

Warwick District Council meeting
13 December 2021
Item 9 - Proposal to create a South Warwickshire District
Council

The following report and appendices are those presented to the Cabinet on 9 December 2021 for consideration. These are included for ease of reference in an anticipation of the Cabinet making recommendations to this Council meeting.

Title: Proposal to create a South Warwickshire District Council
Lead Officer: David Buckland/Chris Elliott
Portfolio Holder: Councillor Tony Jefferson/Councillor Andrew Day
Wards of the District directly affected: All wards

Summary

This report provides 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 is to determine whether both Councils agree to formally request the Secretary of State at the Department of Levelling Up, Housing and Communities to create a South Warwickshire District Council.

Recommendations to Cabinet

- (1) That Cabinet notes the additional evidence collected since February 2021 to aid the Members' decision-making process on this matter;**
- (2) That Cabinet note and endorse the Programme Risk Register attached at Appendix 6 and the Programme of Implementation as updated attached at Appendix 3; and**
- (3) That Cabinet determines whether to recommend to Council that a formal submission should be made to the Department for Levelling Up, Housing and Communities to create a South Warwickshire District Council.**

Recommendations to Council

- (4) That Council determines whether a formal submission should be made to the Department for Levelling Up, Housing and Communities to create a South Warwickshire District Council;**
- (5) Subject to recommendation (4), to approve the formal submission document to create a South Warwickshire District Council attached at Appendix 5 and to agree to delegate 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;**
- (6) Subject to recommendation (4), to establish a joint member working group 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;**
- (7) Subject to recommendation (4), to agree to carry out a consultation with staff and Trades Unions on options for addressing harmonisation of staff terms and conditions including pay;**

- (8) That 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.**
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1 Background Information

Introduction

- 1.1 It is recognised that both Stratford-on-Avon (SDC) and Warwick (WDC) District Councils face a very uncertain and challenging financial future, although for slightly different reasons. Government funding for all councils has reduced in recent years, and at SDC, for example further significant reductions are expected due to changes to the New Homes Bonus scheme this autumn. At WDC, the cost of refuse and recycling services was forecast to increase significantly above present expenditure levels. This is on top of the implications of the COVID pandemic which have created unprecedented financial challenges.
- 1.2 It is estimated that combined, the Councils will have a shortfall of around £9m which means that this level of annual savings will be needed over the next five years to address this shortfall to help, in so far as is possible, to preserve services. This level of annual savings is about one-third of the combined costs of the two Councils.
- 1.3 Whilst some financial reserves are held by both Councils, these have already been reduced by the impact of COVID and are largely ear-marked for essential future expenditure. It would not be sensible or sustainable to use these reserves to supplement annual running costs. It is also illegal for the Council to set an annual budget which is not balanced.
- 1.4 Faced with this financial pressure and the desire to protect services, SDC and WDC have been working together to tackle this shortfall and to reduce the impact on residents and service users. In February this year both Councils received a business case prepared by Deloitte (Appendix 1). The conclusions that it arrived at provides the context for the financial and non-financial benefits that could be delivered through the proposed merger. The vision that both Councils agreed following receipt and consideration of that business case is as set out below.
- "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 Council by 1 April 2024."***
- 1.5 Whilst the South Warwickshire District Council would cover the area currently administered by SDC and WDC it would be an entirely new entity with new wards, its own constitution, organisational culture, and ways of working. Realising this vision would represent an unprecedented opportunity to establish a completely new organisation. It would not, and indeed should not, be a mark two of either SDC or WDC; nor a take-over of one by the other. Rather it should be an opportunity to create an organisation fit for the 21st Century to address the challenges faced by the South Warwickshire area and its communities.

1.6 To achieve the vision of creating a South Warwickshire District Council by April 2024, government officials have advised that a submission requesting such a decision would need to be made to the Department for Levelling Up, Housing and Communities (DLUHC) by the end of 2021. The purpose of this report, therefore, is to provide the necessary information to members of both Councils to enable a decision to be taken on this significant issue in due time.

1.7 As background to this issue and as a reminder, the resolutions approved in February 2021 by both SDC and WDC were as follows:

- 1) *That, subject to the same decision being made by Stratford-on-Avon/ Warwick District Council, the following Vision Statement be approved: Council 22 February 2021 **"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 Council by 1 April 2024."***
- 2) *That, subject to the same decision being made by Stratford-on-Avon/ Warwick District Council in respect of Resolution (1), the Chief Executives of both Councils be asked to draft a submission to the Government seeking approval to achieve a merger by 2024, subject to a further report for approval by both Councils;*
- 3) *That, subject to the same decision being made by Stratford-on-Avon/ Warwick District Council, in respect of Resolutions (1) and (2), the Chief Executives of both Councils be authorised to prepare a Programme of Implementation (PI) to deliver the Vision agreed at Resolution (1) for consideration by Members no later than July 2021;*
- 4) *That, subject to the same decision being made by Stratford-on-Avon/ Warwick District Council in respect of Resolutions (1) to (3), the sum of £100,000 per annum from each Council for the period 2021/22 to 2023/24 be included within the Medium-Term Financial Strategy to ensure sufficient programme management resource to support the Councils through this transition process to a full merger;*
- 5) *That a Risk Register, including an exercise of full disclosure from both authorities for consideration by Members alongside the Programme of Implementation (PI) be prepared;*
- 6) *That a Communication Plan for the Vision and Programme of Implementation (PI) for staff, partner agencies, the public and the business community be prepared and implemented;*
- 7) *That the Programme of Implementation (PI), Risk Register and Communication Plan be overseen and monitored by a Steering Group of members, comprising the Leader and Deputy Leader of both Councils and four other Councillors of both Councils representing the other political groups, with formal quarterly reporting of progress to each respective Cabinet/Executive;*
- 8) *That, subject to the same decision being made by Stratford-on-Avon/ Warwick District Council, the proposal to integrate all of the activities of each Council be approved, including the ambition of achieving a full merger by 1 April 2024, be agreed;*
- 9) *That the scale of change, benefits and risk (and mitigations) that this proposal involves for each Council be noted.*

1.8 All of the resolution above has been fully implemented enabling the preparation of the report now being considered by both Councils. The actions subsequently undertaken and the additional information and evidence collected since February 2021 are summarised in the following section of this report with the intent of enabling Members to decide on this issue.

2 Additional Actions Taken and Evidence Collected

2.1 Joint Arrangement Steering Group

2.1.1 In response to the Council resolution surrounding the establishment of a Steering Group, the Joint Arrangement Steering Group (JASG) was formed on 21 June 2021. The Group is made up of 12 Councillors, six from each authority and is politically representative across the two Councils. The terms of reference for the JASG can be found at Appendix 2.

2.1.2 The JASG has met on seven occasions during the summer and autumn whilst the plans have been developed. All the background papers for these meetings are available to elected members at both SDC and WDC.

2.2 Establishment of Programme Team

2.2.1 The Council reports approved in February provided for £200k per annum (£100k per Council) of Programme Management resource to support the overall process. A programme team has been established with the appointment of the Transformation Programme Manager in May 2021 and the Programme Support Officer who in line with the resolutions from Council have together prepared a Programme of Implementation.

2.2.2 The Programme of Implementation was considered by the JASG at its meeting on 19 July 2021, the full report is available at Appendix 3. This document identified the links to the existing decision-making processes at each authority including:

- Respective Cabinet and Scrutiny arrangements;
- The decisions which would be required by the respective Employment Committees.

2.2.3 In addition the Programme of Implementation identified each of the specific workstreams which would be required to achieve the vision approved by both Councils. These include:

- People Organisation
 - Leadership Restructure
 - Organisational Development
 - Service Integration & Optimisation
- Enabling Support
 - Corporate Communications
 - Finance & Procurement
 - One Team Together
 - ICT/Digital
 - Assets
- Policy & Process
 - Business Case Proposal Submission
 - Democratic Governance
 - Formal Merger
 - Corporate Strategy/Council Plan

2.2.4 These workstreams have set the framework for the delivery of this programme. Each of the workstreams are monitored by the South Warwickshire Together Programme Board (Officers), which in turn reports to the JASG.

2.3 **Full disclosure exercise**

2.3.1 At the meeting of JASG held on 21 June 2021, details of a full disclosure exercise were presented. The exercise was sponsored by the Local Government Association (LGA) and was undertaken by a previous s151 Officer from a large unitary authority.

2.3.2 The exercise included a wide-ranging review of financial issues affecting both Councils including issues such as pension, current savings and financial plans, the position on reserves along with a comparison of the two authorities. The full review document is attached at Appendix 4. It concluded:

"SDC and WDC are similar Councils in many respects. There is a logic in them contemplating merger to achieve economies of scale and better resilience going forward. Nothing has emerged from this exercise to fundamentally challenge that concept. Councils always have their own specific characteristics and a merger of two exactly identical or equal partners is highly unlikely. Each will bring a variety of strengths and some weaknesses to the table."

2.4 **Report from the Local Government Association in relation to the additional savings which can be provided through a full merger**

2.4.1 The Deloitte report presented in February estimated the savings which could be delivered by the integration of the two Councils. The report also identified those additional savings which could be delivered by way of the full political merger. Since February, given the significance of the proposed full merger, the LGA has been working with the two Councils to review the assertions which were made in the Deloitte report. This independent exercise has identified that the assumed additional savings would be in the region of £303k. The LGA's report is attached at Appendix 5.

