Report

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From: Chris West, FCPFA

1st November, 2021.

Stratford-on-Avon DC and Warwick DC
The Financial Impact of a Constitutional Merger

1. Scope of this report

This report has been produced to the brief included at Appendix A and is designed to provide financial information to feed into the decision making surrounding the proposed merger of Stratford-on-Avon District Council (SDC) and Warwick District Councils (WDC).

The previously commissioned Deloitte report 'Warwick District Council and Stratford-on-Avon District Council: Creating a South Warwickshire Council' incorporated savings associated with the political merger in a very generalised way. So, to support the development of the business case for a full merger the councils have asked that the LGA undertake a review to:

- Assess what financial benefits were achieved by other district council mergers, over and above operational elements such as staff / service integration
- Outline how this could apply to apply to the Stratford and Warwick position as part of a business case proposal to create a new South Warwickshire Council

The report has been based on a review of financial information provided by the councils involved, and on interviews with some key officers, including the joint S151 Officer and Monitoring Officer of SDC/WDC. Reference has also been made to data published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Government Association (LGA). It has been produced in a short period during August to October 2021 and is necessarily constrained by the resource available to input into it. The report is not intended to amount to a due diligence process nor itself be adequate as the basis for any final decision on a merger. It is designed to promote understanding and thinking across the two councils.

2. Overall Findings.

2.1 The Deloitte Report did include a high level estimate of the additional savings of a full constitutional merger. Excluding savings from rationalising the head of democratic services/monitoring officer, savings of £224k per annum following full implementation were suggested by Deloitte.

2.2 This order of magnitude is in line with that experienced in other merging authorities of a similar size, although definitional issues and varying approaches make comparisons complex.

2.3 The key driver is the number of elected Members and this is not within the control of the merging Councils and so caution is needed.

2.4 The non-financial and non-cashable benefits of a full merger are potentially as significant or more significant than the financial ones, and will also enable financial savings to be maximised.

2.5 There are a range of risks that need to be managed, as with any major undertaking.

2.6 The Councils need to develop a clear implementation programme that includes specific proposals for the delivery of change programmes and associated savings, and strong governance arrangements to monitor the delivery of financial and non-financial outcomes. This will move the level of savings indicated by Deloitte as being potentially available, into a plan to deliver more granular proposals, of which the full constitutional merger will be one.

3. <u>The Deloitte Report.</u>

Appendix B provides some extracts from the Deloitte report. It estimated that the net recurrent savings deliverable by merger were £4.338m once implementation was completed. This is summarised in the Table reproduced below:

	Area	Year 1 2021/22	Year 2 2022/23	Year 3 2023/24	Year 4 2024/25	Year 5 2025/26
Costs (£'000s)	Change Costs	200	200	200	0	0
	Redundancy Costs	0	143	369	227	227
	Total Costs	**200**	**343**	**369**	**227**	**227**
Savings (£'000s)	Management Team savings	(305)	(611)	(611)	(611)	(611)
	Service Optimisation	(0)	(0)	(1,261)	(2,521)	(3,782)
	Democratic Savings	(0)	(0)	(0)	(172)	(172)
	Total Savings	**(305)**	**(611)**	**(1,872)**	**(3,304)**	**(4,565)**
Net Annual (Saving) / Cost		**(105)**	**(268)**	**(1,302)**	**(3,077)**	**(4,338)**

This Table uses the top end of the range of savings that Deloitte predicted. This top end of the range included savings from a full constitutional merger:

> *Overall a full merger has greater potential to achieve both financial and non-financial benefits that result from economies of scale and a stronger strategic voice.*

Specifically, it is clear that the Deloitte report did take account of savings from a democratic merger, because the basis of the £172k "Democratic Savings" line (third from bottom in the Table above) is the estimated savings from reducing the number of Members from the existing total of 80 to a new assumed total of 59 (based on the experience in East Suffolk).

