

Title: Update on the Cessation of the Proposed Merger with Stratford-on-Avon District Council

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Portfolio Holder: Councillor Andrew Day

Wards of the District directly affected: All

Summary

This report provides an update to Members on the implications of the cessation of the Proposed Merger with Stratford on Avon District Council. It reports progress against the 12 recommendations agreed in May 2022 and sets out as an Appendix the statement issued by the Group Leaders on the circumstances leading to the decision to cease the Merger process.

Recommendations

- (1)** To note the report and to make any comments and identify any areas that require further attention.
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1 Background/Information

- 1.1 In early April 2022 Stratford on Avon District Council (SDC) informed Warwick District Council (WDC) that it would not consider the proposed Inter Authority Agreement (IAA) until an additional due diligence exercise on both Councils and on Milverton Homes was completed. A due diligence exercise of both Councils, which found no issues of significance for either Council including Milverton Homes, had been undertaken and completed by May 2021. This report was formally reported to both Councils in December 2021 but its contents and its recommendation to SDC was clear and known beforehand via the Joint Arrangements Steering Group (JASG). The issue of due diligence was not raised again by SDC until February 2022. Reference elsewhere externally has been made to an additional loan made by the Council to Milverton Homes for the Joint Venture with Vistry, but members should be aware that that the decision was taken by this Council in April 2021. Instructions had been issued by SDC in March 2022 to external consultants to undertake the work on Milverton Homes and by both Councils on the wider due diligence.
- 1.2 The signing by both Councils of the IAA was a necessary pre-condition to the implementation of the first service integration planned between the two Councils – this being for the Environment and Operation (E and O) Service Area. Member briefings for all Councillors on the IAA and associated joint governance arrangements had been undertaken on 30 March and 5 April in advance of the expected reports at both Council's forthcoming cycle of meetings. Completion of the IAA would not have been compromised by any outcome of the due diligence process.
- 1.3 The timetable for completing the due diligence process on Milverton Homes was complicated by needing to know what documentation the consultants required and then in the light of that requirement of the legal necessity of both the

boards of Milverton Homes and of the Joint Venture of Milverton Homes with Vistry needing to agree to share the private and confidential information and requiring a Non-Disclosure Agreement (NDA) to be completed by SDC.

- 1.4 Regrettably this requirement meant that although the design for the service integration had been set out; was near the end of the staff consultation process; and was expected to be implemented in early to mid-May, a delay would have meant that the staff of both Councils involved would have been left in a position of stasis for an undetermined period. This was of concern given the uncertainty that had been created for all staff of E and O but especially for those where there was a direct impact on existing jobs.
- 1.5 WDC had initially proposed to still take IAA and Governance related reports to the April cycle of meetings as evidenced by the fact the reports were published; so that they could be signed when SDC was ready. However, on the morning of Tuesday 12 April WDC was informed by email that the SDC Leader was now proposing to send a letter to the Government asking that the merger process be paused until the due diligence process was complete. This meant that the WDC Leader felt obliged to withdraw the IAA and associated reports from consideration by the Scrutiny Committees that week and from Cabinet on 20 April.
- 1.6 At a meeting with the SDC Leader and Chief Executive on 14 April, the WDC Leader and Chief Executive were informed that the letter asking for the pause was going to be sent unilaterally if need be but that they hoped WDC would agree to such a pause.
- 1.7 The Leader of WDC stated that should the Leader of SDC write to the Secretary of State seeking a delay in the merger process to enable the completion of further due diligence that this would constitute an end to the merger process since it would place staff in a difficult position; would impact adversely on the reputation of the Councils with Government; and would damage trust between the Councils. The Leader of SDC did write such a letter that same day, therefore by default effectively ending the merger ambitions.
- 1.8 Following this meeting a joint statement was issued by the two leaders in which irreconcilable differences was cited as the reason to end the ambition of merging the two authorities. The full joint statement, attached at Appendix 2 to the report, included within this announcement was the following:
 - *There is a significant difference between the approaches and ambitions of the two councils that have proved to be irreconcilable, and this means that a joint request, subject to Council approval, will now be made to the Government to stop the merger process.*
 - *It is anticipated that some of the joint working arrangements already put in place will continue, such as legal services and business rates collection. However, others including the Joint Management Team and the service integration programme will end.*
- 1.9 A report identifying the immediate decisions which would be required was prepared considered and agreed in May 2022. This report is a follow up to that report and in particular sets out the current position on all the agreed recommendations in the table below:

Recommendation	Update
That the formal submission to the Department for Levelling Up, Housing and Communities to create a South Warwickshire District Council, is withdrawn.	Recommendation implemented.
That work on the full-service integration of teams across Stratford-on-Avon and Warwick District Councils is ceased.	Recommendation implemented.
That work on the identification of sharing civic and office accommodation between Stratford-on-Avon and Warwick District Council is ceased.	Recommendation implemented but in addition officers are reviewing future accommodation needs specifically for WDC with a view to reporting to members in the Autumn.
That the Council withdraws from the Joint Arrangements Steering Group.	Recommendation implemented.
The arrangements for the Joint Management Team are ended and that the Interim Senior Leadership Team structure, as set out at Appendix 1 to the report, be approved for immediate effect, i.e., 12 May 2022.	Recommendation implemented. The Interim Senior Leadership Team now meets fortnightly with a weekly touch base meeting on Mondays.
That the Council agrees to Andrew Rollins taking the Section 151 Officer role on an interim basis.	Recommendation implemented.
That the Council agrees to Andrew Jones taking the Monitoring Officer role on an interim basis.	Recommendation implemented.
To note that a further report setting out the proposed longer term management arrangements will come forward for consideration by the autumn of this year.	This report will come forward in September for consideration.
To note that a further report on the overall consequences of the end to the merger process and the implications for the Council going forward will be prepared for consideration by the Overview and Scrutiny Committee and the Cabinet.	This report will come forward in the autumn for consideration.

To note the steps to advise and support staff especially those who had been in the first proposed service integration.	Recommendation being implemented; note proposed Applause package.
That the Monitoring Officer be authorised to align the Officer Scheme of Delegation with the Interim Senior Leadership Team structure; and make any consequential amendments to the Constitution because of this report.	Recommendation being implemented.
To note that the work on the joint South Warwickshire Local Plan, Climate Change Action Programme and Joint South Warwickshire Economic Strategy will continue.	Recommendation continues to be carried out – e.g., recent report on Local Plan.
That the Council approves the closing of the Service Alignment Reserve with the funding contained therein transferred to the Service Transformation Reserve.	Recommendation implemented.

1.10 After the report the Group Leaders issued a note setting out the circumstances leading up to the cessation of the merger process. This is attached at Appendix 1. This also addresses the financial implications.

1.11 Key issues now are:

1.11.1A review to put in place a permanent Senior Leadership Team structure – this will be done by end of September 2022.

1.11.2 Updating the MTFs and developing ideas to address the forecast deficit for consideration - the Updated MTFs will be reported as part of the first Quarter budget report and the ideas on tackling the forecast deficit will be addressed through the Cabinet and the Leaders Co-ordinating Group before coming to Members.

1.11.3 Finalising the respective staff costs incurred through the Section 113 notices.

1.11.4 Preparing for an autumn discussion around “delegation” with parish councils and community groups.

1.11.5 Reviewing and updating the Digital Strategy – see other report on this agenda.

2. Alternative Options

2.1 The options available to the Committee are as follows:

2.1.1 Endorse the recommendations of the report; or,

2.1.2 Amend the recommendation with suggestions for additional items to be reported upon.

3. Consultation and Members’ comments

3.1 The Leader has considered and supports the recommendation within the report.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

The main legal points were covered within the 11th May report.

4.2 Financial

- 4.2.1 The Council was expecting to make significant savings from the proposed merger and service integration process with SDC. There have been benefits associated with the joint working to date and a schedule is being prepared to fully identify these and the recurring benefits that will be achieved through the joint working that will continue.
- 4.2.2 The interim SLT structure is likely to be more costly than the previous joint arrangements. However, these will be accommodated by re-prioritising existing budgets linked to the cost of implementation. The structure is an interim structure and will be reviewed by September 2022.
- 4.2.3 The Council will need to update its Medium-Term Financial Strategy and savings plan. This work has started though as ever the Government's position on the financial settlement for local government will not come until much later in the year. It is expected that an initial update to the MTFs and savings programmes will be provided as part of the Quarter 1 Budget Report.
- 4.2.4 It has been agreed with officers at SDC that any costs associated from the disbanding of the South Warwickshire Programme Team and other support posts will be shared.

