

GUILDFORD BOROUGH COUNCIL



MOSELEY MAYOR

Contact Officer:

John Armstrong,
Democratic Services and Elections Manager
Tel: (01483) 444102

28 June 2021

To the Councillors of Guildford Borough Council

You are hereby summoned to attend an extraordinary meeting of the Council for the Borough of Guildford to be held in **Lecture Theatre No. 03MS01 at the University of Surrey - Rik Medlik Building (Block MS), Stag Hill Campus, Guildford GU2 7XH** on **TUESDAY, 6 JULY 2021** commencing at 7.00 pm.

James Whiteman
Managing Director

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WEBCASTING NOTICE

This meeting will be recorded for live and/or subsequent broadcast on the Council's website in accordance with the Council's capacity in performing a task in the public interest and in line with the Openness of Local Government Bodies Regulations 2014. The whole of the meeting will be recorded, except where there are confidential or exempt items, and the footage will be on the website for six months.

If you have any queries regarding webcasting of meetings, please contact Committee Services.

THE COUNCIL'S STRATEGIC FRAMEWORK

Vision – for the borough

For Guildford to be a town and rural borough that is the most desirable place to live, work and visit in South East England. A centre for education, healthcare, innovative cutting-edge businesses, high quality retail and wellbeing. A county town set in a vibrant rural environment, which balances the needs of urban and rural communities alike. Known for our outstanding urban planning and design, and with infrastructure that will properly cope with our needs.

Three fundamental themes and nine strategic priorities that support our vision:

- | | |
|---------------------|--|
| Place-making | Delivering the Guildford Borough Local Plan and providing the range of housing that people need, particularly affordable homes |
| | Making travel in Guildford and across the borough easier |
| | Regenerating and improving Guildford town centre and other urban areas |
| Community | Supporting older, more vulnerable and less advantaged people in our community |
| | Protecting our environment |
| | Enhancing sporting, cultural, community, and recreational facilities |
| Innovation | Encouraging sustainable and proportionate economic growth to help provide the prosperity and employment that people need |
| | Creating smart places infrastructure across Guildford |
| | Using innovation, technology and new ways of working to improve value for money and efficiency in Council services |

Values for our residents

- We will strive to be the best Council.
- We will deliver quality and value for money services.
- We will help the vulnerable members of our community.
- We will be open and accountable.
- We will deliver improvements and enable change across the borough.

Time limits on speeches at full Council meetings:	
Public speaker:	3 minutes
Response to public speaker:	3 minutes
Questions from councillors:	3 minutes
Response to questions from councillors:	3 minutes
Proposer of a motion:	10 minutes
Seconder of a motion:	5 minutes
Other councillors speaking during the debate on a motion:	5 minutes
Proposer of a motion's right of reply at the end of the debate on the motion:	10 minutes
Proposer of an amendment:	5 minutes
Seconder of an amendment:	5 minutes
Other councillors speaking during the debate on an amendment:	5 minutes
Proposer of a motion's right of reply at the end of the debate on an amendment:	5 minutes
Proposer of an amendment's right of reply at the end of the debate on an amendment:	5 minutes

AGENDA

1. APOLOGIES FOR ABSENCE

2. DISCLOSURES OF INTEREST

To receive and note any disclosable pecuniary interests from councillors. In accordance with the local Code of Conduct, a councillor is required to disclose at the meeting any disclosable pecuniary interest (DPI) that they may have in respect of any matter for consideration on this agenda. Any councillor with a DPI must not participate in any discussion or vote regarding that matter and they must also withdraw from the meeting immediately before consideration of the matter.

If that DPI has not been registered, the councillor must notify the Monitoring Officer of the details of the DPI within 28 days of the date of the meeting.

Councillors are further invited to disclose any non-pecuniary interest which may be relevant to any matter on this agenda, in the interests of transparency, and to confirm that it will not affect their objectivity in relation to that matter.

3. MAYOR'S COMMUNICATIONS

To receive any communications or announcements from the Mayor.

4. LEADER'S COMMUNICATIONS

To receive any communications or announcements from the Leader of the Council.

5. PUBLIC PARTICIPATION

To receive questions or statements from the public in relation only to the business for which this extraordinary meeting has been called.

6. QUESTIONS FROM COUNCILLORS

To hear questions (if any) from councillors of which due notice has been given in relation only to the business for which this extraordinary meeting has been called.

7. OPTIONS FOR COLLABORATION WITH WAVERLEY BOROUGH COUNCIL (Pages 5 - 52)

8. TERMS OF REFERENCE OF THE CORPORATE GOVERNANCE AND STANDARDS COMMITTEE (Pages 53 - 58)

9. COMMON SEAL

To order the Common Seal to be affixed to any document to give effect to any decision taken by the Council at this meeting.

Council Report

Ward(s) affected: All

Report of Strategy and Communications Manager¹

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Lead Councillor responsible: Joss Bigmore, Leader of the Council

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Date: 6 July 2021

Local Government Collaboration

Executive Summary

Following consideration of opportunities for greater partnership working with Waverley Borough Council by the Joint Executive Advisory Board (EAB) and Executive in February 2021, this report provides an update on an initial options appraisal developed by the Local Government Association and Local Partnerships² (LGA) and seeks direction on the next steps for collaboration.

