

Cabinet

Excerpt of the public minutes of the meeting held on Thursday 9 December 2021 in the Town Hall, Royal Leamington Spa at 6.00 pm.

Present: Councillors Day (Leader), Bartlett, Cooke, Falp, Grainger, Hales, Matecki and Rhead.

Also Present: Councillors: Boad (Liberal Democrat Group Observer), Davison, (Green Group Observer), Mangat (Labour Group Observer), Milton (Chair of Overview & Scrutiny Committee) and Nicholls (Chair of Finance & Audit Scrutiny Committee and Labour Group Observer)

76. **Declarations of Interest**

There were no declarations of interest made in respect of the Part 1 items.

Part 1

(Items upon which a decision by the Council was required)

78. **Proposal to create a South Warwickshire District Council**

The Cabinet considered a report from the Chief Executive which provided evidence to elected Members at Stratford-on-Avon District Council and Warwick District Council in relation to the proposal to create a South Warwickshire District Council. The main purpose of the report was to determine whether both Councils agreed to formally request that the Secretary of State at the Department of Levelling Up, Housing and Communities to create a South Warwickshire District Council.

At the respective Council meetings held in February 2021, both Stratford-on-Avon District Council and Warwick District Council approved the vision to create a South Warwickshire District Council by April 2024.

Implementing this vision required both Councils to formally agree to write to the Secretary of State (SoS) for the Department for Levelling Up, Housing and Communities requesting a merger. This had previously been the process in East Suffolk, West Suffolk and Somerset in the recent past.

If South Warwickshire District Council was formed, this would mean the formal abolition of both Stratford-on-Avon District Council and Warwick District Council, with the formation of a new authority.

In order for the Council to make a submission to the SoS the submission needed to be evaluated against three criteria, in that the proposed merger:

- improve the area's local government;
- command local support, in particular that the merger is proposed by all councils which are to be merged and there is evidence of a good deal of local support; and

- the area is a credible geography, consisting of two or more existing local government areas that are adjacent, and which, if established, would not pose an obstacle to locally-led proposals for authorities to combine to serve their communities better and would facilitate joint working between local authorities.

Since the meetings in February 2021, additional research and evidence was collected to enable both Councils to now consider whether they wished to make a formal submission. The report summarised this additional evidence and demonstrated that the three criteria could be satisfied by such a merger proposition.

Whilst such a merger would significantly assist with meeting the financial challenges facing both authorities, it was not without risk. The report identified a number of areas which would need to be addressed. In some areas, full costings were not possible at this stage. There was also the risk that during the process of service integration there could be an impact on service delivery.

The merger process would provide an opportunity for the new authority to re-evaluate how it provided services and would allow best practice from both authorities to be implemented. It would also provide an opportunity for a conversation with colleagues at parish and town council level to further enhance co-operation and joint working through a community governance and function review.

This was probably the most significant decision that either Council had had to consider since they were established in 1974.

If Councillors determined that it would be in the interest of those served by the respective Councils to merge, a submission document was prepared and was attached as Appendix 10 to the report. In the event of a positive decision to merge, this would be submitted to the SoS before the Christmas break.

In terms of alternative options, ten specific options were considered. It was clear from the analysis of the options that merely sharing some services would not make sufficient financial savings and still leaves considerable duplication.

It was for these reasons that SDC and WDC, therefore, adopted the vision to merge fully.

Ten options were reviewed as potential ways forward for each Council, these were:

- *Option 1 - Do nothing – make no changes to existing Council positions* - under this option the Councils would continue to share a Senior Management Team. This was implemented in August this year, but no further changes would be made. Under this option the Councils would need to hope that the Government would not further reduce funding and hope that costs would not increase. This approach would be extremely risky and highly unlikely. The Government was expected to make significant reductions in funding in coming years, following the impact of the COVID pandemic;