4.3 Council Plan

- 4.3.1 The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects. This report shows the impact on the Council's strategy.
- 4.3.2 The FFF Strategy has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found [on the Council's website](#).
- 4.3.3 The external impacts of the end of the merger process and the reinstatement of separate arrangements at this stage will have little impact on the Council's intended outcomes. In respect of internal impacts, the situation is different:
- 4.3.4 **People - Effective Staff** – the merger process has caused considerable anxiety and concern amongst staff especially those directly implicated by the first service integration. It is equally the case that it would have been irresponsible to have left staff implicated by the service integration process hanging in the air proverbially if a pause to the merger based upon further due diligence had been agreed. The task has been to offer support, reassurance, and re-engagement.
- 4.3.5 **Services – Maintaining or Improving Services** – the merger process was argued upon offering an opportunity to achieve significant level of savings whilst offering the best way to protect services. The Council's services are not presently in any danger because of the end of the merger process, but a new strategy will need to be developed on an urgent basis lest the financial risk

undermine service provision. This work has begun, and it is intended it will seek to change the Council in other ways that achieve the service outcomes but address the financial challenges in other ways.

4.3.6 **Money - Firm Financial Footing over the Longer Term** – the merger process was argued upon offering an opportunity to achieve significant level of savings whilst offering the best way to protect services. The end of the merger process therefore creates the risk that tackling the financial challenge whilst protecting services is not resolvable. The mitigation of this risk is to review the MTFS and the existing savings plan immediately and work upon new proposals. This work is underway

4.3.7 The implicit approach to be taken is to never waste a crisis and to use the situation to generate a new energy and direction in the Council with a new plan of action – Future Forward - so it can continue to deliver the community's ambitions.

4.4 **Environmental/Climate Change Implications**

4.4.1 The proposal is to continue to work in partnership with Warwick District Council in relation to Climate Change, therefore there are no direct implications arising.

4.5 **Analysis of the effects on Equality**

4.5.1 There are no direct impacts on equality arising from this report.

4.6 **Data Protection**

4.6.1 The Councils had data sharing agreements in place in respect of the transfer of information to enable operational services to work effectively. As a result of most of the joint working ending, both Councils need to ensure the agreements are followed to ensure any necessary personal data is either returned or disposed of in line with these agreements. The shared Information Governance Manager will be monitoring this point over the coming weeks to ensure it is concluded appropriately.

4.7 **Health and Wellbeing**

4.7.1 There are no direct impacts on Health and Wellbeing arising from this report.

5 **Risk Assessment**

5.1 There are several risks that the decision to cease the move towards the merging and integration of services these include:

5.1.1 Reputational – both Councils have been actively advocating for the benefits which the creation of a South Warwickshire Council could achieve. Whilst a lot of the shared approaches to areas including development of the SWLP and economic growth will continue this decision will affect the credibility of both Councils for the worse.

5.1.2 Financial – as discussed in the finance section both authorities had included significant financial savings in relation to the joint working. A review of the MTFS and the savings plan is being undertaken to ensure that the Council can continue to deliver its objectives and its services.

5.1.3 Staffing – the process of service integration was causing staff considerable

anxiety and whilst this has been relieved by the ending of the merger process staff are also anxious to know what happens next to the services and to their jobs in the context of the financial challenges that this Council now faces.

- 5.1.4 Service Delivery – While there is no immediate issue for service provision the risks are that given the rationale for the merger was to best help continue to deliver services then the cessation of the merger raises the risk to their continued deliver as is. In mitigation the review of the MTFS and the savings plan is required to draft a new plan of action – Future Forward, for Councillors to consider and determine.
- 5.1.5 In addition, it was the case that the Government may have decided in response to the merger proposal that a wider Local Government Review be initiated. This risk remains and indeed may be exacerbated by the decision of SDC to want to pause the merger process. There appears to be no imminent prospect of a wider proposal for local government reorganisation from the Government but of course WCC’s submission for a unitary Warwickshire has not been rescinded and so must be considered to remain on the table as its ambition.

6 Conclusion/Reasons for the Recommendation

- 6.1 This report provides an update on progress in respect of the agreed recommendations from the May 2022 report.

Report Information Sheet

Please complete and submit to Democratic Services with report

Committee / Date	Overview and Scrutiny Committee 5 th July 2022	
Title of report	Update on the Cessation of the Proposed Merger with Stratford-on-Avon District Council	
Officer / Councillor Approval *Required	Date	Name
Ward Members(s)		
Portfolio Holder	24 th June 2022	Andrew Day
Financial Services *	As above	Andrew Rollins
Legal Services		
Other Services		
Chief Executive		Chris Elliott
Head of Services		
Section 151 Officer	As above	Andrew Rollins
Monitoring Officer	As Above	Andrew Jones
Deputy Monitoring Officer	As Above	Graham Leach
Leadership Co-ordination Group (WDC)		
Other organisations		
Final decision by this Committee or rec to another Cttee / Council?	Yes	
Contrary to Policy / Budget framework?	No	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	No	
Accessibility Checked?	Yes	