A mandate on the options for collaboration between the councils was considered by the Joint Executive Advisory Board (JEAB) at its meeting on 24 June and this matter will be considered by the Executive at its special meeting to be held at 10am on 6 July. The JEAB's comments are summarised in paragraph 4.2 of this report. The Executive's recommendations will be included on the Order Paper for the meeting.

Recommendation to Council

The Council is asked to consider this report and the attached appendices and, on the strength of the LGA report and the risks appraisal, to agree:

- one or more of the options in paragraph 3.10; or
- an alternative option; or
- to cease this collaboration project at this time.

¹ The options in this report could affect all services and all members of the senior management team. It, therefore, comes under the authority of the statutory officers – James Whiteman (Head of Paid Service), Claire Morris (Section 151 Officer) and Diane Owens (Monitoring Officer). Noting that they may have a personal interest in some of the outcomes, external advice has been received in Appendix 2 (authored by the Local Government Association/Local Partnerships) and Appendix 3 (authored by South East Employers).

² Local Partnerships is a specialist consultancy team jointly owned by the Local Government Association, HM Treasury and the Welsh Government: <https://localpartnerships.org.uk/about/>.

Reason for Recommendation:

To seek direction on the next steps for collaboration with Waverley Borough Council or to close this project for the immediate future.

Is the report (or part of it) exempt from publication? Yes, in part - Appendix 3.

- (a) The content is to be treated as exempt from the Access to Information publication rules because the proposed transaction is commercially sensitive and is therefore exempt by virtue of paragraph 4 of Part 1 of Schedule 12A to the Local Government Act 1972 as follows: "Information relating to any consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority";
- (b) The content is restricted to all councillors.
- (c) The information will not be made available to the public until after the consultations have concluded.
- (d) The decision to maintain the exemption may be challenged by any person at the point at which the Council is invited to pass a resolution to exclude the public from the meeting to consider the exempt information.

1. Purpose of Report

- 1.1 At its meeting on 15 February 2021, the Joint Executive Advisory Board (JEAB) welcomed potential opportunities for collaboration with Waverley Borough Council. At its meeting on 16 February 2021, having considered the JEAB's comments, the Executive agreed that a range of options for greater partnership working with Waverley should be explored.
- 1.2 This report updates the Council on the development of an initial options appraisal by LGA and seeks direction on the next steps for collaboration with Waverley Borough Council.

2. Strategic Priorities

- 2.1 Guildford's Corporate Plan includes a strategic priority to use innovation, technology, and new ways of working to improve value for money and efficiency in Council services. This specifically refers to developing options for alternative methods of delivery for relevant services, including joint working, shared services, trusts, mutuals and joint venture companies. These principles will continue to guide our approach to this project.

3. Background

- 3.1 Previous reports have described the events of 2020 that led to the eleven district councils in Surrey commissioning a report on local government collaboration by KPMG. The KPMG report presented a strong case for councils to work together more closely in the

context of continued funding reductions from central government and the financial consequences of the Covid pandemic. It was notable and unsurprising that KPMG identified that Guildford and Waverley Boroughs could be natural partners, given the geography, infrastructure links and similar sizes. Despite the councils having made efficiencies and cut costs in recent years, both face extremely difficult financial challenges. In this context, the political leaderships of the two councils, supported by senior officers, held initial discussions in an informal working group about how the two councils can collaborate in the future. The expected outcomes of this work are the retention of two separate democratic councils, but with greater sharing of resources and staffing. It was quickly identified that there are two broad approaches to the transformation needed to sustain services and delivery of financial savings at scale.

Service-by-Service Business Cases

- 3.2 Services, back office functions and procurement opportunities would be reviewed to produce a set of business cases to set financial targets and deadlines. Selected projects would be implemented as specific shared services, while the rest of the two councils and the management teams remain separate. Business cases would also explore the preferred operating model for each shared service. For example, whether the services will be managed by one council as lead authority contracting to the other; a joint procurement of a third party contractor; a joined resource with a clear legal agreement on cost/benefit sharing; a new company as a separate legal entity owned jointly by the two councils as shareholders; or another model.

Single Officer Team

- 3.3 A single management team would be established early on to progress the full integration of the officer teams in both councils into one. The single management team would prioritise those areas that will most assist the transformation alongside those with the biggest potential savings. The objective would be to have one shared officer resource working for two separate democratic councils. This would be underpinned by a comprehensive legal agreement and, as with the shared services option, financial targets and deadlines would be set within a business case.
- 3.4 Examples of both of these approaches have worked successfully elsewhere for over a decade.³
- 3.5 The Executives of both councils agreed that further work was required to assess the two options and the LGA was invited to support this work and to provide independent input. The LGA facilitated two workshops so that the two Executives could meet together and articulate a 'vision statement' reflecting their preferred ambitions. Senior officers joined for part of the first workshop only. The resulting vision statement is attached as **Appendix 1**.
- 3.6 The vision statement demonstrates the two Executives see collaboration as driven by more than the serious financial challenges that face all borough councils. There is an

³ A good early account of shared services and management by councils is in the LGA guide for councils at <https://www.local.gov.uk/sites/default/files/documents/shared-services-and-manag-b7d.pdf>. The LGA reports that, in 2019, there were sixty councils in England in shared senior management arrangements and many more in localised shared service partnerships. See also <https://www.local.gov.uk/our-support/efficiency-and-income-generation/shared-services/shared-services-map>.

ambition to “protect, improve, and expand discretionary services, and explore new services”. The Executives wish to “support and strengthen our parish and town councils’ democratic and local mandates” and be “well-prepared” if the local government reorganisation question arises again. The Executives aim to enhance both councils’ ambitions for carbon neutrality, “use the best of both councils” and “protect/create local jobs”. Their stated focus is on “better outcomes for residents and communities” that might arise from collaboration, potentially “go[ing] beyond shared management and shared services and be[ing] strategic in intent ... to secure a longer-term sustainable future”.