In addition, the "Service Optimisation" line in the report includes some £52k savings from the "Democratic core" based on the Deloitte methodology. This makes a total saving of £224k per annum from a constitutional merger.

Over and above this the Management Team savings incorporate the reduction from two Monitoring Officers to one joint post. The size of the saving cannot be separately extracted, and in most merger business cases the management team savings are treated separately as they are in the Deloitte report so this has been excluded from further specific consideration in this report.

The approach commissioned from and taken by Deloitte was a high level business case for the proposed merger. The report is clear that further detailed work will be required to inform any final decision and subsequent implementation.

The largest area of savings identified was Service Optimisation - £3.782m per annum ongoing in the Table above. The methodology to identify this was to analyse the net expenditure per head across a range of services provided by both Councils, and to assess the scope to reduce it to the lower of the two, or the average of the two. These data were then moderated using both local input and knowledge from SDC/WDC and from Deloitte's wider knowledge and experience.

This approach gives a reasonable estimate of the savings potentially available. However, the output is at a general level, with little specificity as to what is included. For example one element is finance savings estimated at £353k per annum. There is no breakdown of this and no way of splitting it between the benefits from a merger and the further benefits from becoming one authority, and which therefore are "over and above operational elements such as staff / service integration."

A specific example would be the cost of external audit. There would be a saving in a merged authority as only one audit would be needed, and it would be reasonable to assume it would be broadly equivalent to the cost in each authority currently, or at least the higher of the two. This saving is one that is normally identified as a separate saving deriving from a full merger, but is subsumed in the Deloitte analysis in a single summary line on finance.

It is not therefore possible to produce a comprehensive figure from the Deloitte report for the savings from a full merger, although the analysis below attempts to estimate it for comparative purposes.

4. Comparator Authorities.

The potential position for an SDC/WDC full merger has been contextualised by information from other authorities. These are:

- East Suffolk (formerly Suffolk Coastal and Waveney), where interviews have been held with senior officers, and the business case has been reviewed

- Suffolk West (formerly Forest Heath & St Edmundsbury) where interviews have been held with senior officers, and the business case has been reviewed

- Somerset West & Taunton (formerly Taunton Dean & W Somerset) where information from the business case has been reviewed, but no interviews held.

In addition, discussions have been held with South Oxfordshire and Vale of White Horse Councils. These councils have been sharing services for many years and have potentially the best developed arrangements for working together and driving savings. At this stage they have not decided to take the final step of full constitutional merger. This position provides an interesting counterpoint to the others and gives a particular focus for the brief of this report.

Comparisons are hard because these authorities were already on a journey of working together and some had gone further and harvested more benefits at the point at which they assessed a full constitutional merger. The starting point is therefore different in each case.

The Table below gives some headline data for these Councils to give some idea how they compare to SDC/WDC.

Comparative Data For Authoritiese Discussed.

Authority	2019/20 Net Revenue Expend budget £m	Population ONS 2018 prediction for 2020	Members: Electors ratio 1:	Number of Members	FTE staff numbers (Jan - Mar 2021)
Stratford as is	16.27	131,536	2,905	36	275
Warwick as is	16.77	144,062	2,565	44	465
Stratford/Warwick if merged (Member numbers per Deloitte report)	33.04	275,598	3,685	59	740
Stratford/Warwick if merged (Member numbers as now)	33.04	275,598	2,718	80	740
Recently Merged					
East Suffolk (formerly Suffolk Coastal and Waveney)	40.34	258,100	3,537	55	768
Suffolk West (formerly Forest Heath & St Edmundsbury)	20.2	180,446	1,984	64	673
Somerset West & Taunton (formerly Taunton Dean & W Somerset)	13.28	157,258	1,997	59	540
Currently closely aligned					
South Oxfordshire	17.16	141,881	3,070	36	N/A*
Vale of White Horse	13.72	138,299	2,715	38	N/A*
TOTAL South Oxfordshire/Vale of White Horse	30.88	280,180	2,888	74	426
*The authroities have been aligned for so long that a split of staffing between the two would not be meaningful					