2.4.2 It is worth noting that, in addition to the financial savings there would be organisational benefits of having single policies and approaches across the new single authority which would drive the largest efficiencies. This is particularly relevant in areas such as Planning, Environmental Health, Licencing, and the Council Tax Reduction scheme. If staff are required to operate two systems, this will "lock in" inefficiencies and restrict the ability for the teams to feel that they really do belong to the same authority. In supporting this issue, the LGA report concluded:

"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 **Development of a Programme Risk Register in relation to the merger proposals**

2.5.1 A Programme Risk Register has been developed, which has built upon the draft included in the original Deloitte report. This risk register was considered at the JASG meeting held on 22 November 2021. The risk register identifies the potential issues which could arise through the proposed merger and

identifies the mitigating actions to minimise such risks. The Programme Risk Register can be found at Appendix 6.

2.5.2 The Programme Risk Register will be subject to regular review by the Internal Audit team at Warwick District Council. This team is already responsible for the identification and reporting of risks at WDC and from 1 April 2023 it will take on the responsibility for Internal Audit and Risk Management at SDC.

2.6 **Consultation exercise in relation to the proposal to create the South Warwickshire District Council**

2.6.1 It was clear from the debate at both Councils in February 2021 that a thorough and meaningful consultation exercise would be required to enable Members to determine whether or not the proposal to merge commands “a good deal of local support”.

2.6.2 In considering such an exercise, however, it was quickly decided that, to ensure complete independence, the exercise should be conducted by an external organisation. Opinion Research Services (ORS), part of the University of Swansea, had undertaken numerous similar consultation exercises in relation to proposals surrounding Local Government Review. ORS was appointed and worked alongside the Councils and the Consultation Institute (a not-for-profit best practice Institute, promoting high-quality public and stakeholder consultation in the public, private and voluntary sectors), in developing a questionnaire which would be used for public and wider stakeholder engagement.

2.6.3 The draft questionnaire was considered at the meeting of JASG on 23 August 2021 and is attached at Appendix 7. The consultation exercise ran from 9 September 2021 until 24 October 2021. The results of this exercise were reported to the JASG on 22 November 2021.

2.6.4 Appendix 8 of this report provides a full detailed response in relation to the consultation exercise undertaken by ORS. However, the following comments summarise the main points and findings relating to this exercise.

2.6.5 The consultation exercise which has been undertaken meets the four Gunning principles in that:

- It has been undertaken at a formative stage, i.e. that the proposition is not a done deal;
- There has been sufficient information for respondents to fully understand the proposition;
- There has been sufficient time for the consultation exercise;
- The results of the consultation will be properly taken into account.

2.6.6 There have been a number of strands to the consultation exercise which can be summarised as follows:

- Residents Survey;
 - 613 telephone interviews (around half in each District)
- Consultation Questionnaire;
 - 1,633 responses to a questionnaire available online and also in print.

- 1,602 responses from individuals and 31 from organisations including town and parish councils, and voluntary & community sector;
- Residents Focus Groups
 - Four deliberative virtual focus groups with residents
 - Two groups per District;
- Stakeholder Engagement
 - Two deliberative virtual forums
 - One for town and parish council representatives and one for the voluntary and community sector representatives;
- Staff Groups
 - Two focus groups for staff, one for managers and one for non-managers;
- Written Submissions
 - Wide range of responses including from other local authorities, the University of Warwick, the NHS and Shakespeare's' England.

2.6.7 The ORS report provides full details of the methodology and reliance that can be placed upon the results of the quantitative consultation, and identifies the difference between the Residents telephone survey and the Open consultation questionnaire, the main points being:

- **Residents Telephone Survey**

In order to better understand how views differ between the two local authorities' areas, equal numbers of interviews were targeted in each District; this was taken into account in the weighting process, to give each district a proportional influence on the overall result relative to the size of its population. The remaining quotas (i.e. those for age, gender and working status) were designed to be representative of the overall population of Stratford-on-Avon and Warwick Districts, based on the most recent available secondary data.

The achieved sample was compared against secondary data for each district, and subsequently weighted by tenure, working status, disability, interlocked age and gender. Weights were capped at five with the remainder apportioned across all cases, and a final district weight was applied. As a result of this process, the survey estimates should be broadly representative of the overall population of Stratford-on-Avon and Warwick Districts to within around +/- 5 percentage points at a 95% level of confidence. In other words, 19 times out of 20 (95%) if the whole population was interviewed then the findings would not differ by more than +/- 5 percentage points from the survey estimates. Considering the sample sizes, the opinion splits, and the degrees of statistical weightings used (to compensate for different response rates from different demographic groups), the survey findings are accurate enough for reliable conclusions to be drawn about residents' opinions on the Councils' proposal.

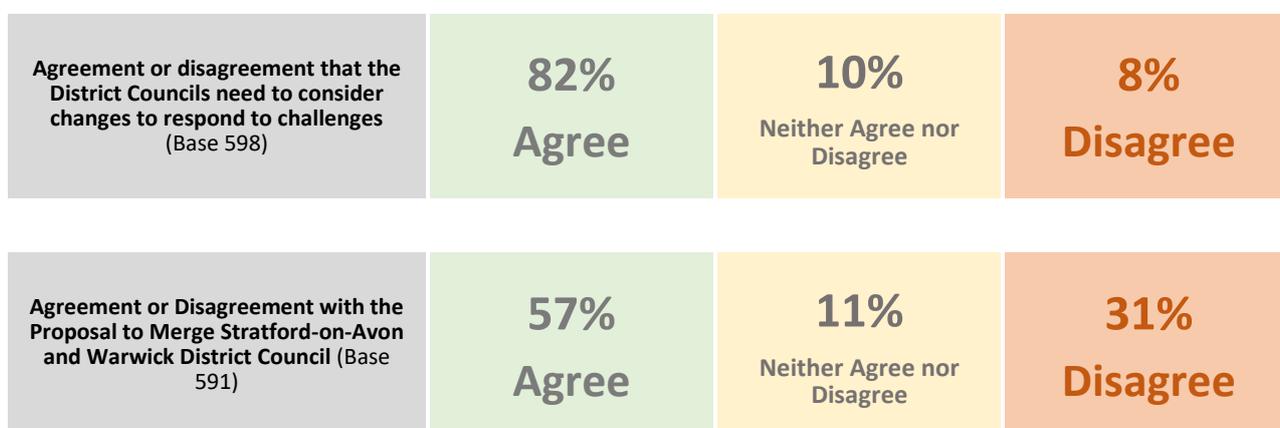
- **Open Consultation Questionnaire**

Open questionnaires are important forms of consultation, in being inclusive and giving people an opportunity to express their views; but they are not random-sample surveys of a given population – so they cannot normally be expected to be representative of the general balance of public opinion. For example, the young are usually under-represented while the elderly are over-represented; and the more motivated groups or areas are also typically over-represented compared with others.

It is important that open questionnaires are accessible to all, but without allowing multiple completions (by the same people) to distort the analysis. Therefore, while making it easy to complete the survey online, ORS monitored the IP addresses through which surveys were completed. A similar analysis of “cookies” was also undertaken – where responses originated from users on the same computer using the same browser and the same credentials (e.g. user account). A few submissions were received with duplicate cookies, but none were considered to be identical responses or appeared to be attempting to skew the results; so we have not excluded any online submissions on the basis of a duplicate IP address or cookies. Similarly, no paper questionnaires returned to ORS were considered to be duplicate responses.

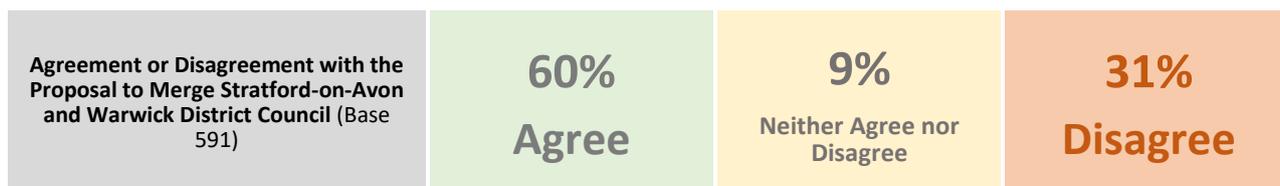
2.6.8 With the explanation of the reliance that can be placed upon the quantitative results explained above, a summary of the results of the two separate exercises is provided below.