- 3.7 The LGA, through its consultancy arm, Local Partnerships, was also asked for a high-level financial appraisal, with the following objectives:

Aim: provide a first-cut assessment of the key areas that will define whether and to what extent greater partnership working can deliver benefits for both councils, particularly an estimate of the savings that could arise to each from the two partnership options under consideration.

Scope: the assessment would build on the recent work with KPMG and, specifically:

1. *Confirm the strategic drivers behind the closer working and identify the critical success factors for the two councils*
2. *Investigate the alignment opportunities within existing and potential collaborations and partnerships in relation to:*
 - a. *Strategies*
 - b. *Services*
 - c. *Systems*
3. *Provide a broad estimate of the potential financial saving opportunities and possible investment requirements, looking at, for example;*
 - a. *Staffing – numbers, costs, churn, terms and conditions*
 - b. *Reserves*
 - c. *Contracts and third party spend*
 - d. *Capital programme and commitments*
 - e. *Operational estate*
4. *Assess future changes and risk attached to the two partnership options being considered*
 - a. *Speed and scale of savings realisation*
 - b. *Implications of forthcoming White Paper – devolution and local recovery*
 - c. *Digitalisation – clients and workforce*
 - d. *Post-pandemic recovery*

- 3.8 The LGA’s appraisal is attached as **Appendix 2**. It recommends that a shared officer structure will provide the most potential for savings.

- 3.9 As some of the potential ways forward could have implications for the employment status of some employees, South East Employers has been engaged to provide human resources advice to the two Executives, with the support of both councils’ senior HR professionals. The exempt **Appendix 3**, provided by South East Employers, sets out a summary of key human resource considerations at this time. As this has implications

most immediately for the Council's Managing Director, he will not participate in this agenda item and will leave the meeting while it is being debated.

- 3.10 At its special meeting on the morning of 6 July 2021, the Executive will be invited to agree a way forward for future collaboration with Waverley Borough Council or to stand down this project for now. This direction to officers is important to avoid any distraction from the delivery of the Council's other key priorities. The Executive will be asked to indicate preferred options from the following list, or to modify the options.

<p><i>Option A: Do nothing further</i></p> <p>Cease this project for the time being and do not commission further collaboration with Waverley Borough Council. (This will not require a recommendation to the Council.)</p>
<p><i>Option B: Commission further research with a defined scope</i></p> <p>Decide what further specific evidence is required before any decision on collaboration can be reached, define the scope of that research, and ask officers, in collaboration with peers at Waverley Borough Council, to bring forward a project proposal for conducting this work, with costs, benefits and risks identified.</p>
<p><i>Option C: Shared services</i></p> <p>Decide that a shared services approach is most appropriate, and ask officers, in collaboration with peers at Waverley Borough Council, to bring forward by 30 September 2021 a governance model for overseeing collaboration on a specific set of shared services and procurements that will provide optimum benefit for as little disruption as possible.</p>
<p><i>Option D: Shared headquarters</i></p> <p>Noting the LGA report's commentary and the proximity of the two councils' current principal offices (4 miles), decide to collaborate on a project to explore whether a single headquarters for the two councils is financially advantageous, while otherwise remaining as two distinct organisations.</p>
<p><i>Option E: Single management team</i></p> <p>Decide that a single shared management team, comprising a chief executive, directors and heads of service, is the most appropriate means for bringing forward business cases for future collaboration. The two councils will share a management structure, who will be responsible for recommending further collaboration, service by service. Independent support will be engaged to recruit to senior roles, reflecting the independent advice in (exempt) Appendix 3.</p>
<p><i>Option F: Single staffing team</i></p> <p>Decide that a single staffing team is the objective, creating one staffing organisation serving two democratic councils. The process will start with the management team, who will then bring forward plans for how a single staffing organisation will be implemented in their areas of responsibility. Independent support will be engaged to recruit the management team, reflecting (exempt) Appendix 3.</p>

Waverley Borough Council's Executive discussed a similar report on 22 June and made the following recommendation to its Full Council meeting, which is also taking place on 6 July:

- "(1) To ask South East Employers to provide, in time for the publication of the 6 July Council Agenda Papers, additional data in respect of the potential financial

implications of appointing a single joint Chief Executive (acting as Head of Paid Service for both Waverley and Guildford Borough Councils) and advice on cost-sharing arrangements;

And, subject to the receipt of financial and cost-sharing data and advice from South East Employers and any advice issued by the Council's Chief Finance Officer, or his appointed deputy, relating to the level of approval required, how any costs would be funded and the appropriateness of any cost-sharing agreement, the Executive resolves to recommend to Full Council:

- (2) *That Full Council pursues the option of creating a single management team, comprised of statutory officers (Head of Paid Service; Chief Finance Officer; Monitoring Officer), directors and heads of service as the most appropriate means for bringing forward business cases for future collaboration; and*
 - (3) *That Full Council asks the Council's HR Manager to take the necessary action, in consultation with Guildford Borough Council and with the support and advice from South East Employers and as set out within the addendum to annexe 3 of this report, to make arrangements for a recruitment and selection of a single joint Chief Executive (acting as Head of Paid Service for both Waverley and Guildford Borough Councils), including making arrangements for a senior officer recruitment panel (to include the Leader of the Principal Opposition Group and the Council Leader), so that a report may be brought to a future meeting of Full Council recommending the appointment of a suitable candidate."*
- 3.11 If collaboration is agreed, an appropriate governance model will be required, and officers would bring forward proposals for consideration. This will need to reflect the nature of the collaboration. In other council partnerships, this has included elements such as a shared executive sub-committee or steering group; a shared officer project team working on the transformation required; and the involvement of the councillor scrutiny function. The councils would design a model that works best for the partnership. This could involve a formal joint committee with powers delegated to it or a joint committee that makes recommendations to each Executive. An inter-authority agreement covering how the partnership will be governed, including cost and risk-sharing, dispute resolution and exit clauses will be required.

4. Consultations

- 4.1 No external consultation has yet taken place, beyond discussions between the Executives of the two councils. As options are developed further, engagement with parish/town councils, community groups and the wider public may be desirable as any impacts on those stakeholders are identified. A mandate on the options for collaboration between the councils was considered by the JEAB on 24 June 2021 and briefings have been held with individual political groups where requested.

Comments from the Joint Executive Advisory Board – 24 June 2021

- 4.2 At the JEAB meeting, details of the resolutions and recommendations of Waverley Borough Council's Executive to its full Council meeting on 6 July 2021, were circulated. It was noted that the additional information sought by Waverley referred to in resolution (1)

above would be shared with this Council. Following the presentation of the mandate, councillors made the following comments:

1. Support was expressed for mandate option 4 to establish a single corporate management team with one chief executive as a first step towards progressing to the full integration of the officer teams of both councils into one shared officer resource working for two separate democratic councils. This would lead to the preparation of a series of business cases relating to the possible integration of individual service areas commencing where compatibility between the authorities was greatest, such as similar back office functions.
2. There was no wish to merge the authorities fully at this stage and each would remain as a separate legal identity with individual decision-making powers.
3. It was considered important for the Council to address its funding deficit in a proactive manner in order to avoid any financial controls or service reductions being imposed on it, such as a move to a single county-wide unitary authority which was not favoured.
4. Councillors felt that frontline services should be protected to meet the needs of residents. Demand for services had increased as a result of the COVID-19 pandemic and was expected to continue to do so as future residential developments stemming from the Local Plan led to local population growth. WBC was in a similar position regarding its recently adopted Local Plan.
5. Issues with the volume of planning applications being submitted were highlighted and it was questioned whether some related fees could be raised where possible to increase income towards offsetting the budget deficit.
6. In terms of risks associated with collaboration, concerns were raised regarding the short term disruption to Council services and support for officers, public perception of Council services, integration of ICT systems, lack of local knowledge, loss of continuity of officer experience and integration in the Guildford senior management team, and failure to achieve efficiencies and projected savings.
7. The Local Government Boundary Commission for England and the Boundary Commission for England reviews were not expected to impact on a proposed collaboration between the two councils as the former review concerned warding patterns within the Borough and the latter was a parliamentary review of the constituency boundaries.
8. Although WBC had not been through a rationalising restructure such as Future Guildford, there was confidence that should such a measure be pursued, it could be managed within a collaboration scenario. Whilst it was accepted that the two councils had varying strengths and weaknesses, it was felt that these would counter-balance each other and lead to overall improved efficiencies and savings collectively.

5. Key Risks

- 5.1 **Appendix 5** contains a strategic risk register to inform this discussion. If collaboration is pursued, this can be developed further with likelihood/impact ratings, metrics, and mitigations. The ratings will depend on the Option pursued.

6. Financial Implications

- 6.1 Up to £15,000 was set aside to progress this project and the work has stayed within budget. Collaboration across councils could provide significant financial benefits, as indicated in the LGA options appraisal.
- 6.2 For Guildford Borough Council, whilst our major transformation programme 'Future Guildford' is on course to deliver savings of around £8 million, the estimated total in-year budget gap over the period 2022-23 to 2025-26 is around £6.0 million. Therefore, the Council needs to identify a range of savings opportunities to achieve a balanced budget in the medium term. Collaboration between Guildford and Waverley Borough Councils is one of four key strands of the Council's savings strategy which was approved by the Executive in November 2020, together with reviews of discretionary services, operational assets and capital programmes. The savings programme targets savings of £1.5 million through joint working with Waverley. If these are not achieved, greater spending reductions will be required in other areas, particularly discretionary services. If no action were to be taken at all, over the same four year period there would be a total cumulative budget shortfall of £16.4million; however, savings identified through the savings programme should be annual ongoing savings so that savings identified in year 1 of the medium term plan create the same benefit in the following years of the plan. As such the total cumulative gap would only represent the total level of savings required if those savings were one-off saving actions that would not generate benefits in future years.
- 6.3 Waverley Borough Council's Medium-Term Financial Plan (MTFP), approved by the Council in February 2021, identified an estimated total in-year budget gap of £2.3million over the period 2022-23 to 2025-26. The Council approved a balanced budget for 2021-22. If no action were taken then there would be a total cumulative budget gap for the period 2022 to 2026 of £5.8million; however, savings identified through the savings programme should be annual on-going savings so that savings identified in year 1 of the medium term plan create the same benefit in the following years of the plan. As such the total cumulative gap would only represent the total level of savings required if those savings were one-off saving actions that would not generate benefits in future years. The report to Council stated that "collaboration with other councils and shared service opportunities" would be explored, alongside other measures to deliver the savings, such as its business transformation programme, income generation projects and review of existing expenditure and investments. If savings are not achieved through a formal collaboration with Guildford, Waverley will continue its endeavours to balance its budget through further efficiency and cost reduction programmes and raising additional income. These measures may still involve working with other councils to unlock savings that could not otherwise have been delivered.
- 6.4 Noting that councils use different assumptions to build their forecasts and that care should be taken with comparisons, the respective MTFP positions are illustrated in the table below, after income/savings measures, use of reserves and council tax increases:

Year	Waverley		Guildford	
	In year budget gap *	Cumulative budget gap if no action taken	In year budget gap *	Cumulative budget gap if no action taken
22/23	£0.8m	£0.8m	£2.7m	£2.7m
23/24	£0.4m	£2.0m	£0.6m	£6.0m
24/25	£0.3m	£3.5m	£1.0m	£10.4m
25/26	£0.8m	£5.8m	£1.7m	£16.4m
Total	£2.3m		£6.0m	

*Updated since February 2021. As explained on page 10 of Appendix 2, the councils use different assumptions and bases to build their forecasts and are at different stages in evaluating them for both incorporation in published analyses and implementation. The respective MTFP positions presented above should be treated as illustrative only and not be assumed to be directly comparable.

- 6.5 In order to progress the collaboration to the next stages following the financial feasibility study, further expenditure will be required to produce a detailed business case. It is proposed that the cost of this further detailed business case will be split between the two councils should a decision to progress to the next stage be made. The business case will establish further detail around how the savings can be achieved and should be able to quantify some additional savings from the benefits identified in the feasibility study which were not quantifiable at this point in time. The business case will also identify the costs associated with implementation of the collaboration.

7. Legal Implications

- 7.1 In relation to shared services and staffing, Section 113 of the Local Government Act 1972 provides that any local authority may enter into an agreement with another local authority for the placing at the disposal of the latter for the purposes of their functions on such terms as may be provided by the agreement, of the services of officers employed by the former. The starting point for any shared arrangement under either of Options C, E and F would be the creation of a Section 113 Agreement or a Joint Committee system with an Inter Authority Agreement under Section 101 of the Local Government Act 1972. In either case an established method of governance, strategic and operational management, decision-making, financial and any other working arrangements would need to be agreed between the two authorities and included in the agreement. These arrangements have been put in place by many local authorities across the country in a variety of partnerships.
- 7.2 The options are to either have each authority remain as the employer of its original officers or to have a 'host' authority who will employ all of the officers. If officers do change employer this will be a TUPE scenario and terms and conditions of transferring officers will be protected. Equal pay issues will need to be looked into to ensure officers doing the same work are treated equally. Changes to terms and conditions will require consultation. Further specific legal advice should be taken in relation to potential redundancies and varying of terms and conditions.

- 7.3 The councils will remain as separate entities with their own constitutions to be followed. Officers working across the councils will need to be aware of the differences and to ensure that decisions are taken in accordance with the relevant constitution.

8. Human Resource Implications

- 8.1 Certain options for collaboration would impact on the employment status of some employees. South East Employers has been engaged to provide human resources advice to the two Executives, with the support of both councils' senior HR professionals. The exempt Appendix 3, provided by South East Employers, sets out a summary of key human resource considerations at this time.

9. Equality and Diversity Implications

- 9.1 Equality impact assessments are carried out when necessary across the Council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010. There are no immediate equality, diversity or inclusion implications in this report's recommendations. Impact assessments may be required as proposals are developed and implemented and will be reported as appropriate.

10. Climate Change/Sustainability Implications

- 10.1 The climate change emergency declaration and the urgent target for net zero carbon by 2030 is a critical objective for both councils. While no specific impacts on the climate emergency declaration have been identified as a consequence of this report's recommendations, the Council will be assessing and prioritising the environmental, climate and carbon impacts of any proposals that emerge. It may be noted that Waverley Borough Council, like Guildford, has declared a climate emergency and stated an ambition to "work towards making the Council's activities net-zero carbon by 2030"; potential synergies across the two councils can be explored as part of this project.

11. Summary of Options

- 11.1 The alternative to collaboration would be to cease the development of options and forego any benefits that the attached appraisal identifies. The Executive will be asked at its special meeting to indicate whether collaboration options should continue to be developed and, if so, the preferred approach and to make a recommendation to the Council accordingly.

12. Conclusion

- 12.1 The Council is asked to consider this report and the attached appendices and, if appropriate, to provide direction on the next steps for collaboration with Waverley Borough Council.

