made through the ability to pay only one set of Members' SRAs, in a reduced number of Members from 106 currently to, say, 75 and in reduced electoral costs. In calculating these annual costs we have converted election costs into an annual figure by assuming a four year election cycle:

TABLE 6 – DEMOCRATIC SAVINGS

SAVINGS FROM SRAs £'000	SAVINGS FROM REDUCED NUMBER OF MEMBERS £'000	SAVINGS FROM ELECTION COSTS £'000	TOTAL SAVINGS £'000
189	406	34	629

19. Timetable for costs and savings

In the table below we set out a summary of the costs that we can identify with any degree of certainty in the run up to vesting day on 1 April 2018. Many more costs and savings will be realised after vesting day and some of the factors that will influence this are set out below:

- Savings on redundancies may start in 2018/19 but a full year effect will not be felt until 2019/20;
- Savings on property will be small and will start in 2018/19;
- Savings on Members Special Responsibility Allowances, a reduced number of Members and elections will commence in 2018/19. The saving on elections is an annual cost based on a four year cycle;
- Council tax harmonisation may start in 2018/19 but we have not costed the impact at this stage;
- Redundancies will be made on vesting day and costs will be incurred in 2018/19;
- There will be some costs associated with staff relocations, property disposal and the re-modelling of buildings;
- Systems migration will start in the year before vesting day and will comprise mostly internal costs with back-filling supported by external consultancy;
- A Merger Team will be set up in 2015/16 and will operate for the three years leading to vesting day;
- A change programme team will be set up a year before vesting day and will continue until the end of 2018/19. Costs will be mostly internal with backfilling supported by external consultancy;
- The process of grade harmonisation has not yet been quantified due to the number of variables involved and the fact that the methodology may be defined by the Staff Commission. We have assumed that there will be no efficiency

savings although the reality is that the workforce will be reduced over the timetable period.

In Table 7 below we set out the total savings for each year from 2015/16 to 2017/18 and the net position at the end of that period. However, the table does not take account of the additional costs that will arise from issues that cannot be quantified accurately at the present time. These are the issues described in Table 3 above.

TABLE 7 – SUMMARY OF COSTS AND SAVINGS

YEAR	SAVINGS £'000	COSTS £'000	NET POSITION £'000
2015/16	-	280	-280
2016/17	-	280	-280
2017/18	-	1,761	-1,761
TOTAL	-	2,321	-2,321

20. Overall conclusions

We have set out above the case for an early merger between Conwy CBC and Denbighshire CC; we have considered the service delivery challenges, the key financial issues, the transitional cost of setting up the new authority and the potential savings that could be achieved. The whole process is still subject to a number of risks and uncertainties and we summarise these as follows:

- Uncertainty over the enabling legislation – timing and content;
- The need to respond to the Williams exhortation to reduce the number of public sector bodies;
- Impacts from required Public Consultation;
- Political management and impacts on politicians and the electoral cycle;
- The impact of uncertainty and the process of transition on all those involved creating 'paralysis' in day to day activity;
- The community dimension – the impacts on everyone in the existing separate communities;
- Maintenance (and improvement) of service delivery in a time of change, uncertainty and declining resources;
- Issues of merging organisational cultures;
- The need for timely, effective and honest communication with trades unions and staff at all levels ;
- Clarity and detail over the level of investment that will be required, the benefits likely to be realised and the potential payback period;
- Harmonisation of working practices;
- Arrangements for staff not required in the new councils;
- Harmonising local terms and conditions and results of Job Evaluation to be incorporated;
- Alignment of statutory and local policies;
- Consideration of the effects on corporate costs, e.g. accommodation, of the potential relocation of many services;
- Existing partnerships with other public sector bodies will need to be examined, their future decided and all parties informed accordingly;
- Issues around the location of different services;
- Officers with new joint responsibilities will have to work hard to win and retain the trust of both of their clients. In effect they have to prove that an officer does not have to be on site to be working effectively for the Authority.