2.6.9 Residents Telephone Survey



In relation to the responses from the telephone survey in the individual areas to the second question, the results from Stratford-on-Avon and Warwick varied as follows:

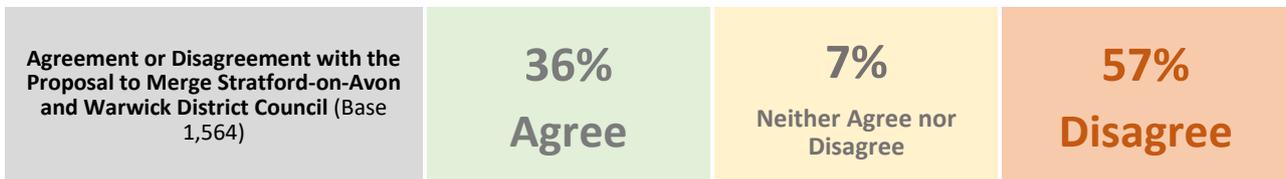
Stratford-on-Avon District Council area:



Warwick District Council area:

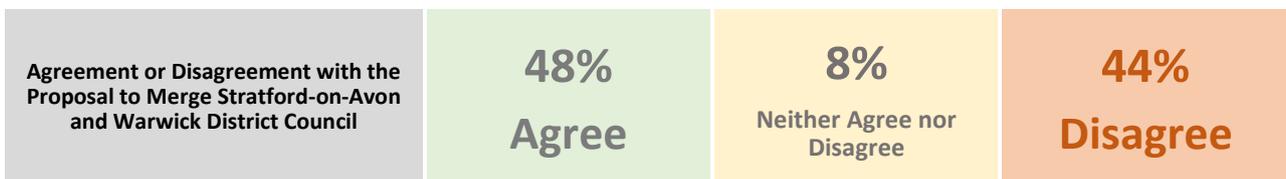


2.6.10 Open Consultation Questionnaire

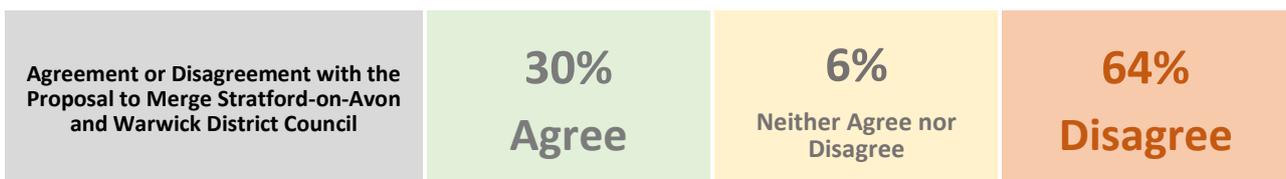


As with the residents' telephone survey, the results of the open questionnaire varied but more significantly so at the individual Council area level. These results are as follows:

Stratford-on-Avon District Council area:



Warwick District Council area:



The results of the open questionnaire can also be analysed by the different stakeholder groups. In response to the proposal to merge, the responses by each of these groups is as follows:

	Base	Agree %	Neither Agree nor Disagree %	Disagree %
Overall Figures	1,564	36%	7%	57%
Personal	1,441	34%	7%	59%
On Behalf of a Business or an Organisation	28	71%	7%	21%
Local Council Employee	95	55%	9%	36%

2.6.11 The results of the focus groups and the open-ended questions for both the residents telephone survey and the open consultation exercise provide a rich source of evidence to help shape future proposals. In relation to these elements the key findings were as follows:

- Contacting a councillor and a possible 'democratic deficit' i.e., in the event of councillor numbers being reduced (although at this stage the actual level of reduction is unknown).
- Importance of maintaining access to council services.
- The need to take account of differences between areas and treating them equitably.
- The complexity of the transition process.
- The future role of town and parish councils, voluntary sector bodies, etc.

If any new Council were to be created, these kinds of concerns would therefore need to be addressed and/or mitigated as far as possible, to ensure a successful, well-supported transition.

2.6.12 The ORS report made the following comments in relation to whether the results of the consultation suggested that the proposal for Stratford-on-Avon and Warwick to merge received a "good deal of local support":

Based on the findings from the residents' survey, an absolute majority of the general public across the two districts (and of organisations responding via the questionnaire) agreed with the proposal, which would therefore evidence a 'good deal of support' for the merger. The views of some other stakeholders, especially respondents to the consultation questionnaire and participants at

the residents' focus groups, were somewhat more divided; though equally, there was also no overwhelming consensus *against* the proposal, with a number of respondents/participants being in favour. Similarly, there was widespread agreement with the case for change across the consultation activities, and many participants in the other focus groups (involving local authority staff, town and parish councillors, and voluntary sector representatives) foresaw potential opportunities as part of any merger, indicating some support for the proposal. Finally, more of those providing a written submission were in favour of the proposal than were against it.

- 2.6.13 There were concerns raised throughout the consultation surrounding issues including ability to contact Councillors and the future role of town and parish councils.
- 2.6.14 In relation to the ability to contact Councillors, if the proposal to merge is approved and then agreed by the Secretary of State it will be for the shadow Council to make recommendations to the Local Government Boundary Commission for England in relation to how many Councillors it feels would be appropriate for the South Warwickshire District Council and this decision can take into account the ability for Councillors to serve their communities.
- 2.6.15 In regard to the role of the Town and Parish Councils it is recommended that should the proposal be approved by both Stratford-on-Avon District Council and Warwick District Council a working group be formed to undertake a community governance and function review to help determine the options available for reform within the South Warwickshire area (see recommendation 6).
- 2.6.16 It is also proposed that further work is developed and communicated to address other emerging themes that have been raised during this consultation in due course, as both Councils continue to work together in partnership.

2.7 **Report from the West Midlands Employers (WME)**

- 2.7.1 In response to issues raised by the Trades Unions and to address Member concerns about a range of potential differentials between the two staff teams, WME has been commissioned to assess and give recommendations and an outline of costs. Initial advice has indicated that this is a significantly difficult area and requires much more deliberation and discussion by Councillors preferably in consultation with staff and the Trades Unions and this has led to one of the recommendations in this report (see recommendation 7).
- 2.7.2 In essence the initial advice confirms that a harmonisation of terms and conditions is not required in law. However, a mid to long term continuation of a situation where there are notable differences in terms and conditions especially pay, would challenge attempts to create a One Council approach amongst staff and could well heighten staff turnover and so disrupt service delivery.
- 2.7.3 WME have identified the following high-level options:
- No change
 - Choose an approach to bring about a harmonisation of terms and conditions especially pay with no financial cap
 - Choose an approach to bring about a harmonisation of terms and conditions especially pay but with a financial cap.

2.7.4 It is proposed therefore that WME complete their advice and that a process of discussion and consultation is undertaken with staff and trades unions and that a further report on the outcome is provided for discussion and decision on a way forward. In the meantime, the Joint S151 Officer has set out a high-level cost implication for pay protection assuming that a model of harmonisation is adopted (see Appendix 12).

2.8 **Other Background Information**

2.8.1 Since February 2021 the two Councils have already been bringing services, procurement, policy development and management together. There have been numerous areas of joint working including shared research and reports to respective Cabinets, OSCs and Leaders decisions in respect of themes such as:

- The Cabinet portfolios for both Councils are fully aligned
- Jointly Tendering for the Refuse and Recycling Contracts
- Developing jointly a South Warwickshire Local Plan
- Developing a joint Regulatory Services Enforcement Policy
- Developing a South Warwickshire Economic Strategy
- Developing proposals for shared accommodation for the two Councils
- Agreed a shared set of ambitions regarding the Climate Emergency and a joint Climate Change Action Programme
- Joint Staff/HR policies agreed
- Agreed and have appointed a Transformation Programme Manager and Programme Support Officer
- Fortnightly meetings with Unison (both branches)
- Communication Hub for all Staff and Councillors of both Councils established – South Warwickshire Together Hub
- Leaders and CEOs meet fortnightly
- Joint Management Team meets weekly (started from 2 August with Head of Place and Economy appointed on 4 August – (two vacancies immediately saved)
- Development of a Joint Digital Strategy
- Commissioning of options appraisal for a Joint HQ accommodation and drop in sites
- Research of the experience of the three recent District Council mergers in 2019: (East Suffolk; West Suffolk; Somerset West and Taunton)
- Research of other attempts at mergers: (South Hams and West Devon; Babergh and Mid Suffolk)
- Research with other Councils presently considering merger (Vale of White Horse and South Oxfordshire)
- Research of other Councils where only service integration has taken place: i.e. Redditch and Bromsgrove; Wychavon and Malvern Hills
- Discussions with the LGA and various civil servants
- Research on the Levelling Up proposals and the prospects for the forthcoming White Paper.

- 2.8.2 All of this activity is consistent with the resolution of the two Councils in February 2021. Savings have already been delivered with the gains from the merging of the two management teams expected to increase to around £537,000 by 2023/24. In the course of this work Members have also asked for additional or updated information on issues such as potential redundancy costs; pay harmonisation; and other transitional support costs. The Finance Section of this report addresses these issues.

3. Consideration of the Proposal for SDC and WDC to merge

- 3.1 As can be seen from the above, since the Council meetings in February a significant amount of work has been undertaken to provide information for Councillors to determine whether both SDC and WDC wish formally to make a submission to the DLUHC to create this new entity. In dialogue with the DLUHC, any submission which is made seeking Parliamentary approval will need to address three specific criteria, these being:

- *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.*

- 3.2 Each one of these criteria is considered in turn making use of information and advice collected as required by the resolution in February 2021.

3.3 Improve the area's local government

- 3.3.1 Of the three criteria the most significant driver for both authorities is to improve the area's local government. It was identified within the Deloitte report that there are significant benefits which can be derived through such a merger. These can be summarised as follows:

- Delivery of significant net savings as envisaged in the Medium-Term Financial Strategies
- Improved leadership, presence, influence, and strategic voice
- Enhanced partnership working
- Increased service resilience
- Improved customer experience for residents and business
- Strengthened workforce opportunities arising from a larger workforce.