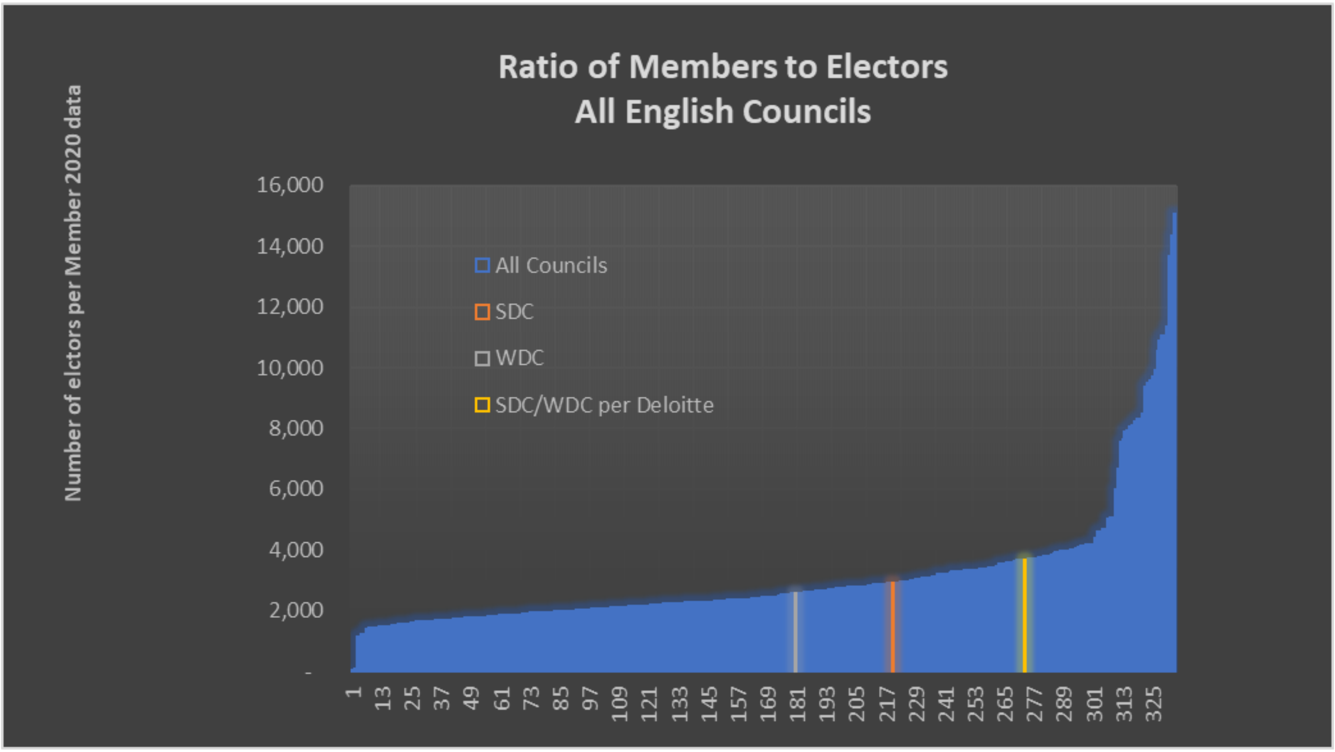
5. The Financial Benefits of Full Merger: Cost of Members.

The biggest additional cashable saving from a constitutional merger of two Councils is related to the potential reduction in the number of members and number of meetings. However, the savings that may be deliverable are not within the control of the merging Councils. The number of Councillors in a new merged Council would be a matter for the Boundary Commission, and the level of members allowances would be the subject of an independent review body, with an increase in allowances reflecting a bigger Council, being a reasonable assumption.

Other Councils that have merged and reduced the number of Councillors have also set up other informal forums of community consultation to help combat any perceived reduction in the local voice, and helped consolidate public support for the merger. This would impact any savings made.

