

Report To: Council

Date of Meeting: 17 November 2014

Lead Member / Officer: Councillor Hugh Evans, Leader

Report Author: Mohammed Mehmet, Chief Executive

Title: Voluntary Merger between Conwy County Borough Council and Denbighshire County Council – Expression of Interest

1. What is the report about?

- 1.1 The purpose of this report is to update members about the work done on the voluntary merger option since the Council meeting of 9 September 2014 and to recommend that the Council agrees to submit the attached Expression of Interest (EOI) to the Welsh Government by the end of November 2014.
- 1.2 On 9 September 2014 the Council considered a report by the Chief Executive about the option of voluntary merger with Conwy County Borough Council. The White Paper – Reforming Local Government, published on 8 July 2014 and the Invitation to Principal Local Authorities in Wales to Submit Proposals for Voluntary Merger ('Prospectus') published on 18 September 2014 set out the Welsh Government's proposals for council mergers.
<http://wales.gov.uk/docs/dsjlg/publications/localgov/140918-lg-proposals-voluntary-merger-en.pdf>
<http://wales.gov.uk/docs/dsjlg/publications/localgov/140918-lg-proposals-voluntary-merger-cy.pdf>
- 1.3 At the September Council meeting Members agreed to investigate this option further and, provided voluntary merger offered substantial financial advantages, and agreement is reached with Conwy Council, to submit a joint Expression of Interest to the Welsh Government.
- 1.4 Since the Council meeting in September there have been important developments which are summarised below:
 - Conwy Council passed a similar motion, agreeing to investigate the option of voluntarily merging with Denbighshire Council, at its meeting on 18 September 2014.
 - The Welsh Government published its 'Prospectus' for voluntary merges: "Invitation to Principal Local Authorities in Wales to Submit Proposals for Voluntary Merger"
 - There have been a number of meetings between Denbighshire and Conwy. These meetings agreed to commission CIPFA to carry out a savings and costs exercise and to proceed to drafting a joint Expression of

Interest for Members of both councils to consider at their council meetings on 17 November.

- The Group Leaders in Denbighshire and a cross-party group in Conwy have been established to oversee the merger developments.
- There have been a number of discussions with Welsh Government officials and a high-level meeting with the Minister for Public Services on 12 November 2014.

2. What are the Recommendations?

- 2.1 Members are asked to agree to submit the attached Expression of Interest (Appendix 2) to the Welsh Government by the end of November 2014; and
- 2.2 Subject to the Welsh Government's response to the EOI, which is expected by 5 January 2015, to start the process of preparing the full Business Case for merger, to be presented to full Council in June/July 2015.

3. The Case for Voluntary Merger

- 3.1 The attached EOI begins to set out the business case for voluntary merger. It is not the Business Case for merger. Members are advised not to commit to voluntary merger until a full Business Case is developed and carefully considered.
- 3.2 However, it is clear from the work that has been done to date, that there are four important reasons why Members should agree to submit the attached EOI and proceed to develop a full Business Case. These are:
 - (i) Similarities between the local authority areas and local authorities (EOI detailed in Appendix 2)
 - (ii) The costs and savings exercise done by CIPFA (details in Appendix 1)
 - (iii) Encouraging early support from Welsh Government
 - (iv) Advantages of voluntary merger over compulsory merger

4. Encouraging early support from Welsh Government

- 4.1 On 18 September 2014 the Welsh Government published its "Prospectus" for voluntary mergers : "Invitation to Principal Local Authorities in Wales to submit proposals for voluntary merger". The document is rather vague about the financial support that will be available to voluntary mergers. On the one hand it says, encouragingly:

“We intend to make resources available, distinct and separate from the Revenue Support Grant, in order to support voluntary mergers.” **P3**

but less encouragingly:

“Given the severe financial pressures we face, it is unrealistic to expect the Welsh Government to provide large injections of cash to support a process of merger.” **P5**

4.2 Since the publication of this Paper there has been several conversations with senior Welsh Government Officials about what the Government is proposing. In these conversations Welsh Government appear to acknowledge that:

- (a) there are substantial costs involved in funding the merger process and local authorities do not have this funding available to them
- (b) it is extremely difficult for local authorities to simultaneously manage both a merger process and a substantial cuts agenda
- (c) the Welsh Government would wish to work with local authorities, serious about voluntary merger, to find ways around these challenges

4.3 On 12 November the two Leaders of Denbighshire and Conwy along with the two Chief Executives had a meeting with the Minister for Public Services. This report was written and submitted for printing before that date so a verbal update will be given at the Council meeting.

5. Advantages of Voluntary Merger over Compulsory Merger

5.1 If local authority mergers are inevitable, then volunteering to merge earlier rather than waiting to be merged later is better for several reasons:

- Additional support from Welsh Government : ‘Prospectus +’
- Shorter period of planning blight and uncertainty
- Earlier release of efficiency savings and integration of planning processes
- Sets a positive tone and culture for the new council
- One fewer set of elections
- Clear sense of direction for staff

6. Risks

6.1 The merger of two unitary authorities is a major undertaking that is bound to involve many risks. There will be risks associated with signing up to the merger; managing the merger process and then, perhaps most significantly, managing the consequences of the merged authorities beyond the Vesting Day. The full Business Case must set out these risks in some detail.

- 6.2 Some of these risks are already clear and Members should consider them before deciding to proceed with the merger project. Some risks are more significant than others and could even be “deal breakers” if they remain unresolved:

Possible ‘Deal Breakers’

- Funding the costs of the merger
- Capacity to manage both the cuts and the merger projects at the same time
- Agreement on decision-making by ‘Shadow Authority’
- Council Tax harmonisation

Other Risks

- Impact on performance and standards
- Superannuation arrangements
- Political will to drive the savings
- Potential for serious disagreement between key parties
- Uncertain national support post May 2016
- Harmonising different service levels
- Lots that we haven’t identified yet

7. Conclusions

- 7.1 It seems clear, from the work done to date, that there is a strong case for submitting an EOI and, if accepted by the Welsh Government, to start work on a full Business Case.
- 7.2 However, there are several risks involved in progressing with the voluntary merger process, most significant of which are those possible ‘deal breakers’ set out in section 6 of this report. It will be necessary to resolve these during the full Business Case process.

8. How does the decision contribute to the Corporate Priorities?

- 8.1 The decision sought does not affect the council’s corporate priorities at this stage.

9. What will it cost and how will it affect other services?

- 9.1 There are no costs involved in submitting the EOI but there will be costs involved in progressing the full Business Case. The Council will negotiate the funding of this with Welsh Government and Conwy County Borough Council.

10. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report.

10.1 There are no equality implications at this stage.

11. What consultations have been carried out with Scrutiny and others?

11.1 The EOI has not been scrutinised. There have been detailed discussions with Welsh Government, Conwy officers and members, Denbighshire's Group Leaders and senior management.

12. Chief Finance Officer Statement

12.1 Submitting an Expression of Interest does not commit the council to proceeding to merger and has no cost implications. Proceeding beyond that point is clearly a major step. Appendix 1 highlights a lot of the financial costs and benefits, but, at this stage all figures should be treated with caution given the amount of time that has been available to produce them.

13. What risks are there and is there anything we can do to reduce them?

13.1 There will be considerable risks if the proposal progresses, but none at this stage. These will be comprehensively set out for members to consider in June/July 2015, if the proposal proceeds to that stage.

14. Power to make the Decision

14.1 The implications of the proposals affect every elected member and the future of the council. It is therefore appropriate to seek full council's endorsement.