- 3.3.2 In addition, the wider local government in South Warwickshire would benefit:

- Enhanced opportunity for devolution to local communities (parish and town councils)

Delivery of significant net savings as envisaged in the Medium-Term Financial Strategies

3.3.3 The Finance section of this report sets out in more detail the expected financial benefits that could be delivered through a merger, along with an updated assessment of the cost of implementation. There are upfront costs associated with implementation. Nevertheless, the proposal to merge would enable the new Council to be put on a sustainable financial basis, saving estimated at £5.3 per annum by year 4 so that it has the best chance of retaining and improving its services for the communities it exists to serve. Without this benefit then all else falls.

Improved leadership, presence, influence, and strategic voice

3.3.4 In addition, there are non-financial areas where creating a new District Council for South Warwickshire will benefit residents and businesses. It would better provide a consistent political position across a larger and still local area, with a single set of priorities and a single voice. The voice of the communities of South Warwickshire is currently muted because it is divided between two District Councils and so can be drowned out when considered at a County wide level, a Sub-Regional level or at the West Midlands Combined Authority level, let alone at the National level.

3.3.5 Although the two Councils have already followed this approach in tackling the climate emergency locally through a joint Climate Emergency Action Programme, developing the new joint refuse and recycling service, and the new joint Local Plan for South Warwickshire, these are still compromised by the necessity to manage differing organisational ambitions and priorities. The retention of separate Council entities also means that there is a lack of a single political leadership and voice at a time when more is being sought by Government (see recent thoughts of the DLUHC Secretary of State on Levelling Up to the House of Commons Committee for LUHC) of local political leaders. This is a distinct disadvantage.

3.3.6 A new South Warwickshire District Council would have a stronger voice with regional partners on themes such as the economy, education, and highways issues. Following a recent discussion with the CEO at East Suffolk (which merged in 2019) he reported that the new council:

- *Has a stronger and prominent voice in the region, going from two medium sized districts to one representing a population of 250k and wide range of businesses and economic sectors*
- *Has much greater influence with stakeholders and is regarded very differently by stakeholders since becoming a single entity.*
- *Is viewed by the private sector as prepared to deliver change and get things done.*
- *Has delivered tangible benefits to Suffolk Chamber's members in the area and the wider business community.*
- *Has benefitted from Officers gaining a breadth of experience and also now not having to support two councils, with 2 governance structures etc. This has created more dedicated capacity to address challenges within the economy and the community.*

- *Culturally, the new council has embedded a business-like way of working across its other functions.*
- *Business-friendly political decision-making has been sharpened. Communications, consultations and partnership working have improved as the new council has been able to deliver a more integrated and responsive strategic approach to working with businesses.*
- *Is now more enabled to receive significant funding and support for major projects within the East Suffolk area.*
- *Has received more recognition from national bodies such as the Arts Council, Heritage England and Homes England.*
- *Is viewed as very much 'on the radar' of central government, being regarded as a 'progressive and ambitious council'.*
- *Is recognised as a strong regional partner such as the Coastal Partnership East, a joint approach to coastal management with Great Yarmouth BC, and North Norfolk District Council.*
- *As with West Suffolk, who also merged at the same time, are experiencing positive change in their effectiveness and impact.*

This response indicates the substantive benefits of the approach now being proposed for South Warwickshire. It is particularly relevant given its comparable scale. A South Warwickshire District Council would have a population of 273,000 estimated to grow to 300,000 by 2030 and it would cover more than half of the county of Warwickshire. Like East Suffolk, South Warwickshire would encompass a range of nationally significant companies (JLR, National Grid, UKBIC), critical economic sectors (High Value Engineering, Games, Culture/Creative, Tourism), nationally significant institutions such as Warwick University and the RSC, and, of course, national icons such as William Shakespeare and Warwick and Kenilworth Castles.

Enhanced partnership working

- 3.3.7 The footprint of the proposed new South Warwickshire District Council coincides with the footprint of the statutory South Warwickshire Community Safety Partnership. Aligning a new District Council's operations with those of the Police and other partners in the statutory partnership will aid co-ordination of a new Council's efforts by having a single team and a single political direction. Warwickshire Police is supportive of this approach.
- 3.3.8 It would also coincide with the emerging South Warwickshire Place Partnership. This is part of the emerging Integrated Care System (ICS) for the Coventry and Warwickshire sub region which contains four Places, one of which is the South Warwickshire area. Papers considered by WDC in November and SDC in December show how a more integrated approach to health and well-being and an emphasis on delivery at Place can deliver improvements for the local communities. SWFT is supportive of the proposed merger.
- 3.3.9 The new District Council would also align with the footprint of Shakespeare's England, the Destination Management Organisation for South Warwickshire that seeks to give direction for the tourism sector of the area and to promote it. The footprint also coincides with that of the University of Warwick which has part of its main campus in the WDC area and also has a campus at Wellesbourne in the SDC area. The same is also true for the Warwickshire College Group which has four of its seven locations within the South Warwickshire area.

- 3.3.10 Dissolving the two District Councils and creating one new District Council for these partnerships and key partners will help to deliver better results for local communities, co-ordination will be easier, duplication of effort will be reduced and accountability, both political and operational, will be clearer. This duplication and accountability applies to the member side as it does to the officer input and is the distinction between options for a full political merger and merely for staff integration.

Increased service resilience

- 3.3.11 A merged Council would have increased strength and resilience. The new Council would have a larger pool of staff than either SDC or WDC have in isolation. This in turn would ensure that it could better respond to challenges such as the recent COVID pandemic. The pandemic has stretched the capabilities of both Councils to the very edge both in financial and in service delivery terms. Both Councils will remain vulnerable in these circumstances should they remain as separate entities. Merging will reduce this vulnerability.

Improved customer experience – residents and business

- 3.3.12 By working together service transformation is already under way and can go further. The joint work has already enabled a new joint refuse and recycling service to be introduced across the two Districts from August 2022. This revised service will ensure the collection of food waste on a weekly basis as required by the recently approved Environment Act. It will also ensure that a wide range of recyclables are collected and taken to a sub-regional Materials Reclamation Facility (MRF) in which both Councils have invested alongside the other District/Borough Councils in Warwickshire, Coventry, Solihull and Walsall Borough and City Councils (but not Warwickshire County Council).
- 3.3.13 Housing is an example of where service benefits can be delivered that are currently restricted by the distinct entities. The Housing Revenue Account (HRA) held by WDC as a result of retaining its Council housing stock, would be expanded to cover the SDC area. This would mean that the wider South Warwickshire area would be able to deliver more council owned housing especially at social housing rent levels. This will clearly benefit local people and especially those on lower incomes giving them more opportunity to live as well as work in the area, especially in villages.
- 3.3.14 The Digital Strategy being considered by both Councils this month sets out how together the new Council could deliver services fit for the 21st Century to the citizens and businesses of South Warwickshire. This will require significant resources and will be easier to decide upon via a single entity than by two, since the ICT and other resources currently held could be pooled to deliver this Strategy. The Digital Strategy has the power to transform public services in a way focused on customer needs. It will underpin a customer access strategy and an asset-based strategy especially for office accommodation. It is anticipated that in such dramatic ways it will be possible better to serve our residents, businesses, and communities whilst further reducing proportionate running costs.
- 3.3.15 For example, currently the combined cost of HQ accommodation is £1.2m a year. Both existing premises are too large for current needs. The needs have reduced further because of hybrid working amongst staff. This switch to hybrid working was done in both cases on an emergency basis and needs to be properly underpinned by the Digital Strategy. Sharing premises and reducing the scale of need for premises will help to substantially reduce the

£1.2m annual running cost. It will also deliver capital receipts for reuse. This would also have a significant benefit in reducing CO2 emissions. A political merger would make this step easier to achieve than if both Councils remained separate. There are few cases nationally where Councils sharing services have also shared HQ accommodation.

3.3.16 A consistent approach over a larger and still local area would also be easier for local businesses. This would be important in areas such as planning, building control, licensing and environmental health. The proposed Joint Enforcement and Business Regulation Policy is an example of what can be achieved in this respect. The emerging Economic Strategy also gives an indication of the power of the opportunity of the proposed merger. The ambition of this merger proposal is that it can strengthen local government within South Warwickshire by transforming the way in which services are delivered.

3.3.17 The converse is also true. If there is no progress made on the merger and the expected savings cannot be delivered there will be a significant risk to the continued provision of services which are valued by the public such as leisure, public toilets, CCTV, parks and open spaces. Statutory services are not precluded from this risk either as there is often wide discretion in the level or the way in which they are delivered.

Strengthened workforce opportunities arising from a larger workforce

3.3.18 It is recognised there will be an unsettling period for staff as the Councils move forward. There would, however, also be benefits for staff who, through working for a larger council, would have more opportunities for development and progression. SDC has circa 300 employees and WDC circa 500 so the new Council would have circa 800 employees. Whilst it is expected that the establishment would reduce somewhat, the new Council would be a substantially larger employer with greater capacity to continue to invest in training and development of staff and in the medium to longer term more career opportunities within it.