13. Background Papers

Report to Joint EAB: 15 February 2021
Mandate to Joint EAB: 24 June 2021

14. Appendices

- Appendix 1: Vision Statement for Waverley-Guildford Collaboration
- Appendix 2: Financial Feasibility Study
- Appendix 3: Advice on Human Resources Implications [Exempt]
- Appendix 4: Further Human Resources Information (Addendum)
- Appendix 5: Strategic Risk Analysis

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Vision statement for Waverley-Guildford collaboration

Agreement noted by the two Executives of Guildford Borough Council and Waverley Borough Council on the scope of their preferred partnering relationship covering: context, vision, principles, ambition, governance arrangements, communication and priority areas for business case development.

Context - Addressing the 'why' partner question? Where is the common ground for Guildford and Waverley?

1. Face budget challenges over the next 4 years.
2. Need to make savings beyond internal capacity to do so.
3. Seek to protect, improve, and expand discretionary services, and explore new services.
4. See each other as natural neighbours with common interests geographically, economically and environmentally.
5. Support and strengthen our parish and town councils' democratic and local mandates.
6. See local government reorganisation and the SCC single mega-unitary as a threat and an opportunity and want to be well-prepared if unitaries become a reality.

Vision - What kind of partnership do we seek? What are the key features that will shape our partnership?

7. The collaboration needs to be enduring and strategic based on the evidence as to what approach is best. We will seek a joint CX and a shared management team to implement the strategic vision. Although finances are the driver, there is scope to deliver services in a way greater than the sum of two councils.
8. Have a preferred partnering arrangement – striving to create one team, one culture to unlock the most gains. Stronger together. The arrangement should be business case led. It should pave the way for future collaboration if initial stages are successful.
9. A long-term, politically led, and sustainable partnership that puts residents and communities first.
10. Seek a 'equitable powerful together' collaborative partnership, that ensures the total is greater than the sum of its parts.
11. Focus on the delivery of better outcomes for residents and communities, always acting with the residents and communities at heart.
12. Recognition that there will be differences in service delivery models and priorities between the two councils.
13. A shared ambition to create a new type of council (model/vehicle) that other partners will want to collaborate with or join.

Partnership Principles – scoping the partnership. How will we work together?

15. Each council will retain its own constitution, setting out how it makes decisions, re-organises scrutiny and delegates authority.
16. Each council will continue to set its own council tax and publish its own budget and accounts.
17. Each council will continue to be able to set its own corporate plan, using a common template and language, seeking wherever possible to harmonise ambition.
18. No council can be 'out-voted' by the other council in a way which requires that council to adopt a policy, accept a cost or change a priority that its decision makers are not willing to support.
19. There will be no change in the name of any of the councils.
20. The costs of changes and the benefits achieved from change will be fairly attributed and shared to the satisfaction of both councils.
21. No council will be obliged to break an existing contract.

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Appendix 1

22. Each council will continue to speak up for its own residents, even where there is an apparent conflict of interest between the councils but will strive to secure an agreed approach where conflict around inward investment opportunities arise.
23. Each council will seek to harmonise wherever possible, but will be able to set its own policy for which and how services are delivered.
24. The councils can commission or grant aid on their own but will seek to harmonise or jointly commission wherever possible.
25. Nothing within the partnership is intended to stop councils developing local ideas about how to support their local communities.
26. Each council will seek to align its internal governance and democratic structures and its relationship to one another.
27. Each council will default to the harmonisation of services wherever possible.
28. The collaboration between GBC and WBC must go beyond shared management and shared services and be strategic in intent.
29. Ambition is to secure a longer-term sustainable future for both councils through collaboration in a preferred partner relationship.
30. Both organisations to retain autonomy, accountability and local identity.
31. The collaboration must have the residents at its heart.
32. The collaboration is not a take-over by one council of the other.
33. The collaboration should support the creation of a new shared organisational team/culture where appropriate, through a single senior management team (chief executive, directors, heads of service), who will make recommendations for further organisational collaboration.

Partnership Ambition – What do we want to achieve together. What is the size of the prize?

34. By working together being bigger, stronger, louder, and more influential, locally, regionally, and nationally.
35. Creating the scale of operation capable of jointly securing financial saving of the magnitude of circa £4m pa based on the 2022/23 budgets as its first milestone and more thereafter.
36. Ensure that the collaboration enhances both councils' ambitions for carbon neutrality.
37. Use the best of both councils to explore scaling and in-sourcing services where there is a business case and protect/create local jobs.
38. Be prepared to propose a positive solution that builds on this partnership if/when the Government makes unitary councils a reality.
39. Maintain existing council priority services and seek to protect and improve non-statutory services.
40. A collaborative partnership that strive to deliver social value and or value for money to local residents, by being innovative in how it operates and works at pace.

Leading Collaboratively – Sharing the leadership. How will the partnership be led and governed?

41. A joint working group (JWG) comprising leaders/deputy leaders and CEXs to provide leadership of feasibility studies and business cases.
42. JWG reporting to Joint Executive at key decision points.
43. Both councils align their governance arrangements including scrutiny to provide oversight of feasibility study.
44. JWG to agree a shared disputes protocols and exit strategies if parties subsequently wish to end the partnership.

Multiple voices – one message. How will the partnership be communicated, and staff engaged?