- *Option 2 - Revert to working as two separate Councils* - this option is similar to Option 1 but would actually involve undoing the arrangements that had already been put in place. These arrangements were expected to save over £200,000 in the current year and would increase to over £400,000 per year by 2023/24. Therefore, on top of all of the challenges described in Option 1, further savings of £400,000 per year would need to be identified to support both Council's budgets. If both Councils were required to reduce costs in isolation, the scale of the reductions would be significant. Discretionary services which our public enjoyed such as leisure centres, CCTV, toilets, parks, and open spaces would be most affected. We were not allowed to cease statutory services such as planning, environmental health, and licensing though even they could be affected;
- *Option 3 - Expand partnership working to work with other partner Councils* - there were tangible links which already existed between the communities of Stratford-on-Avon and Warwick. If at this stage other partners were approached, such strong links would not exist. It was already challenging in operating across two local authority areas. Whilst there might be more opportunities to deliver savings, the proposal would become more complex and would involve greater risk of failure. It also required willing partners and they were not obvious;
- *Option 4 - Continue to expand sharing services between Stratford-on-Avon and Warwick District Council, but do not merge politically* - as explained under Option 1, this approach already started and there was already a joint Senior Management Team. Under this option though, all services and teams from across the two Councils would come together. It was anticipated that over the next three years there would be a need to save significant costs and the approach would also increase resilience. This option fell short, however, of creating a merged authority. It would result in both Councils remaining with two sets of accounts, two auditors and two sets of Councillors that would both have all of their own committee meetings to service. Whilst this approach would make significant financial savings, it would still leave considerable duplication of functions across the two Councils;
- *Option 5 - Create a new single District Council for South Warwickshire*, under this option both Councils would be abolished and a new District Council covering the whole of South Warwickshire established covering the area. There would be one set of Councillors who would set the vision and direction for the newly formed Council. This was an option that required the Council's to directly ask the Government to consider at this stage, as it only related to both Stratford-on-Avon and Warwick District Councils. It was not considered as full "Local Government Reorganisation" which would require an invitation from Central Government;
- *Option 6 - Create a Unitary Council for South Warwickshire and join the WMCA* - this option would involve abolishing Stratford-on-Avon and Warwick District Councils and transferring existing County Council responsibilities to a new unitary council which would be responsible for the delivery all services. This approach

would be considered as formal "Local Government Reorganisation". In addition, if formed it would seek full membership of the West Midlands Combined Authority (WMCA). The WMCA was formed in 2016 and included the whole of Warwickshire. Neither the Districts nor County Council were full members. The WMCA had key roles in relation to transport projects, building new homes, the economy and further education. This approach might be desirable in the longer term, but again would not be deliverable without wider "Local Government Reorganisation";

- *Option 7 - Create a Unitary Council for South Warwickshire* - this option was fundamentally the same as option 6. This approach was not being considered at this stage as Central Government was responsible for launching this type of review. It would also not be possible to consider this approach for South Warwickshire in isolation, as it would have significant implications for the rest of the County area of Warwickshire. Earlier reports identified that this option might provide greater savings and it was possible that this approach might be considered in the future.
- *Option 8 - Create a Unitary Council for the whole of Warwickshire* - in essence this option was the same as option 6 although instead of creating a unitary authority for South Warwickshire, however, one would be formed for the whole of the County Council area of around 600,000 residents. There would be issues involving significantly differing levels of Council Tax (circa £100 and £75 difference between SDC and WDC and the northern Boroughs and Districts) across the County that would need to be resolved under this option and there was a risk that the organisation would feel too remote from residents. As with Option 6 and Option 7, this approach would require "Local Government Reorganisation" and, therefore, it would be necessary to wait for an invitation from Government in order to progress this option;
- *Option 9 - Create a Unitary Council for the whole of Warwickshire and join the WMCA*, this approach was the same as option 8. When formed, full membership of the West Midlands Combined Authority would be sought, the merits of which were discussed in Option 6. This approach was discounted at this stage, however, as it would also require wider "Local Government Review"; and
- *Option 10 - Set up Private Sector Company to deliver all local services on behalf of Stratford-on Avon and Warwick District Councils*, this option would involve the coming together of teams across the two District authorities which would then lead to the establishment of a private sector company into which staff would be transferred. This approach was used across the country when looking at specific service areas such as housing companies and has also been used in waste partnerships. It had not been used for all Council services. There were concerns that such an approach had not been tested to the full and also could commercialise the approach to residents and businesses creating a gap in local democracy. This approach had also, therefore, been discounted at this stage.

Each of these options were evaluated against the following set of criteria:

- Impact on local public services.

- Cost Savings.
- Value for Money.
- Stronger and more accountable local leadership.
- Medium/long term sustainability of services.

Attached at Appendix 11 to the report was the detailed evaluation of these options against these criteria, the result of which supported the option to seek a full merger. It was on this basis that the Councils undertook the consultation exercise on the preferred option to fully merge the two organisations.

The option available for Members in relation to the highest ranked option to create a South Warwickshire District Council were now as follows:

- To support the proposition for the creation of a South Warwickshire District Council and make a formal submission to the Secretary of State for the Department of Levelling Up, Housing and Communities.
- To reject the proposition for the creation of a South Warwickshire District Council and not to make a formal submission to the Secretary of State for the Department of Levelling Up, Housing and Communities.

If, however, Members were minded to adopt the latter course of action and vote accordingly, they would also need to immediately consider what other options the Councils should pursue to address their financial challenges bearing in mind that both Councils would need to decide their respective budgets in the February/March 2022 and both existing MTFS were based on savings from the merger contributing toward the projected deficits.