The key data driving the number of members in a Council is the ratio of members to electors. The Graph below shows this data for all English Councils, ranked lowest to highest ratio.

The spike on the right hand side of the graph consists of upper tier authorities (Counties, Mets, Unitaries and London Boroughs) which tend to have higher ratios.



The ratios for District Councils run from 1:1124 (Rutland) to 1:3537.

The current ratios are shown on the graph and are 1:2905 for SDC and 1:2565 for WDC. The figure for SDC is sufficiently high to have attracted interest from the Boundary Commission, who are currently reviewing the position to reduce the ratio, which will in practice be larger than that quoted above because of recent housing developments. They are considering a number of 41 for SDC which on the 2020 data would reduce the ration to 1:2550, broadly similar to WDC. Both authorities and the Boundary Commission are aware of the wider context of the possible merger and that this current review may not be completed or implemented.

As outlined above the Deloitte report assumed a figure of 59 Members for the merged authority, a reduction from the current joint total of 80. This would result in a ratio of 1:3685, and is also shown on the graph above.

Such a ratio would make the new authority an outlier among districts, and is much higher than the recent level in SDC which had prompted concerns from the Boundary Commission. It would be the highest District ratio.

My understanding is that the numbers were based on the recent merger to create East Suffolk. This is the next highest ratio at 1:3537, which demonstrates that the Boundary Commission may be prepared to consider a ratio this high. Other recent mergers have not seen such high ratios.

Recently Merged Councils	**New ratio**
East Suffolk (formerly Suffolk Coastal and Waveney)	1:3537

Suffolk West (formerly Forest Heath & St Edmundsbury)	1:1984
Somerset West & Taunton (formerly Taunton Deane & W Somerset)	1:1997

The tentative conclusion from this is that the savings from constitutional merger included in the Deloitte report as a result of reducing Member numbers are probably at the top end of the likely range. The actual ultimate number of Members and therefore the costs may be higher, and that process is not in the control of SDC/WDC.

6. Comparative Financial Savings from Constitutional Mergers.

Each of the Councils involved in a full merger has taken a different approach to estimating possible savings, and therefore the Business Cases have different levels of detail in them. As discussed above, the approach taken by Deloitte, at an earlier stage than Final Business Case, was a high level one with little detail.

There are also definitional differences – for example in some cases the need to publish just one set of accounts may be counted as a finance saving, in others as a constitutional saving.

The Table below pulls together the fullest possible details from the various business cases for the Councils considered:

Savings Area - eventual full year saving £000s	Taunton Deane/W Somerset	Suffolk Coastal/ Waveney	Forest Heath/St Edmundsbury	Stratford and Warwick
All Out elections over 4 years	25			N/A
Members Allowances	113			172
Reduced Corporate Subscriptions	6		35	
Reduced support to Leader/Chair	25			
Reduced democratic support	25			
Notional saving for 1 building HQ	60			
Financial Serives staffing	46			
External Audit	39		30	79
Internal Audit	39		35	
Banking fees (1 account)	45			
Reduced cost of Local Plan Process	33		20	
Reduced IT Subscriptions	85		25	
Reduced tavel budget	10			
Insurance			30	
Procurement			25	
Non specific democratic		115		52
Other corporate		101	100	
TOTAL	**551**	**216**	**300**	**303**
Saving per head of Population £	**3.50**	**0.84**	**1.66**	**1.10**

For WDC/SDC I have taken the savings from the Deloitte report, and added in the cost of external audit, because that was separately identifiable from data provided. Some of the lines above, not currently identified for SDC/WDC, could also be completed to get a fuller picture of constitutional savings, although the risk of double counting exists because of the Deloitte methodology. It may be particularly pertinent to consider:

- Internal Audit
- Banking fees (1 account)
- Reduced cost of Local Plan Process
- Reduced IT Subscriptions
- Reduced other corporate subscriptions

Overall, the figure of £303k for WDC/SDC is in the same order of magnitude as the other Councils. As discussed in Section 4 above, the Member related savings from Deloitte may be at the top end of the range, but there are other savings that would compensate if added in.