- 45. JWG responsible for all communications and messaging.
- 46. A clear process for agreeing a single message on behalf of the partnership, which can then be tailored for different audiences.
- 47. Regular joint staff briefings – so that staff across all levels are fully engaged in the feasibility study.
- 48. Staff and unions to be consulted and supported through the culture change of shared service working.
- 49. The JWG to set up work-streams where staff and unions can directly input into the feasibility study and bring their ideas to the fore.

Scoping the feasibility study. How will the business cases be prioritised?

- 50. Phase 1 – To determine an approximate order of magnitude around potential net savings that could be generated from increased collaboration and provide an initial view on the implications of the two delivery options being considered.
- 51. Phase 2 – To develop a detailed Business Case to enable these councils deliver their agreed shared service arrangements and realise the benefits including financial savings.

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FINANCIAL FEASIBILITY STUDY: COLLABORATION BETWEEN GUILDFORD BOROUGH COUNCIL AND WAVERLEY BOROUGH COUNCIL

11th June 2021

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EXECUTIVE SUMMARY

The intention of this report is to give Members a sense of the scale of financial benefit that closer partnership working between GBC and WBC could unlock.

It has been undertaken at pace over a short period of time and relied upon existing information that both councils were able to make available alongside publicly available comparator information from other sources.

Our work has taken cognisance of savings made to date by both councils and also the plans identified within respective medium term financial strategies to bridge the gap that changes in local government funding and the COVID pandemic have opened up in district council finances.

We have looked at three sources of savings i.e. staffing; third-party spending and property.

Our view is that c. £1.4m of savings could be achieved from the collective staffing budgets of both councils with c.50% of these predicated on implementing a shared single management structure down to Head of Service level.

The potential savings from property and third party spend have been indeterminable from the data available. However, there is clearly significant merit in jointly undertaking the nascent corporate office projects that both councils have started.

A single shared management team could, over time, facilitate the design and implementation of a transformative workplace strategy that would help maximise the benefits from the office projects and could also help both organisations tackle common issues such as recruitment and retention of staff in valuable areas such as Planning and Economic Development and re-establishing viable leisure services post COVID.

There would, inevitably, be costs associated with a move to a single shared management structure and these would be dependent upon the pace of implementation. The strategy for implementation would need to be subject to a separate piece of work.

There are a number of risks that will need to be considered when taking a decision as to whether and how to move forward. The most significant would be ensuring that corporate restructuring does not adversely impact the achievement of the existing saving targets that need to be made. For the three financial years subsequent to the current one i.e. up to the end of 2024/25, the combined total of savings required by both councils is £3.5m, of which the £1.4m identified in this report would represent a 40% contribution.

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1. INTRODUCTION

Purpose

Guildford Borough Council (GBC) and Waverley Borough Council (WBC) are two of eleven district councils in the County of Surrey. Last year, the Councils across the County area explored the possibility of reorganising their local government structures in response to devolution overtures from central government. Although proposals were not progressed by central government, it catalysed thinking amongst Council members in GBC and WBC about the potential benefits of joint working and collaboration between their respective organisations. Of particular interest is the impact on services in terms of more flexible resourcing and greater resilience as well as the contribution that could be made to savings that both need to achieve moving forward.

The Local Government Association (LGA) has been supporting the two Councils explore the concept of closer working and has been helping build a greater understanding of the benefits for sharing services amongst councillors. This has taken the form of identifying and securing appropriate peers – both officer and elected members – to help outline the benefits; the journey; the issues, and provide mentoring support. The LGA has also designed and delivered a workshop for elected members to discuss shared services in other councils and what this could look like, including improvements to services and efficiency savings.

Members also want to understand, as noted above, the extent of financial benefits that closer working and sharing services could deliver which is what Local Partnerships has been asked to consider and is the purpose of this report.

Context

Many district councils across the country are now under significant financial pressure as a result of previous changes in the way government funds local authorities and the impact of the current coronavirus pandemic. The austerity approach to funding public services post 2010 saw revenue support grant phased out and replaced by a business rate retention scheme and the New Homes Bonus. These were intended to act as an incentive for district councils to facilitate increased commercial development and house building but both are now under review..

District councils are also responsible for services that attract fees and charges linked to growth such as leisure, trade waste, car parking, planning and building control as examples.

The Prudential Borrowing regime has also enabled councils to borrow cheaply and easily through the Public Works Loan Board to leverage returns available from commercial property investment albeit that the opportunity to do so going forward has recently being restricted.

The activities above have all been significantly impacted by the lockdowns that have occurred over the last 12 months with compensatory support from government being generally insufficient to cover the losses experienced.

Looking forward and, as a result of the pandemic, there is uncertainty about the demand for commercial property, particularly office and retail space which impacts current and projected business rates income as well as the returns on investment property holdings. The viability of leisure services is under question while, overall, the trajectories for activity and income on which district councils depend is hard to predict.

1. INTRODUCTION (continued)

The government's much heralded and anticipated White Paper – devolution and local recovery which was to set out, following the Conservative Party's general election victory in December 2019, the basis of delivering manifesto pledges around increasing prosperity and 'levelling up' has also been impacted by the pandemic. In the early part of 2020, there was a strong sense that for county areas to benefit from devolved powers and funding, the White Paper would propose a rationalisation of democratic governance which would mean re-organising local government to create unitary councils. Councils in Surrey undertook work last summer in preparation for submitting devolution bids to government which explored potential unitary council options.