In terms of the availability of other options, of the ten, then the four unitary options were not within either Councils' gift to implement. In any case, even on the assumption that the required invitation for Local Government Reorganisation proposals was issued by the Government, on the recent experience of Cumbria, North Yorkshire and Somerset, it would take a year for the decision-making process to be completed and another year and a half to create the new Councils. In the meantime, no saving of the transformational nature would be capable of being implemented. It would be too late for both SDC and WDC to take action other than to use, and potentially exhaust its reserves given the time profile of the need to make savings.

Option 10 was highly risky. Given the procurement processes involved it was not a quick route. This militated against its deployment given the timescales to address the financial challenges. Option 1 was essentially a do-nothing option at a time when a do something option was needed. Option 3 created the challenge of finding other worthwhile partners with whom to work. This would take time to put into place, if possible. Time was against the Councils, irrespective of the reputational impact on partnership working of either or both Councils deciding against a merger. Should Option 5 also be decided against, Option 4 was left as a strategic approach – i.e. service integration only and Option 2 – i.e. undoing the current joint work and dealing with the forecast deficit alone.

Option 4 left an inherent risk of always being prey to the "slings and arrows of outrageous fortune" also known as politics, which could cause

conflict, build in duplication and inefficiencies. Members would also needed to consider the risk that if one Council voted to merge and the other not, whether the appetite for joint work in any shape or form be the same. The experience of South Hampshire and West Devon where this situation arose in 2018 was that it took time for the wounds to heal and for joint working to pick up again. In fairness, it was subsequently aided by new political leadership in charge at both Councils. This suggested the need for more time to recover and so played against both Councils' needs. Councillors would also need to consider the impact on staff of an approach which in essence exposed staff to change but which left Councillors exempt.

In Option 2 each Council goes its own way, undoing the current level of joint work where possible, though this raised issues about contractual commitments such as the joint refuse collection and recycling service. As an approach, its focus was upon replacing the savings envisaged by the merger from other approaches. Given that both Councils needed to have other proposals to address the forecast deficit in any case, this approach would place more pressure on service reductions as the answer to the financial challenges.

The Overview & Scrutiny Committee meeting discussed the report using the themes that the Scrutiny Chairs had established at the outset of the process. Five main themes were identified:

1. Consultation
2. Services
3. Climate Emergency
4. Democratic Representation
5. Finance & Risk

Overview & Scrutiny would focus on themes (1) to (4). At the meeting each theme was discussed in turn and any comments and recommendations made at the end of discussion of each theme.

On Consultation, the Committee asked that where issues had been raised by residents, there should be a summary of the issues raised and drilled down to provide the split between Councils. It also requested that the way that information was given to residents, should both Councils agree to merge on 13 December, be strengthened so that residents are clear about the aims and objectives of the new Council. There should be an ongoing communications plan. It requested that stakeholder submissions should be circulated to all Councillors ahead of 13 December.

It recommended to Cabinet that a clearer statistical summary of the evidence base should be published providing clarity upfront on the differences between results in respect of the Residents' Telephone Survey and the Open Consultation Questionnaire and how these evidence bases would be used to shape the future strategy.

On Services, the Committee noted the importance of communication with residents and how the council engages with them as Services develop. The Committee made two recommendations to Cabinet:

1. There should be Councillor engagement when developing the Service Area Plans, this should include involvement in metrics and how measures would be set. (Councillors would not be involved in deciding the mechanism for providing this.)
2. More information should be provided on how to treat the risk logs (the Deloitte Risk Register and the Programme Risk Register devised by officers) and the relationship between the two, after it had been explained that the differences were a result of the timings when the Risk Registers had been prepared, with Deloitte's being at the very start of the process.

On the Climate Emergency, the Overview and Scrutiny Committee did not make any comments or recommendations in respect of Climate Emergency.

Regarding Democratic Representation, the Committee recommended to Cabinet that:

1. It should be made clear that the Council would work with all parish and town councils in the district, not just those which were members of the Warwickshire Association of Local Councils (WALC).
2. The implications of reference to the "Quality Parish" mark (Item 4/Appendix 10/Page 4 in the agenda papers or page 6 in the actual document) should be reviewed because it was too restrictive. Councillors expressed their scepticism about the advantages being a "Quality Parish" Council might bring.
3. The Shadow Council, should, as one of the first things it focusses on, create a framework for how parish and town councils will be supported and how this Council would engage with them with a view to looking at how powers might be devolved to them in the future where there was interest in so doing.