South Oxfordshire and Vale of White Horse Council have made a high level estimate of the additional savings they could make from a full constitutional merger which they estimate in the range of £200-400k, which is consistent with this overall picture.

The most detailed figures for Taunton Deane and West Somerset include lines (e.g. notional savings for one building HQ, £60k) which in other business cases will be covered in another section, and in any case could relate to wider services and spending heads than just constitutional ones. This partly explains why their figures are larger.

This magnitude of savings is useful in itself, but must be seen in the wider context of the savings from a merger, which are significantly higher. They represent an additional layer of cost saving only available from a full merger. As the Deloitte report highlights, a full constitutional merger is also likely to maximise other savings, as well as delivering this additional layer.

The savings arising from a full merger should, once the number of Members and their allowances are determined, be relatively straightforward to estimate, to deliver and to monitor. This will be in contrast to other service areas where a greater degree of judgement is likely to be needed. Other authorities reported a strong record of delivering the additional savings from full merger.

In all the Councils we talked to the non-financial issues or non-cashable efficiencies were also as important as the pure cost savings in driving a merger. These are explored in Section 6 below.

7. <u>The Non-Financial/Non-Cashable Case for Constitutional Merger.</u>

The case for a constitutional merger will also hinge on non-financial benefits, and non-cashable benefits – that is factors which are likely to lead to savings or cost avoidance, but which cannot be quantified and built into budgets.

The Deloitte report clearly and fully highlighted the non-financial benefits from a full constitutional merger, and these are summarised below:

- *Only a merger could deliver the financial benefit from the democratic savings from, for example, reducing the number of Members. There are also likely to be further financial benefits from removing duplication through merging, including* *holding one Council meeting, producing one set of financial accounts and one budget, incurring one set of audit fees and holding one bank account.*

- *A full merger providers a greater likelihood of more savings being achieved from transforming services. It creates a greater cultural shift by creating one organisation, removing some of the politics around identifying which organisation benefits from savings under a shared service arrangement. The vision for the future can be simpler and more joined up, allowing greater impetus and greater delivery of savings.*
- *It fits with Government policy and thinking in terms of local government operating at greater scale;*
- *A super-district would have a stronger strategic voice with stakeholders, be more able more easily to enter into partnership arrangements with other organisations, benefit from increased capacity and resilience with a larger pool of resources in all functional areas, deliver improved customer experience by delivering greater consistency of approach, particularly for customers operating across both districts, and be a more effective employer by creating a structure that offers more career opportunities and greater appeal in the jobs market;*
- *It could support local government in South Warwickshire to deal with the significant economic and financial challenges it faces, ensuring that local government can continue to deliver or improve services for local communities;*
- *A super-district may be better placed to deal with some of the significant strategic issues facing South Warwickshire including housing or climate change, and*
- *It builds on the current similarities and significant collaboration between the two organisations.*

[sourced from the Deloitte Report]

In addition to these points, others, often overlapping, were added by the various individuals who input to this report:

- A merged Council would have greater resilience than the two smaller Councils. Risks can be managed across a larger area and a stronger financial base.

- A larger Council is in a better position to recruit, retain and develop key staff, who are essential to the future of the Council.

- It can provide more clearly focused and effective services for the public. There is an opportunity to rethink and rebrand services, taking the best from each authority or nationally.

- A stronger voice, specifically with the County, the LEP, the Department for Levelling Up, Housing and Communities and the WM Combined Authority than the two Councils separately.

- Two Councils working in a close shared services partnership are both vulnerable to the other party pulling out of the arrangements. The cost of “divorce,” financially, reputationally and in service delivery terms would be significant for both. (A recent example of this is the breakdown of the Police Partnership between the Warwickshire and West Mercia forces). A full constitutional merger removes this risk.

