

COUNTY COUNCIL

Minutes of a meeting of the County Council held in Council Chamber, County Hall, Ruthin LL15 1YN on Monday, 17 November 2014 at 2.00 pm.

PRESENT

Councillors Ian Armstrong, Raymond Bartley, Brian Blakeley (Chair), Joan Butterfield, Jeanette Chamberlain-Jones, Bill Cowie, Ann Davies, James Davies, Richard Davies, Stuart Davies, Hugh Evans, Bobby Feeley, Huw Hilditch-Roberts, Martyn Holland, Colin Hughes, Rhys Hughes, Hugh Irving, Huw Jones, Pat Jones, Gwyneth Kensler (Vice-Chair), Geraint Lloyd-Williams, Jason McLellan, Barry Mellor, Win Mullen-James, Bob Murray, Peter Owen, Dewi Owens, Arwel Roberts, David Simmons, Barbara Smith, David Smith, Bill Tasker and Julian Thompson-Hill

ALSO PRESENT

Chief Executive (MM), Corporate Director: Economic and Community Ambition (RM), Director of Social; Services (NS), Head of Legal, HR and Democratic Services and Monitoring Officer (RGW), Head of Finance and Assets (PM), Corporate Improvement Officer (NK), Democratic Services Manager (SP) and Committee Administrator (CIW).

1 APOLOGIES

Apologies for absence were received from Councillors Meirick Davies, Peter Evans, Carys Guy, Alice Jones, Margaret McCarroll, Merfyn Parry, Paul Penlington and Gareth Sandilands.

2 DECLARATIONS OF INTEREST

The following interests were identified in business items to be considered at the meeting.

Agenda Item 4:- Voluntary Merger between Conwy County Borough Council and Denbighshire County Council. Personal interests were declared by all Councillors present. The reason for the declarations was that the respective implications for County Councillors if their terms of officers were extended as a result of a merger.

Councillors S.A. Davies, H. Hilditch-Roberts and D.I. Smith declared an additional personal interest in Agenda Item 4 because their partners were employees of the Council.

3 URGENT MATTERS AS AGREED BY THE CHAIR

No items were raised which in the opinion of the Chair, should be considered at the meeting as a matter of urgency pursuant to Section 100B(4) of the Local Government Act, 1972.

4 VOLUNTARY MERGER BETWEEN CONWY COUNTY BOROUGH COUNCIL AND DENBIGHSHIRE COUNTY COUNCIL - EXPRESSION OF INTEREST

A copy of a report by the Chief Executive (CE), which provided an update on the work done on the voluntary merger option since the Council meeting of the 9th September, 2014 and recommended that the Council agrees to submit the attached Expression of Interest (EOI), Appendix 2, to the Welsh Government (WG) by the end of November 2014, had been circulated prior to the meeting.

The CE introduced the report, and provided a detailed summary of the following key areas of the PowerPoint presentation circulated with the report:-

- *Denbighshire County Councils position.*
- *Progress since the 9th September, 2014.*
- *Details pertaining to the Expression of Interest (EOI).*
- *EOI: The Case for Merger (1) and (2).*
- *Options for Council Tax harmonisation.*
- *Staff Pay and Grading.*
- *Advantages of Voluntary Merger.*
- *Risks and Conclusions.*
- *Road Map to Voluntary Merger and the Next Steps.*
- *Recommendations.*

A summary of important developments since the Council meeting in September was provided and included:-

- Conwy Council having passed a similar motion, agreeing to investigate the option of voluntarily merging with Denbighshire, on 18 September 2014.
- WG had published its 'Prospectus' for voluntary merges: "Invitation to Principal Local Authorities in Wales to Submit Proposals for Voluntary Merger"
- Denbighshire and Conwy had agreed to commission CIPFA to carry out a savings and costs exercise, Appendix 1, and to proceed to drafting a joint EOI for Members of both Councils to be considered at their Council meetings on 17 November.
- The Group Leaders in Denbighshire and a cross-party group in Conwy had been established to oversee the merger developments.
- Discussions had been held with WG officials and a high-level meeting held with the Minister for Public Services on 12 November 2014.

A summary of the report by CIPFA, Appendix 1, on the Strategic Implications of a Voluntary Early Merger between Conwy and Denbighshire Councils was provided by the CE. The report advised 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.

It was emphasised by the CE that the EOI set out the Case for voluntary merger, but was not the Business Case for merger. He responded to concerns expressed by some Members and advised not to commit to voluntary merger until a full Business Case had been developed and carefully considered, following which a Statement of Intent could be submitted. The CE highlighted the four important reasons for submitting an EOI and proceeding to develop a full Business Case. These included:-

- (i) Similarities between the Local Authority areas and Local Authorities, EOI detailed in Appendix 2.)
- (ii) The costs and savings exercise done by CIPFA, detailed in Appendix 1.
- (iii) Encouraging early support from WG.
- (iv) Advantages of voluntary merger over compulsory merger.