Enhanced opportunity for devolution to local communities (i.e. parish and town councils)

3.3.19 The creation of the new District Council presents a significant opportunity to enhance the wider local government within South Warwickshire. This is unlikely to be so with Warwickshire County Council, given its preference for unitarisation as a form of change for local government county wide, though it shouldn't be ruled out. There is the opportunity, however, to re-consider how services are delivered or where decisions are taken in relation to parish and town councils. Both SDC and WDC are wholly parished. They contain 145 parish and town councils, ranging from those that are very small and meet once a year to those like Leamington Town Council which has a larger population than at least one Unitary Council in the country. There are also however, a range of capacities, capabilities, and ambitions amongst these councils and these variations mean a 'one size fits all' approach should not be deployed. Given that there is a concern over a gap opening between the new Council and local people, a significant mitigation in the form of a community governance and function review is an approach that could be taken to address this concern. It also is a positive reaction to the many comments

raised by parish and town councils and by respondents as part of the consultation process.

- 3.3.20 There are examples from elsewhere in the country where a policy has been developed that creates a menu approach, so choices can be made appropriate to the needs and priorities of local communities. This could include for example, agreeing a delegation scheme for some planning proposals. Attached at Appendix 9 is an example of a policy framework from Cornwall County Council. It is suggested, that should the merger proposal be agreed, a joint Member Working Party be set up to discuss ideas and proposals with representatives of Warwickshire Association of Local Councils (WALC) and other key voluntary organisations. The intention would be to develop a policy and commit to subsequent discussions with interested parish and town councils around proposals to implement the policy for their areas. This approach should also address the issues where there is a difference in service provision between parishes and town councils – in the SDC area the parishes/town councils are burial authorities whilst in WDC its the District Council; as well as helping parish and town councils improve governance and capacity issues.

3.4 **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**

- 3.4.1 Section 2.6 of the report refers to the consultation exercise which was undertaken between 9 September and 24 October in relation to the proposal for the two Councils to merge. In total responses have been received from around 2,200 individuals as well as a range of organisations which demonstrates that a thorough and inclusive exercise has been undertaken to establish whether the proposals command a “good deal of local support”.
- 3.4.2 At paragraph 2.40 of the Opinion Research Services comprehensive report which is attached at Appendix 8 is the main conclusions in relation to their exercise, this paragraph states:

“Based on the findings from the residents’ survey, an absolute majority of the general public across the two districts (and of organisations responding via the questionnaire) agreed with the proposal, which would therefore evidence a ‘good deal of support’ for the merger. The views of some other stakeholders, especially respondents to the consultation questionnaire and participants at the residents’ focus groups, were somewhat more divided; though equally, there was also no overwhelming consensus against the proposal, with a number of respondents/participants being in favour. Similarly, there was widespread agreement with the case for change across the consultation activities, and many participants in the other focus groups (involving local authority staff, town and parish councillors, and voluntary sector representatives) foresaw potential opportunities as part of any merger, indicating some support for the proposal. Finally, more of those providing a written submission were in favour of the proposal than were against it.”

- 3.4.3 Councillors will need to be aware that the Government when considering whether the proposal commands local support, views it in the round and not as a statistical count of those who simply say yes or not to a proposal. The Government has advised against referenda for such issues. In this case the consultation exercise indicates:

- There is significant support from all sources for the need for change

- There is significant support for the merger proposal from the telephone survey
- There is significant support for the merger proposal from organisations
- There is significant support for the merger proposal from staff.

3.4.4 The response to the open questionnaire is however contrary to the above but is dominated by responses from Warwick District and older age groups. This is a pattern that also arose in East Suffolk where the representative survey was supportive, but the open questionnaire was dominated by responses from one District which were not supportive. That it clearly did not then influence the Government's decision about the East Suffolk merger reinforces the advice that Councillors need to look at this aspect in the round and from that perspective it is reasonable to conclude there is considerable local support for the proposal.

3.4.5 It is worth Councillors noting that none of the other Councils in Warwickshire including the County Council have objected to the merger proposal. Largely they take the view that it is the business of the residents of South Warwickshire to determine as long as it is not seen as a sign of a desire to seek a wider Local Government Reorganisation. The County Council's response is more ambiguous, but it is certainly not an objection to the proposed merger. The County Council in their response did however state that they believed that instead of agreeing to the merger, DLUHC could choose to undertake a wider local government review for the area.

3.4.6 There are several specific issues that the consultation exercise has highlighted and if the decision to merge is agreed these need to be addressed. They are covered in more depth in Section 4 but are as follows:

- Contacting a councillor and a possible 'democratic deficit' i.e., in the event of councillor numbers being reduced (although at this stage the actual level of reduction is unknown).
- Maintaining access to council services.
- Taking account of differences between areas and treating them equitably.
- The complexity of the transition process.

The future role of town and parish councils, voluntary sector bodies, etc.

3.4.7 Nonetheless, this proposal does command "a good deal of support" for the merger.

3.5 **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**

3.5.1 As members will be aware in Warwickshire there is currently a three-tier structure of local government. Warwickshire County Council provides county-wide services such as education, highways and social care; the district and borough councils provide more local services in each area such as refuse and

recycling collections, environmental health, planning and development, parks and open spaces, and leisure. In addition, the parish and town councils across Stratford-on-Avon and Warwick provide services which vary slightly between the two areas, but include services such as events, litter bins, parks, cemeteries, community centres etc. Both Stratford-on-Avon and Warwick District Councils were formed in 1974 and have well respected reputations for the delivery of local services to residents and businesses.

- 3.5.2 Both SDC and WDC have similar sized annual budgets of approximately £17m with a broadly similar net General Fund cost per head of population. They both serve a combination of urban and rural areas, with many challenges in common such as rural transport, traffic and congestion and affordable housing.
- 3.5.3 Both Councils have outsourced some of their services, including waste collection, grounds maintenance, street cleansing and leisure but also retain a range of services in house. There are though some differences in service provision. WDC has a retained Housing Revenue Account (HRA) and council housing. WDC runs the burial/cremation service whilst in the SDC area burials are the responsibility of the parish and town councils. WDC also runs an arts and cultural service including an art gallery, a museum and the Spa Centre. This difference could prove problematical if the intent were to reduce provision downward. This not the intention. A levelling up of provision across both Councils would deliver still further benefits to the public and to businesses. To reinforce this point, the Leaders of both Councils have committed to the retention of the HRA and of Council housing stock to serve the wider South Warwickshire area and likewise to the cultural services currently limited to the WDC area. This off sets the risk of a potential disposal of Council Housing stock (though a referendum of tenants is required by law, so it is not wholly within a Council's gift in any case).
- 3.5.4 SDC and WDC Councils adjoin each other (see Map 1). Together they make a coherent area in way that is not true for the County area as a whole separated as it is by Coventry City and Solihull Borough. The two Councils have together a substantive population – estimated at 273,000 and forecast to grow to 300,000 - by 2030. This scale is larger than two other unitary councils within the WMCA area – Solihull (210,000) and Wolverhampton (265,000) and larger than another two unitaries in the wider West Midlands – Telford (175,000) and Herefordshire (190,000). Geographically the new District Council would be larger than all of the unitaries in the WMCA and in the wider West Midlands. Only Shropshire unitary would have a larger area. In England, a South Warwickshire District Council would be mid table in existing unitary council size and would be one of the largest districts geographically and in population terms.
- 3.5.5 The populations of both Districts exhibit similar social and economic profiles, factors which disregard the Councils' boundaries. There is a significant number of people (circa 10,000 pre-pandemic) who live in one District and work in another. Owing to scale and geography, some parts of the SDC area

have greater access to services in the towns of Warwick and Leamington than they do to services in Stratford-upon-Avon. The General Hospital serving South Warwickshire is based in Warwick albeit with smaller facilities in Stratford-upon-Avon and in Shipston-on-Stour. Warwickshire College Group has seven locations. Four of them are in the South Warwickshire area drawing students from a wider area. The theatres, cafes and restaurants in Stratford-upon-Avon draw in audiences from the WDC area as does the Castle in Warwick from the SDC area.

- 3.5.6 There is a clear housing market across the southern area of Warwickshire covering the geographical areas of SDC and WDC. This is demonstrated by the significant difference in house prices in South Warwickshire compared to the northern parts of the County or Coventry. Within this South Warwickshire market, poor housing affordability is a major issue, with people on middle and low incomes struggling to afford any market housing, whether through ownership or private rented.
- 3.5.7 The economic geography is also a coherent entity demonstrated by the travel to work data, the coverage of the Destination Management Organisation for tourism and the functionality of significant organisations such as JLR and the University of Warwick both of which have sites in both Council areas. This geography is also underpinned by the main transport routes along the Chiltern Birmingham/London railway line, the M40 and the A46 trunk road which pass through both Districts.
- 3.5.8 There is already a recognised geography for South Warwickshire established through arrangements such as the South Warwickshire Community Safety Partnership, the Shakespeare's England Destination Management Organisation and the South Warwickshire Place Partnership (Health). In response to the pandemic the Incident Management Team was organised on a South Warwickshire basis.
- 3.5.9 Both Councils are within the same County of Warwickshire which is relevant to the consideration by Government that such arrangements should not cross County boundaries and nor should they prevent any subsequent formal reorganisation of local government – i.e. unitarisation. In this case, if Warwickshire were to be unitarised, there only two real options – either a north/south split or a whole County. In the case of the former then the new District Council would form the basis of the southern unitary. In the case of the latter, a merger of services will already have been undertaken in part.