8. Other Issues arising.

In compiling this report, a number of other issues emerged that are worthy of consideration when assembling the final business case proposal for the creation of a South Warwickshire Council, even if only to dismiss them or plan for them.

a. Towards pleasure, not just away from pain.

All the Councils embarking on mergers have had a range of motives, always including a desire to save money and protect services. It is important that there is a strong rationale that lays out clearly the wide benefits of merger (towards pleasure) and does not focus entirely on the need to avoid financial pressures (away from pain).

This was the case for example in Taunton Deane and West Somerset, where the latter, one of the smallest Councils in England was in major financial problems because its Business Rate base had been undermined by a successful rating appeal on Hinkley Point Power Station, which accounted for a very large share of its business rates. It was important that the Business Case covered the full range of benefits and was not seen as a reaction just to the financial problems in one of the Councils.

b. Not a Panacea.

While a merger can create a wide range of benefits as outlined in this report, it will not solve all of the problems in the authorities. It is important to keep the benefits and risks in perspective as the process moves forward, and continue to plan for other issues that will need to be dealt with both by the existing Councils and/or the new Council.

c. The cultural conundrum.

One major challenge facing all mergers is to create a single coherent culture in the new organisation, the underpins service transformation and change. In particular, it is important to avoid the public and the staff body seeing the process as a “take over” of one Council by another – this will create resentment and negativity that will hamper the new merged Council. Strong positive communications are key.

d. Communications.

Strong and persistent communications to all stakeholders, especially elected Members, staff and the public are a prerequisite for success. This should cover why a merger is proposed and the benefits it will deliver.

e. Strong Political Management.

It is important to display strong and clear political leadership towards the achievement of a goal shared by both of the two Councils involved in the merger. The Leadership of both Councils will need to invest significant time and energy to making the merger happen, and developing and maintaining political support to delivery, ideally across all parties. Frequent joint briefings to all Councillors will help to maintain focus and high levels of consensus.

There also needs to be clear arrangements in place for Members to hold officers accountable for delivery of the key milestones in the process, while leaving the operational details to senior management.

f. Implementation

Implementing an effective new merged Council is a complex task. The Deloitte report spelled out clearly the need for strong and coherent transformation and programme management, and this is reflected in all the conversations had in compiling this report.

Given the financial focus of this report there are two specific points to be emphasised:

i) The Deloitte Report has created a sound strategic case, but the financial savings that it has exemplified need to be underpinned by clear well thought out programmes of work, which have rational and granular financial savings targets based on more detailed analysis of exactly how savings will be delivered. The savings will not simply emerge as the process works through.

ii) Following on from this, the transformation and programme governance arrangements need to have a ruthless focus on financial benefit delivery that is monitored closely.

SDC and WDC have made a start on this process, but the July 2021 Cabinet reports do not contain much detail and programme management and political oversight of the processes.

g. The Distraction Risk

There are clear examples in other Councils undergoing mergers where the process has become all consuming and some major underlying issues have become exacerbated by lack of attention. This risk is increased because merger inevitably sucks in a lot of Member and Senior Manager time and attention, and because often key members of staff exit the organisations as part of the process, leaving major gaps. In some cases this has caused major service and financial issues which can only be resolved in the long term.

h. Alternative view where only some Councils merge

An alternative view about some of the benefits of merger has been expressed in relation to areas (like Warwickshire) where only some of the Councils merge. The merging Councils may have a lesser combined influence as one new Council that they had as two – for example if an issue goes to a vote of authorities, or in a consultation response. This is may be a particular issue if the two Councils are in close political alignment, and would have cast two votes or expressed two views in the same way, where now they only have one opportunity between them.

<u>Appendix One – Brief</u>

Joint Commission for Stratford-on-Avon DC and Warwick DC and South Oxfordshire and Vale of White Horse Councils

The Financial Impact of a Constitutional Merger Review

Contents

1. **Introduction and context**
2. **Outcomes**
3. **Method**
4. **Next steps**

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1. Introduction and context

Stratford-on-Avon and Warwick district councils have agreed the following vision statement:

"To create a single statutory South Warwickshire Council covering all of the activities currently carried out by Stratford-on-Avon District Council and Warwick District Councils by 1 April 2024."