The Finance and Audit Scrutiny Committee requested that Councillors should be provided before the Council meeting on 13 December with a new financial table that consolidates the most recent estimates of the financial case based on the savings to be achieved over the period to 25/26. The table should include the investments to secure those savings (the three tranches of £1.5m) and should distinguish the savings that would be achieved through service integration and those that could only be achieved from political merger.

The Committee believed that this information would supplement and provide a single point of reference for the financial case for merger from the original information in the Deloitte Report from January 2021 (Appendix 1 to the report), the more recent analyses from the LGA (Appendices 4 and 5 to the report) and the financial information provided by the Head of Finance (Appendix 12 to the report).

The Committee noted the importance, should a political merger be approved, of harmonising Council Tax between the two current Districts, noting that differences in Parish and Town precepts added a further complicating factor in how this would be achieved and over what period.

In the opinion of the Committee, the plan for harmonisation would be closely linked to the proposed discussions with WALC and representatives of parishes and towns about the devolution of powers, responsibilities, and assets.

The Committee considered the Programme Risk Register (Appendix 6 to the report). It noted that this superseded the risk assessment made by Deloitte in its Report. The Committee expressed a view that the risk ratings for PR004 and PR007 ("democratic deficit" and "integration of culture") were underscored but accepted that the Register was dynamic, and the Committee would have the opportunity to consider future iterations of it should the programme go ahead.

The Committee also thanked officers and Members for the significant work that had gone into the report and the appendices, and for the balanced way in which they were written.

In response to comments from Scrutiny Chairs, the Leader clarified these in consultation with the Chairs of the Scrutiny Committees during the meeting. As a result, responses were proposed by the Leader for the Cabinet to consider. These were agreed as set out at resolutions four and five below.

The Leader provided opportunity to the Group Observers to provide their view on the report. Councillors Boad, Davison, Mangat all summarised their group discussions and took the chance to thank officers for the "exemplary" report.

Councillor Day then proposed the report as laid out.

Resolved that

- (1) the additional evidence collected since February 2021 to aid the Members' decision-making process on this matter, be noted
- (2) the Programme Risk Register attached at Appendix 6 to the report and the Programme of Implementation as updated attached at Appendix 3 to the report, be noted and endorsed;
- (3) in respect of the recommendations from the Overview and Scrutiny Committee, the Cabinet decided as follows:
 - a) In respect of the surveys, it was agreed that *"the residents survey has been designed to give a representative sample that reflects the makeup of people across the two district populations. Achieving a sample size of more than 600 means that statistically speaking we can be 95% confident that it reflects the views of residents as a whole. We have used this to*

gauge the level of support for the merger. The open consultation was not weighted in the same way meaning that many groups have been under represented and some over represented. Whilst it doesn't provide a statistically sound base it is nevertheless an important source that will help us identify the key concerns that need to be addressed across the programme implementation.";

- b) in respect of service risks, both SDC and WDC Councillors will be involved in this work, and the template for the service area plans should be considered by the Transformation PAB with each draft Service Area Plan being considered by its respective PAB; and
 - c) in respect of Democratic Representation; the Cabinet were satisfied that the report is clear enough, that all Parish and Town councils will be worked with, not just those who are members of WALC; officers were asked to fully investigate and confirm the merits of being a quality Parish/Town Council and the details of this be circulated ahead of Council on Monday; and in respect of the framework for working with Parish and Town Councils, the Cabinet expected this work to start in the New Year if the Council was minded to merge with SDC.
- (4) in response to the comments from the Finance and Audit Scrutiny Committee, the Cabinet asked the Chief Executive to circulate to all Councillors confirmation of the savings that other District Councils have achieved through political merger; and
- (5) all the officers involved for this exemplary report and all Members for their cross-party work on this be thanked.

Recommended to Council that

- (1) a formal submission should be made to the Department for Levelling Up, Housing and Communities to create a South Warwickshire District Council;
- (2) the formal submission document to create a South Warwickshire District Council attached at Appendix 5 to the report, be approved and authority be delegated to the Chief Executives in consultation with the respective Leaders of both Councils to make any minor and

typographical changes identified and to agree the covering letter;

- (3) a joint member working group be established to review the issues raised in Section 4 and in addition to agree that the working group works with WALC and other key parish and town councils to undertake a community governance and function review for South Warwickshire;
- (4) a consultation with staff and Trades Unions on options for addressing harmonisation of staff terms and conditions including pay, be agreed; and
- (5) should recommendation (4) above be not agreed, or that either Council does not agree to make a submission in relation to recommendation (4), an emergency Council meeting be arranged in early January so that a revised strategic approach can be discussed and agreed prior to the setting of the annual budget for 2022/23 and beyond.

(The Portfolio Holder for this item was Councillor Day)
Forward Plan Reference 1,259