4. Issues Arising

- 4.1 In considering the proposal for a merger, there are some issues, questions and challenges that have been raised by political groups from both authorities which are summarised and addressed below. Whilst no conclusions or decisions can be made at this stage in relation to the issues that will be subject to future deliberations by the Shadow Council if the proposal to merge is accepted, it is suggested that a group similar to the Joint Arrangement Steering Group is established to review and make recommendations on the following outstanding issues:
- It is possible that there would be fewer District Councillors than at present. Currently there are 36 Councillors at Stratford-on-Avon and 44 at

Warwick, a total of 80 across the area. A review of ward boundaries in SDC by the Local Government Commission (LGBC) is currently in progress based on an increase in the number of councillors to 41. The three recent examples of mergers have shown very different scale of changes in terms of the number of Councillors from a small handful to closer to 20. This will not be determined by the Secretary of State's consideration of a merger request but will be undertaken by a LGBC review which would follow the Government's decision, should it be in favour of the merger. Such a review would consider both the number of Councillors and the warding arrangements. Typically, this review can take a year and is why it is likely that elections would be deferred from May 2023 to May 2024. The Government would be asked that parish and town council elections would be similarly deferred. If there were to be a reduction, it would be important to ensure that there were good access channels to the Council and to Councillors.

- A larger Council could be seen as being more remote to our communities. Both Councils currently have strong links with our parish and town councils. The suggestion of a joint Member Working Party to work with WALC to undertake a community governance and function review is made to address this issue.
- The timing of formal meetings has been raised as an issue which could threaten the inclusivity of the new Council. WDC tends to have evening meetings to cater for Councillors who work during the day, whereas SDC tends to conduct earlier meetings. Council Leaders have, therefore, recommended that the principle of a "working council" will generally be applied to enable formal meetings of Council, Cabinet, Planning and Scrutiny Committees to take place in the evening.
- A careful balance would need to be struck to ensure that there would not be any diseconomies of scale, i.e., to avoid the Council becoming so large that it needed extra tiers of management or additional committee meetings as such arrangements tend to confirm that the Council is too large.
- There is a need to rectify a differential in service provision between the two Council areas and to ensure all areas are treated equitably even if there are differences in the circumstances of one location compared to elsewhere. In general, the plan would be to ensure that there is a consistent level of service provided to residents across the whole of the South Warwickshire area. This would mean in time there would be some changes to specific services which currently have a specific geographical location for their delivery and which arrangements will need to be made with the aim that there is a levelling up of service rather than a levelling down.
- At the moment each HQ normally provides a face-to-face service, but a consolidation of HQ accommodation could lead to the loss of that face-to-face service. In response as part of the appraisal of options on HQ accommodation will need to consider how face to face service can be provided as part of the pattern of service going forward.
- Related to this issue is the differential in Council Tax levels of around £27 per year between the rates that the two Councils charge (at band D). From other examples, especially in Suffolk, the Government has allowed a period of up to seven years (slightly less than £4 a year per household per

year) in which align these charges following the merger. Other fees and charges would also have to go through a process of alignment.

- There is a significant service differential in the sphere of housing where WDC has retained a HRA. In the case of a merger, the HRA would encompass the whole of South Warwickshire and so expand new possibilities for social housing. The Council Leaders have confirmed that there are no plans for disposal of the WDC Council housing stock, rather expansion being the intention.
- The SDC Liberal Democrat group has identified a number of areas which they would wish to be reviewed by the proposed working group. Acknowledging that a number of these issues have already been identified these include the following:
 - Electoral representation, ensuring that there is the right number of Councillors for the new South Warwickshire District Council;
 - Best practice in social housing between the two authorities is considered noting the national position of South Warwickshire in terms of housing affordability, including the extension of the HRA and the Milverton Homes Housing Company;
 - The work on the joint local plan continues in placing Climate Change considerations at the forefront of plan making;
 - There is working towards maximum engagement with town and parish councils, to include discussion about functions;
 - A review of the planning committees is undertaken and a wider review of the democratic governance models;
 - A timetable and methodology towards council tax harmonisation is established which is fair and equitable for stakeholders;
 - That there is ongoing consultation with all councillors to address their concerns.
- The lack of a referendum has been raised as a criticism of the consultation process. The Government has made it clear in response to a referendum on the unitarisation of Somerset this summer that it disapproved of this approach. It subsequently took no notice of the result produced from a low turnout poll, but which had cost over £200,000 to run. A referendum generates a very strict yes/no answer. It does not allow parish and town councils, organisations, or businesses to take part nor does it provide any granularity or depth of response. Unlike the proposed Council Tax referendum planned by WDC in 2020 it is not required by law. The decision in law whether to make a submission rests with Councillors alone. The elements involved in this case give breadth of participation together with a depth and granularity of response in ways which demonstrate value for money.
- Similar issues arise in relation to the criticism that a Citizens Inquiry approach was not used as the consultation approach. Such an approach is good for in depth investigations on issues but accordingly take a long while to undertake and are resource intensive. As with referenda as an approach it does not readily enable parish or town councils, organisations, or businesses to participate. Given that the Government's view on commanding local support is of taking the response in the round the Citizens Inquiry approach has depth but not the width of participation necessary.
- The process of full merger will be complex and could involve a level of disruption before the full benefits would be achieved. The disruption that

would exist from having to individually deliver the level of savings required by each authority, however, could be just as extensive and disruptive.

- The financial section of this report and Appendix 12 indicate that each Council will need to make provision in its forthcoming budget for the one-off costs of supporting the merger process and is recommended accordingly.
 - Differences in organisational culture amongst councillors and staff has also been identified as an issue. It is inevitable that organisations which have existed for over 50 years will have developed particular organisational cultures both politically and at a staff and service level. There are some similarities and some differences. Should a merger be agreed, it is proposed that workstreams to develop a new culture reflecting the best of both organisations are established to develop a new approach for a new organisation that is neither SDC nor WDC.
 - The legal process for the merger has also been raised as an issue. This is covered in the section on legal implications as is the risk of a wider local government review being instigated in response to a merger request.
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- It is worth commenting on the issue of a subsequent change of mind should a request for a merger be made. The legislation does not appear to make provision for a change of mind once a request has been. The reasonable assumption to take at this juncture, therefore, is that it is not possible. There are no examples of a change of mind in relation to a merger once the request has been made.
 - Options on what the Councils could do if there was to be a decision not to merge are set out in Section 6 below.

5. Commissioning of an external agency to produce the submission document to the DLUHC should Council support the proposal

- 5.1 Should both SDC and WDC agree that it is in the best interests of both authorities to merge to become a South Warwickshire District Council it will be necessary to make a formal submission to the Secretary of State at DLUHC. To assist the Councils in relation to the submission, PA Consulting Services have been appointed to produce a submission document.
- 5.2 PA Consulting Services have supported other authorities through Local Government Reviews, including a recent exercise in Cumbria where the Government has supported the implementation of a two unitary model for the County area.
- 5.3 The audience for this document is explicitly the Secretary of State for the DLUHC and the officials of that department. The submission document has been prepared specifically to address the three criteria that have been identified by Government as being essential for the merger of authorities. The PA Consulting Services document concentrates on how such a move would support local government in the place and unleash the potential of the two authorities. The draft submission is attached at Appendix 10 for agreement should Members of both Councils agree to the request to seek a

merger. The submission will need to be accompanied by a letter to the Secretary of State for Levelling Up, Housing and Communities.

6 Alternative Options available to Cabinet/Council

6.1 In considering how the two Councils can work together to provide efficiencies, 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.

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

6.3 By way of summary the ten options which were reviewed are laid out below:

6.3.1 *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 will not further reduce funding and hope that costs will not increase. This approach would be extremely risky and highly unlikely. The Government is expected to make significant reductions in funding in coming years, following the impact of the COVID pandemic.

6.3.2 *Option 2 - Revert to working as two separate Councils*

This option is similar to Option 1 but would actually involve undoing the arrangements that have already been put in place. These arrangements are expected to save over £200,000 in the current year and will 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 enjoy such as leisure centres, CCTV, toilets, parks, and open spaces would be most affected. We are not allowed to cease statutory services such as planning, environmental health, and licensing though even they can be affected.

6.3.3 *Option 3 - Expand partnership working to work with other partner Councils*

There are tangible links which already exist between the communities of Stratford-on-Avon and Warwick. If at this stage other partners were approached, such strong links would not exist. It is already challenging in operating across two local authority areas. Whilst there may be more opportunities to deliver savings, the proposal would become more complex and would involve greater risk of failure. It also requires willing partners and there are not obvious.

6.3.4 *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 has already started and there is already a joint Senior Management Team. Under this option though, all services and teams from across the two Councils would come together. It is

anticipated that over the next three years there will be a need to save significant costs and the approach will also increase resilience. This option falls 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 will 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.

6.3.5 ***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 is an option that we can directly ask the Government to consider at this stage, as it only relates to both Stratford-on-Avon and Warwick District Councils. It is not considered as full "Local Government Reorganisation" which would require an invitation from Central Government.