The councils are on a path of joint working, sharing of services and senior management teams and have political agreement to continue progress this agenda. So far there has been progress on joint procurement, a joint Local Plan and the merging of the senior management team across the two councils - from 2nd August 2021 a single shared management team will be in place.

If the council wished to make a formal application to fully merge, estimates are that it would take around 18 months to progress from submission of proposals by the councils until the order is approved. In addition to the parliamentary process there would need to be a full electoral review undertaken of South Warwickshire, ahead of the new authority being established. If regulations were progressing through Parliament then the scheduled elections planned for May 2023 would not take place, and the next elections would be held in the South Warwickshire District in 2024.

To fully merge it would be necessary for the councils to make formal submissions before the end of 2021, and preparations for any formal submission completed in the next 6 months, including business case development and consultation. As this decision would be reserved for Council, it would be necessary for each authority to plan for such a meeting during December 2021.

The Deloitte report 'Warwick District Council and Stratford-on-Avon District Council Creating a South Warwickshire Council' only incorporated savings associated with the political merger in a very generalised way. So, to support the development of the business case for a full merger the councils have asked that the LGA undertake a review to:

- Assess what financial benefits were achieved by other district council mergers, over and above operational elements such as staff / service integration
- Outline how this could apply to apply to the Stratford and Warwick position as part of a business case proposal to create a new South Warwickshire Council

Stratford and Warwick have already held discussions with colleagues in South Oxfordshire and the Vale of White Horse, as they have fully integrated their officer side, to explore the financial benefits of this. This commission will therefore provide an opportunity for the two sets of authorities in the WM and SE to further explore the potential financial savings of merging, and to share experiences.

2. Outcomes

For Stratford and Warwick: to provide anticipated financial benefits of a constitutional merger of the councils which can be incorporated into the business case.

For South Oxfordshire and the Vale of White Horse: to compare and contrast potential savings with the WM authorities to help inform their future plans.

3. Method

This review will be delivered virtually through the LGA and led by Chris West as a Finance Improvement and Sustainability Associate (FISA), during August and September 2021. An LGA Conservative member peer will be identified as a sounding board for this work to ensure all the political savings have been captured as part of this project.

A range of background information will be reviewed alongside some discussions with officers (including s151, Monitoring Officer and the Joint Transformation Programme Manager) prior to a single report being produced to set out the findings for both sets of authorities. The LGA will ask the councils to make relevant documents and information available and MS Teams will be used to hold discussions with any individuals.

Chris West will review the financial savings and opportunities in the potential political merger of Stratford-on-Avon and Warwick. To understand the potential benefits of a full political merger the review will also incorporate a review of recent full council mergers, regarding the anticipated financial benefits and those realised, from:

- East Suffolk (merging Suffolk Coastal and Waveney)
- West Suffolk (merging Forest Heath and St Edmundsbury)
- Somerset West and Taunton (merging Taunton Deane and West Somerset)

Alongside this, Chris will work to identify existing merger information available at South Oxfordshire and the Vale of White Horse councils, to provide a more rounded analysis. This will include understanding the savings already delivered through integration of service with one policy direction and how much further these savings might go.

The review will quantify the potential financial impact of a political merger, including but not limited to:

- A reduced number of councillors
- Member allowances, training and support (IT etc)
- Governance efficiencies: a single constitution, member meetings, scrutiny structures, single strategic approach and single service plans policy direction and strategies etc
- Reduction in external costs associated with working as two separate councils e.g. audit arrangements

- Producing one set of financial accounts, one budget and holding one bank account
- A single Democratic Services structure
- Other member partnership meetings such as combined authority, LEP, health meetings etc
- Elections and associated expenses, electoral roll updates etc
- Rebranding and single set of communications tools
- New council seal for legal use
- Removal of duplication of work as a consequence of operating as two separate councils
- Removal of complexity and duplication of time, effort and officer resources ‘freeing up’ capacity and resources to deliver more

The report will include a brief pen picture of the councils in the WM and SE and those mentioned (East Sussex, West Sussex and West Somerset and Taunton), including Population, Number of Councillors, Number of FTE staff, Band D Council Tax, Annual Budget and the model in place e.g. single council/two councils, single staff etc.

