

# **VOLUNTARY MERGER BETWEEN CONWY CBC AND DENBIGHSHIRE CC**

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**Special County Council  
Monday, 17 November 2014**

**Mohammed Mehmet  
Chief Executive  
Denbighshire County Council**

# DENBIGHSHIRE COUNTY COUNCIL'S POSITION

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“Subject to reaching agreement with Conwy CBC, both councils proceed to develop a joint expression of interest to voluntarily merge by April 2018 and submit this expression of interest to Welsh Government by November 2014, provided the two Councils can:

- (i) secure a substantial financial and support package from Welsh Government that is binding, and
- (ii) that once the two authorities and Welsh Government agree the Statement of Intent in November 2015 that the agreement is binding on all three partners”

*Council, 9 September 2014*

# SINCE 9 SEPTEMBER

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- (i) Conwy CBC passed a similar motion on 18 September 2014
  - (ii) WG published its “Prospectus” for supporting Voluntary Mergers on 18 September 2014
  - (iii) Conwy/Denbighshire met to discuss options and identify issues
  - (iv) Commissioned CIPFA to estimate costs and savings (Appendix 1)
  - (v) Developed draft EOI jointly with Conwy (Appendix 2)
  - (vi) Group Leaders in DCC and cross-party Group in Conwy
  - (vii) Meeting with the Minister, 12 November
  - (viii) Secured verbal commitment to substantial WG support
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# THE EXPRESSION OF INTEREST

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- Drafted jointly by officers, Chief Finance Officers and Chief Executives of both councils
- Worked with CIPFA to estimate costs and savings
- Draft discussed with Group Leaders

# EOI: THE CASE FOR MERGER (1)

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- Important similarities between communities
    - Population: Conwy 115,000; Denbighshire 95,000
    - Significant increase in older people over 10-15 years
    - Similar service pressures: Social Services and Health in particular
    - Similar economies: dependent on tourism, retail, public sector and declining workforce
    - Significant agricultural sector in both counties
    - Falling school pupil numbers
    - Both have adopted LDP and identified affordable housing as a key priority
  - Important similarities between Councils:
    - Similar approach/ethos to member/officer engagement
    - Similar approach to project/programme management, performance management
    - Good collaborations already in place:
      - Welsh Language translation service
      - LSB, LSBC, Youth Offending Team
      - School Improvement, Waste procurement etc.
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# EOI: THE CASE FOR MERGER (2)

## Summary of costs

COST AREA	TOTAL COSTS £000	COMMENT
Redundancy	1,231	De-layering of management posts not jobs lost as efficiencies
Job Evaluation Process	272	
Change Programme Teams	1,768	Assume 20 additional staff to manage the merger
Change Management Consultancy Support	241	
Property	250	
Systems Migration Consultancy Support	180	
Systems Migration Programme Teams	772	
Early Adopter Costs	840	
<b>Total</b>	<b>5,554</b>	

**At this stage costs and savings are indicative and will be spread over a number of years**

# EOI: THE CASE FOR MERGER (2)

## Summary of Savings (Unambitious)

AREA	£000	COMMENT
Support Services	1,316	
Marketing and Communications	206	
CEO and Corporate Management	592	
IT	146	
Merged and rationalised management of 'Middle Office' and 'Front-Line' Services	1,080	Only management reductions included
Administrative Accommodation	98	Roughly one building
Members	623	
<b>Total</b>	<b>4,060</b>	

**This assumes no significant changes to front line service provision**

# COUNCIL TAX HARMONISATION

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Three options for harmonising on day one:

- (i) Level down to Conwy
- (ii) Equalise around the weighted average
- (iii) Level up to Denbighshire

Any of these options could be adopted either before or after merger with different financial implications.

If Denbighshire was to freeze or 'level down' it would lose income. If Conwy were to level up their residents would have to significantly increase their payments.

“Legality of charging different council tax levels for different areas of a merged authority is untested.”



# STAFF PAY AND GRADING

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- Would need to be reviewed
  - Complex process which would take some time
  - Previous process took several years
  - Dependent on policies, structures and number of staff
  - Short term cost of protection could be anything up to £9m depending on options selected
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# ADVANTAGES OF VOLUNTARY MERGER

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- 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

# RISKS

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## **‘Deal Breakers’**

- Funding the costs of the merger
- Capacity to manage both the cuts and the merger project 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
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# CONCLUSIONS

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- There appears to be a strong Business Case for Merger, although that case has not yet been made
- Early Voluntary Merger is better than later Compulsory Merger
- There are many risks associated with voluntary and compulsory mergers
- There is a strong case for submitting the EOI and, if accepted by the Welsh Government, to start work on a full Business Case

# ROADMAP TO VOLUNTARY MERGER

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Expression of Interest	November 2014
Full Business Case	June 2015
Statement of Intent ('Point of no return!')	November 2015
Reforming Local Government Bill	Autumn 2015
Order(s) for Voluntary Mergers	31 March 2016
Shadow Authority (role to prepare for the new Authority)	April 2017
Vesting Day	1 April 2018
Local Government Elections (on the basis of new electoral boundaries)	3 May 2018

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# NEXT STEPS

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- Expression of Interest does not commit DCC to merger
  - Response from WG due 5 January
  - Detailed joint Merger Proposal (Business Case) by 30 June 2015
  - If rejected, DCC return to business as usual until Compulsory Merger
  - If accepted develop the 'Statement of Intent' by November 2015
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# RECOMMENDATIONS

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1. Submit proposed Expression of Interest
2. Subject to Welsh Government's response, develop a full Business Case by June 2015