On the 18th September WG published its “Prospectus” for voluntary mergers: “Invitation to Principal Local Authorities in Wales to submit proposals for voluntary merger”. The document had been vague about the financial support available to voluntary mergers. However, it stated encouragingly:-

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

Less encouragingly it stated that “Given the severe financial pressures we face, it is unrealistic to expect the WG to provide large injections of cash to support a process of merger.” P5. Since publication dialogue had taken place with senior WG Officials about the proposals, and WG’s acknowledgement of the cost and capacities issues associated with the merger had been included in the report.

Councillor H.H. Evans explained that on the 12th November the Leaders and Chief Executives of Denbighshire and Conwy met with the Minister for Public Services. The meeting had been proactive with recognition that there would be costs, and a verbal commitment had been forthcoming that substantial support could be available. He felt that the presentation by the CE had provided clarity regarding the proposed merger process.

If Local Authority mergers were inevitable, then volunteering to merge earlier rather than waiting to be merged later would be beneficial for several reasons:-

- Additional support from WG: ‘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

A summary of the risks had been included in the report, together with details of possible 'Deal Breakers' which included:-

- 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 included:-

- 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

It was explained by the CE that there was a strong case for submitting the EOI and, if accepted by the WG, to start work on a full Business Case. However, there were several risks involved in progressing with the voluntary merger process, most significant being the possible 'deal breakers' set out in section 6 of the report. He confirmed it would be necessary to resolve these during the full Business Case process.

The CE responded to concerns expressed by Members and confirmed that the submission of an EOI would not commit the Council to proceeding to merger and had no cost implications. Proceeding beyond that point would be a major step, and Appendix 1 highlighted the financial costs and benefits. At this stage all figures would need to be treated with caution given the timescales available to produce them. It would be appropriate to seek full Council's endorsement as the implications of the proposals would affect every Elected Member and the future of the Council. The CE assured Members that he would be unable to recommend that the merger process proceed unless the full Business Case, which could be assessed and reviewed at each stage, was robust and of a sound basis.

The need to consider the implications for members of staff was highlighted, with the suggestion that low morale could possibly lead to a poor standard of performance. The CE concurred with the views expressed that it would be important to keep staff and the respective Unions fully informed, and he made reference in the presentation to the provision of a clear sense of direction for staff.

The following responses were provided to questions and issues raised by Members:-

- It was explained that issues pertaining to the respective Authorities PFI agreements, reserves, contracts and legal proceedings would be examined in detail in a systematic manner.

- The CE stressed the importance of a robust and viable Business Case if the merger process was to proceed. Reference was made to the four deal breakers outlined in the presentation and it was confirmed that unless there were clear details in relation to funding provision he would be unable to recommend or support a merger.
- WG had not provided details of the financial support available, but had provided an assurance that staff and financial resources had been identified to assist with the merger process. The cost implications would be one off while savings would be ongoing.
- In response to questions regarding any future change of direction by Government with regard to LGR, reference was made to the importance of examining the current environment and the alternative options available during the present and future financial climate. The CE felt that a larger Authority would be better equipped to address the financial climate and its long-term implications.
- An outline of the timescales was provided, together with, details of the establishment of the appropriate legal framework.
- In reply to reference being made to future political uncertainty regarding LGR, the CE explained that he was not aware of any political party having expressed opposition, and if Denbighshire and Conwy were to progress at this stage the legislative framework would then be established to proceed at a future date.
- The CE endorsed the views expressed regarding the need to articulate the advantages for residents in the full Business Case, and he agreed to address this matter.
- Concerns were expressed that some of the rural areas and communities in Denbighshire had been alienated in the past under previous larger Authorities, and that the proposed pairings might be altered. The CE explained that the current boundaries could not be split and pairings could not be implemented which resulted in single isolated Authorities, therefore geographically the pairing of Denbighshire and Conwy would be the only realistic viable option and this would influence and shape the destiny of other Authorities.
- Issues such as the name and location of the headquarters of the new Authority would be matters for deliberation by the new Authority.

Following further discussion, and on being put to the vote the recommendation in the report was agreed:-

30 votes for, 5 votes against and 0 abstentions.

RESOLVED – *that Council:-*

(a) agrees to submit the Expression of Interest (Appendix 2 to the report) to the Welsh Government by the end of November, 2014, and

(b) subject to the Welsh Government's response to the Expression of Interest, expected by 5th January, 2015, to start the process of preparing the full Business Case for merger, to be presented to full Council in June/July 2015.

Meeting ended at 16.15 p.m.