<u>Timeline</u>

August
- Finalise scope with Stratford-on-Avon / Warwick & South Oxfordshire / Vale of White Horse councils

w/c 9th August – end of Sept
- Commence review of Stratford / Warwick & South Oxfordshire / Vale of White Horse data and materials
- Engage East Suffolk; West Suffolk; and Somerset West and Taunton in discussions for learning
- Gathering of materials from fully merged district councils as a baseline for the review
- MS Teams meetings with officers, as needed

Mid-October
- Finalise draft report for Stratford-on-Avon / Warwick review and South Oxfordshire / Vale of White Horse review

4. Next Steps

Following approval of this proposal the review can commence in early August with a written report available in October 21.

Appendix Two – Extracts from the The Deloitte Report.

The financial assessment indicates that creating a single council across Stratford-on-Avon and Warwick District Councils could deliver annual recurrent savings of £4.6m after five years.

	Area	Year 1 2021/22	Year 2 2022/23	Year 3 2023/24	Year 4 2024/25	Year 5 2025/26
Costs (£'000s)	Change Costs	200	200	200	0	0
	Redundancy Costs	0	143	369	227	227
	Total Costs	**200**	**343**	**369**	**227**	**227**
Savings (£'000s)	Management Team savings	(305)	(611)	(611)	(611)	(611)
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	Total Savings	**(305)**	**(611)**	**(1,872)**	**(3,304)**	**(4,565)**
Net Annual (Saving) / Cost		**(105)**	**(268)**	**(1,302)**	**(3,077)**	**(4,338)**

Democratic Savings

Consolidating the Councils would be likely to result in efficiencies in democratic costs in areas such as having a single constitution, single governance structures and arrangements – for example, a single set of Cabinet meetings. These have not been costed here.

In addition, there may be a potential reduction in members. The Councils currently have a combined 80 councillors for a cost of £655k to cover member allowances and expenses.

Merging the two authorities will reduce the number of councillors needed as some of the district wards can be consolidated. Benchmarking the combined South Warwickshire population to other authorities, 80 councillors is significantly higher than the equivalent councils.
This Business Case sets out a reduction in the number of Members from 80 to 59 as a result of the merger, based on comparison to authorities such as East Suffolk.
Based on an average allowance per Member of £8,182 (across the two councils), this would result in a new Member service cost for South Warwickshire of £483k, a saving of £172k from the current cost.

Council	Current Members	Current Cost (£'000s)	Cost per Member (£'000s)	New Members	New Cost (£'000s)	Saving (£'000s)
Stratford	36	330	8	59	483	**172**
Warwick	44	325				
Total	**80**	**655**				

The analysis has assumed the savings from reducing member numbers will be achieved following the next election of councillors in 2023, with savings realised in Year 4 (2024/25).

The reduction in Members would have an impact on the ratio of Members to Electors. Currently, Stratford's ratio of Members to Electors is 1:2905 and Warwick's is 1:2565.

Moving towards the above model of 59 Members would increase this ratio to 1:3685 for across South Warwickshire.

It is true that moving towards a higher Member:Elector ratio potentially increases work for Members in future. However, it should also be remembered that as a result of this change a smaller proportion of Members may be involved in committee and executive roles, and so less time will be required on these aspects across all Members.

Note from author:

In addition the Service Optimisation line of the overall savings summary (£3.782 in Year 5 in the Table in section 3 and reproduced above in Appendix 2) includes general democratic savings of £52,000 by year 5 (£27k form SDC and £25k from WDC). Also, the savings to management structure include the pooling of the Monitoring Officer role.

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