6.3.6 ***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 includes the whole of Warwickshire. Neither the Districts nor County Council are full members. The WMCA has key roles in relation to transport projects, building new homes, the economy and further education. This approach may be desirable in the longer term, but again would not be deliverable without wider "Local Government Reorganisation".

6.3.7 ***Option 7 - Create a Unitary Council for South Warwickshire***

This option is fundamentally the same as option 6. This approach is not being considered at this stage as Central Government is 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 have identified that this option may provide greater savings and it is possible that this approach may be considered in the future.

6.3.8 ***Option 8 - Create a Unitary Council for the whole of Warwickshire***

In essence this option is 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 is 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.

6.3.9 ***Option 9 - Create a Unitary Council for the whole of Warwickshire and join the WMCA***

This approach is the same as option 8. When formed full membership of the West Midlands Combined Authority would be sought, the merits of which are discussed in Option 6. This approach is discounted at this stage, however, as it would also require wider "Local Government Review".

6.3.10 ***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 has been used across the country when looking at specific service areas such as housing companies and has also been used in waste partnerships. It has not been used for all Council services. There are concerns that such an approach has not been tested to the full and also could commercialise the approach to residents and businesses creating a gap in local democracy. This approach has also, therefore, been discounted at this stage.

6.4 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.

6.5 Attached at Appendix 11 is the detailed evaluation of these options against these criteria, the result of which supports 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.

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

6.6.1 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;

6.6.2 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.

6.7 If, however, Members are minded to adopt the latter course of action and vote accordingly, they will also need to immediately consider what other options the Councils should pursue to address their financial challenges bearing in mind that both Councils will need to decide their respective

budgets in the February/March 2022 and both existing MTFs are based on savings from the merger contributing toward the projected deficits.

- 6.8 In terms of the availability of other options, of the ten, then the four unitary options are not within either Councils' gift to implement. In any case, even on the assumption that the required invitation for Local Government Reorganisation proposals is issued by the Government, on the recent experience of Cumbria, North Yorkshire and Somerset, it will 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 will 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.
- 6.9 Option 10 is highly risky. Given the procurement processes involved it is not a quick route. This militates against its deployment given the timescales to address the financial challenges. Option 1 is essentially a do-nothing option at a time when a do something option is needed. Option 3 creates the challenge of finding other worthwhile partners with whom to work. This would take time to put into place, if possible. Time is against the Councils, irrespective of the reputational impact on partnership working of either or both Councils deciding against a merger. Should Option 5 have also been decided against, this leaves Option 4 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.
- 6.10 Option 4 leaves an inherent risk of always being prey to the "slings and arrows of outrageous fortune" also known as politics, which can cause conflict, build in duplication and inefficiencies. Members would also need to consider the risk that if one Council voted to merge and the other not, would the appetite for joint work in any shape or form be the same. The experience of South Hams 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 suggests the need for more time to recover and so plays against both Councils' needs. Councillors will also need to consider the impact on staff of an approach which in essence exposes staff to change but which leaves Councillors exempt.
- 6.11 In Option 2 each Council goes its own way, undoing the current level of joint work where possible though this raises issues about contractual commitments such as the joint refuse collection and recycling service. As an approach its focus is upon replacing the savings envisaged by the merger from other approaches. Given that both Councils need to have other proposals to address the forecast deficit in any case, this approach will place more pressure on service reductions as the answer to the financial challenges.

7 Consultation and Member's comments

- 7.1 Consultation on the proposals has been referred to elsewhere within this report. Members have been involved in a number of ways over the life of this

joint work and many aspects of the report seek to address issues raised by Members of both Councils.

8 Implications of the proposal

8.1 Legal/Human Rights Implications

- 8.1.1 Should both Councils agree to submit a merger request to the Secretary of State for Levelling Up, Housing and Communities at this meeting, the decision-making process is relatively straightforward.
- 8.1.2 It is important to recall that Government officials have previously indicated that the merger proposal would need to be received by the Department by the end of this year in order for a new South Warwickshire District Council to be brought into existence in April 2024.
- 8.1.3 In terms of what happens once the merger request has been received, there is likely to be a delay of some months whilst the Department considers the request. The Statement made by James Brokenshire, former Secretary of State for Housing, Communities and Local Government to the House of Commons back in July 2019, however, gives some insight into the thought process:-

"On district council mergers, I confirm that where two or more district councils submit a proposal to merge, I will assess this against the criteria for mergers which we announced to Parliament in November 2017 and which we have used since then. The statutory process for such mergers does not involve my inviting proposals, and I recognise that particularly small district councils may wish to propose merging as a natural next step following a number of years of successful joint working, sharing of services and senior management teams.

The criteria for district council mergers are that, subject to Parliamentary approval, a proposal to merge would be implemented if I had reached a judgement in the round that if so implemented it would be likely to:

- 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.*

This statement is intended to provide clarity to councils and communities and help ensure that time and effort are not wasted on pursuing proposals which are unlikely to get the go ahead. It is important that those seeking to pursue locally led proposals are confident that there is a broad basis of common local support for the proposals to avoid unnecessary local conflict and distraction from the delivery of quality public services. The statement underlines the need for any proposals to be innovative, improve services, enhance accountability, have local support and deliver financial sustainability if they are to be taken forward.

Moreover, restructuring is only one of the different ways that councils can move forward. Joint working with other councils and partners could also be an

appropriate and sustainable way forward. Such joint working can take a variety of forms ranging from adopting joint plans, setting up joint committees, and sharing back office services, to establishing Combined Authorities, and may extend across county boundaries. Those in an area will know what is best – the very essence of localism to which the Government remains committed.”

- 8.1.4 To summarise, if the Secretary of State reaches a judgement that in the round the three criteria listed above are met then, and only then, Section 15 of the Cities and Local Government Devolution Act 2016 is triggered, under which the Secretary of State will produce a set of Regulations/Order. Section 15(5) of the Act provides that any regulations/order made can only be made with the consent of the local authorities to which the regulations/order apply. Together, these instruments would provide for two things:
- The abolition of Stratford-on-Avon and Warwick Districts and their District Councils and the creation of a new South Warwickshire District Council to cover the same contiguous, geographic area; and
 - To provide that the Local Government and Public Involvement in Health Act 2007 Act be varied in its application so that both Councils can make proposals for boundary change in their area to the Secretary of State rather than to the Local Government Boundary Commission and allows the Secretary of State to implement those proposals by order under section 10 of the 2007 Act.
- 8.1.5 The Regulations/Order are likely to make provisions about electoral arrangements, governance arrangements, their constitution and membership, and structural and boundary arrangements. The term “governance arrangements” here means the arrangements operating for taking decisions under executive arrangements in the Local Government Act 2000.
- 8.1.6 The statutory power is said to enable the Secretary of State to effect changes simply and efficiently. Once made, the Regulations/Order are then subject to the “affirmative” procedure in Parliament and may include transitional, transitory or saving provision. The affirmative procedure is a type of parliamentary procedure that applies to statutory instruments. Under the affirmative procedure the Regulations/Order must be actively approved by both Houses of Parliament.
- 8.1.7 At the same time as the Secretary of State lays the Regulations/Order before Parliament he is also required to lay a report in Parliament to explain what the Regulations do, why they are being made, with details of any consultation taken into account, any representations considered, and any other evidence or contextual information he considers appropriate.
- 8.1.8 The Regulations will also set out how any changes are to be applied. Typically, this would involve establishing a shadow authority in the interim period up to the time when the new Council comes into existence, the purpose of which is to make decisions to ensure the smooth transition of the various required changes.
- 8.1.9 During this period, the Councils proposals for the size of the new Council, which would include the total number of Councillors for the new authority, will need to be put directly to the Secretary of State. The role of the Local Government Boundary Commission for England would be limited to determining the number of Councillors and developing new ward boundaries for the new Council.

8.1.10 Members should be aware that it is possible that in response to the request for a submission to merge, the Secretary of State could take the request as a signal for a desire for wider change and so decide instead to invite proposals for local government reorganisation. This could be mitigated by making it clear that there is no appetite for such a wider move. That is certainly the case in the replies from the other Borough and District Councils in the County. This risk of course exists in any case, as Warwickshire County Council (WCC) made a request for local government reorganisation in September 2020 and has not taken that request off the table.

8.1.11 A White Paper on Levelling Up and on potential devolution (County Deals) is awaited but information officers have sourced suggests that this will not be published before Councillors have to decide. In any case it is far from certain that the White Paper would promote or encourage Local Government Reorganisation and comments made by the Secretary of State for DLUHC and others have disassociated Local Government Reorganisation as a prerequisite for any form of devolution.

8.2 **Financial**

8.2.1 Like most of local government, both Stratford-on-Avon District Council and Warwick District Council need to make financial savings in future years. The main drivers for this are:

- Increased costs of service provision, with the cost of many services increasing in excess of inflation.
- Increased demand for services.
- Reductions in Government funding, including New Homes Bonus.
- Reductions in the Councils' share of Business Rate income.

8.2.2 In order to protect council services, it is necessary for financial savings to be secured. This is one of the main drivers for Stratford-on-Avon and Warwick District Councils working together, recognising the economies of scale that should be derived.

8.2.3 Some savings have already been achieved from the joint working, including the recently formed Joint Management Team. Further savings will be made as services are integrated over the next 2-3 years.

8.2.4 It will be possible for savings to continue to be made if the Councils continue to operate as two separate entities, but with the operation of the integrated teams. Both Councils have already agreed to this approach should the full merger not progress. However, maximum savings should be able to be made from a formal merger. The additional savings here will be generated as a result of having:

- A single constitution.
- A single set of policies and production thereof.
- A single Budget to set, monitor and a single Statement of Accounts to produce/audit.
- A single electoral role and set of elections.
- A reduced number of committees to service and fewer Councillors and formal positions e.g. Chairman, Leader, Cabinet Members, Scrutiny Chairs and Committee Chairs etc.

- 8.2.5 Savings from joint working were included within both Councils' Medium Term Financial Strategy in February 2021. Without these savings, the Councils would need to be planning on alternative savings/income or service reductions.
- 8.2.6 As highlighted in the Deloitte report at the start of this year, there will be one off-costs incurred in integrating services and forming the joint authority. These are considered in more detail in Appendix 12.
- 8.2.7 These costs have been re-assessed in more detail, taking into account more recent information. It is now estimated that savings would increase to £5.3m per annum by year 4 whilst one-off costs would amount to £4.5m. With estimated savings from service integration into the Medium-Term Financial Strategies of c£2.25m per annum, however, these costs should be recovered in two years. It will be necessary for both authorities to allocate funding within the 2022/23 Budgets, and subsequent ones, towards these one-off costs.
- 8.2.8 If the Councils do formally merge, it will be necessary for Council Tax to be "harmonised" within 7 years to a single level across the whole District area. Currently Warwick's Council Tax is £28 greater than Stratford-on-Avon's. This would be something to be considered in future years ahead of setting the 2024/25 Council Tax for the new authority.

8.3 **Council/Business Plans**

8.3.1 ***Stratford-on-Avon Council Plan***

The overall vision which guides SDC's Council Plan is as follows:

We are ambitious for the future of the District as an excellent place to live, work, learn, visit and invest.

The plan sets out our vision for Stratford-on-Avon District as a place in 2030 and for local government in 2030.

The core of the plan is a set of ambitions and actions for the Council over the next four years under five key objectives:

- *Working on regional, national and international stages*
- *Responding to the climate emergency*
- *Enhancing the quality of Stratford-on-Avon as a place*
- *Nurturing a thriving, innovative and inclusive economy*
- *Putting residents and communities centre stage.*

The draft Vision and Plan was the subject of public consultation in summer 2019 and the content was informed by two workshops with the Council's key local partners.

We look forward working with residents, local communities and our partners to deliver our ambitions for 2023 in the context of our longer term vision for the District.

- 8.3.2 The impact on COVID and the forecast of future reductions of government funding will mean that it will become increasingly difficult for the Council to deliver against these objectives. The possibility of working in partnership however, including leading to a full merger should ensure that more of these objectives can be delivered.
- 8.3.3 This proposed approach is also in line with the final objective of the Council

Plan which states:

- *In order to deliver this, we will become a more agile and resilient Council.*

8.3.4 **WDC Council Business Plan**

In respect of Warwick District Council's Business Plan this proposal will have the following relevance and impact as set out below.

External:

People - Health, Homes, Communities

The proposed merger has the potential via the Place Partnership to improve health and well-being and so communities. Retention and expansion of housing and cultural services will provide benefits of scale and greater market opportunities.

Services - Green, Clean, Safe

The joint contract for waste collection and recycling demonstrates the opportunities to improve service in this policy area as does the South Warwickshire Community Safety Partnership. Likewise the joint Climate Emergency Action Plan shows the potential of joint work to tackle a major policy area.

Money - Infrastructure, Enterprise, Employment

The emerging joint Economic Strategy and the Local Plan demonstrate the potential of the proposed merger to deliver more in these policy areas.

Internal:

People – Effective Staff

The proposal relating to a merger will better enable Council staff to be retained and supported compared to other options. There isn't any doubt that there will be challenges but there are no easy options.

Services – Maintain or Improve Services. The proposal seeks to make the best of Council financial resources to be able to continue to deliver services, policies and priorities. A proposed merger would also give better resilience to services and offers opportunities to transform the way services are delivered effectively and efficiently.

Money - Firm Financial Footing over the Longer Term. The Council's Medium Term Financial Strategy highlights the challenges and requires significant change so that services etc can continue to be provided compared to other options.

8.4 **Environmental/Climate Change Implications**

- 8.4.1 The two Councils have committed to working together on climate change. This is in recognition that their responses to climate change should not be constrained by administrative boundaries. To this end the Councils agreed their shared climate change ambitions in July 2021 and followed this by setting out the joint Climate Change Action Programme (CCAP) in November 2021. Whilst the CCAP can be delivered without a political merger, the decision on the way forward for the two Councils should take in to account the potential to address Climate Change more effectively with a long term commitment and focus. Further, the geography of the area means that clear political leadership will enable synergies to be achieved. This commitment, focus and clarity of leadership may be easier to retain across South Warwickshire as a single Council.

- 8.4.2 Furthermore, a single entity will enable a deeper review of the Councils' building assets to be undertaken with the potential to achieve additional carbon reduction measures.
- 8.4.3 Finally, the Councils are committed to playing a strong leadership role in the West Midlands in relation to Climate Change. One of the reasons for exploring a political merger is to enable the Councils to exert greater influence in the region and sub-region. This stronger voice therefore brings the potential to accelerate climate action across the West Midlands.

8.5 **Analysis of the effects on Equality**

- 8.5.1 A detailed Equality Impact Analysis of the option to create a South Warwickshire Council has been undertaken, this is attached at Appendix 13.

8.6 **Data Protection**

- 8.6.1 There are no direct data protection implications in relation to considering the merger proposals. If approved, however, then there will be numerous issues in this area which will need to be resolved.

8.7 **Health and Wellbeing**

- 8.7.1 In addition to the measures that are and will be in place within the Council in respect of health and well-being there is also a wider context to consider. The South Warwickshire area is served by one Health Trust – SWFHT - and a number of Primary Care Networks (groups of GPs). In addition, the local health and well-being partnerships are evolving and are integrating with the direct health services to address health and well-being in a holistic way. They are using the Kings Fund model as the basis for that joint work so that the pre-determinants of poor health are addressed as well as the symptoms of poor health. The consequence is that the new arrangements for the Coventry and Warwickshire sub region envisage four Place Partnerships, one of which is South Warwickshire. This will allow the local authorities and the health agencies to work together better to address a range of health and well-being issues. For example, respiratory illness is one of the identified priority areas. This will involve not only the treatment pathways offered but also tackling poor air quality which is one of the root causes of poor respiratory health. The latter aspect is the purview of the local authorities rather than the health agencies. Acting together to take the issue holistically will achieve a better, more effective and more sustainable outcome for the local communities. Having the district council involvement based on a South Warwickshire basis, rather than a SDC or WDC basis, will enable much more effective collaboration and so a better end result. SWHFT is supportive of the proposed merger.

9 **Risk Assessment**

- 9.1 A Programme Risk Register has been created in relation to the proposal to create a South Warwickshire Council. This is attached at Appendix 6.
- 9.2 The process of merging would be extremely challenging. It is clear from examples of mergers elsewhere that issues could very well arise and it could be expected that there will be temporary impacts on services throughout the process of service integration.

10 **Conclusion/Reasons for the Recommendation**

- 10.1 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.

- 10.2 To implement this vision requires 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 has previously been the process in East Suffolk, West Suffolk and Somerset in the recent past.
- 10.3 If South Warwickshire District Council is 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.
- 10.4 In order for the Council to make a submission to the SoS the submission needs 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.*
- 10.5 Since the meetings in February 2021, additional research and evidence has been collected to enable both Councils to now consider whether they wish to make a formal submission. This report summarises this additional evidence and demonstrates that the three criteria could be satisfied by such a merger proposition.
- 10.6 Whilst such a merger would significantly assist with meeting the financial challenges facing both authorities, it is not without risk. The report identifies a number of areas which would need to be addressed. In some areas full costings are not possible at this stage. There is also the risk that during the process of service integration there could be an impact on service delivery.
- 10.7 The merger process will provide an opportunity for the new authority to re-evaluate how it provides services and will allow best practice from both authorities to be implemented. It will 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.
- 10.8 This is probably the most significant decision that either Council has had to consider since they were established in 1974.
- 10.9 Should Councillors determine that it would be in the interest of those served by the respective Councils to merge, a submission document has been prepared – see Appendix 10. In the event of a positive decision to merge this would be submitted to the SoS before the Christmas break.

Background papers:

None

Supporting documents/List of appendices:

- Appendix 1 – Deloitte Report
- Appendix 2 – JASG Terms of Reference
- Appendix 3 – Programme of Implementation report to JASG 19 July 2021
- Appendix 4 – LGA Financial Disclosure Review
- Appendix 5 – LGA - Financial Impact of a Constitutional Merger Review
- Appendix 6 – Programme Risk Register
- Appendix 7 – Draft Questionnaire JASG 23 August 2021
- Appendix 8 – Consultation Results ORS Report
- Appendix 9 – Policy Framework from Cornwall County Council
- Appendix 10 - Draft Business Case submission
- Appendix 11 – Detailed evaluation of Options
- Appendix 12 – Financial Information
- Appendix 13 - Equality Impact Assessment



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