Although it is now clear that when the White Paper is eventually published it will take a different perspective on devolution and will not feature any re-organisation pre-requisites, The work last year prompted members of GBC and WBC to think about the scale benefits of joining up services and that has been the catalyst for this piece of work.

Given this context for district councils, it is no surprise to learn that other areas have had similar thoughts and indeed proceeded with partnerships of their own. These are listed below and will be the subject of analysis as part of this piece of work.

Table 1: Recent partnering of district councils

Councils	Nature of partnership	Commencement
Boston and East Lindsey	Partnership	1st July 2020
Broadland and South Norfolk	Partnership	1st April 2019
Forest Heath and St Edmundsbury	Merged to become West Suffolk	1st April 2019
Suffolk Coastal and Waveney	Merged to become East Suffolk	1st April 2019
West Somerset and Taunton Deane	Merged to become Somerset West and Taunton	1st April 2019

Approach

Given the uncertainties described earlier around income, our focus has been in relation to the cost base of both councils and what reductions could be possible as a consequence of greater partnership working. The first stage of our work has been to analyse baseline 2021/22 budget data provided by both councils and reconcile this information to the net revenue position for each organisation, as set out in their medium-term financial strategies (MTFSs).

The second stage has been to review available information on staffing, third party spend and property before looking at how the cost base and activity profiles for the two councils compare with other similar sized districts elsewhere in the country.

The final stage of the work has been to consider some of the issues around implementation and whether the changes required would be more suited to a service level approach or a wholesale corporate approach led by a single management team.

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1. INTRODUCTION (continued)

Limitations

The limitations of this work and the analyses within it must be appreciated when drawing conclusions about the viability of closer working between the two councils. The following points should be noted in particular:

- Data sources – the work has solely relied on official spend figures published by MHCLG, other publicly available information and data supplied by both councils. In some cases, the data sets;
 - do not extend back in time sufficiently to identify robust trends;
 - contain insufficient information to enable more accurate calculations to be undertaken,
 - contain incomplete information.

In suggesting savings may be made in a particular service or operation, it is solely with reference to examples from elsewhere and apparent indicators of potential duplication. We are not able, within the scope and timescales of this work, to test these metric based observations and they take no account of the relative quality productivity, or efficiency of what is being compared.

The implementation costs that have been expressed in the report are an estimate based on experience and assumptions applied on similar initiatives elsewhere. However, there may also be indirect costs of pursuing further partnership working such as the distractive and detrimental impact it may have on securing pre-identified organisational savings which are already built into respective MTFs.

There are also likely to be human resource (HR) implications around the harmonisation of terms and conditions and equal pay. These have not been factored into calculations and further work would need to be undertaken as part of subsequent due diligence work.

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2. SIMILARITIES AND DIFFERENCES

Base data comparatives

The table below provides some basic data about the two councils in terms of number of staff, expenditure, income and a small suite of metrics giving a relative sense of the service demand pressures each have to meet.

Table 2: Basic comparative metrics for GBC and WBC

Metric	GBC	WBC
FTEs	670	434
Net revenue expenditure (£'000s)*	23,622	16,248
Total dwellings in the borough	58,490	53,752
No. of housing benefit claimants	5,306	4,824
No. of planning decisions	1,913	1,714
Size of green space	359,897	412,369

*20/21 Revenue expenditure (General Fund) per MHCLG

As district councils, there are a set of statutory services that they must deliver. These services will be supplemented by a range of discretionary services such as economic development, support to the community and voluntary sector as well as local events that have come to be expected by tax payers and members but are becoming increasingly difficult to sustain due to financial pressures. The council has the ability to charge fees to maintain delivery of these services where appropriate e.g. trade waste collection, but moving them onto a commercial footing is only sustainable if they generate sufficient income and are viable.

Our review identifies that both GBC and WBC provide a range of similar set of services albeit GBC is more involved in delivering local Adult Care services in conjunction with SCC:

Each authority possesses a different organisational design and takes a different philosophy to delivery with WBC preferring a commissioning approach that sees major service areas delivered by third party providers e.g. waste collection, grounds maintenance. In contrast, GBC delivers such services itself with its own in-house staff, facilities and equipment.

The table below compares the management structure and service areas of each council.

Table 3: Organisational structures

	GBC	WBC
Head of paid service	Managing Director	Chief Executive
Senior management	Strategic Services Director Service Delivery Director Resources Director	Strategic Director (x2)
Services (MHCLG descriptors)		
Highways and Transport	Head of Customer, Case and Parking Services	
Adult Social Care	Head of Community Services	
Housing	Head of Housing Services	Head of Housing Operations Head of Housing Delivery & Communities Head of Commercial Services
Cultural and Related Services	Head of Culture, Heritage & Leisure Services	Head of Environment & Regulatory Services
Environmental and Regulatory Services	Head of Environment & Regulatory Services	Head of Planning & Economic Development
Planning and Development	Head of Place Services	Head of Finance & Property Head of Business Transformation Head of Policy & Governance & MO
Central Services	n/a - no Head of Service role	

Both councils have retained their council housing stock and therefore both operate a housing management and maintenance function. The cost of this is accounted for separately to the council's General Fund and sustains itself from the rentals generated by those units. The Housing Revenue Account (HRA) represents a distinct business operation and although there are likely to be efficiencies generated by each council working closer together on housing management and maintenance, these would be retained within the HRA and not transmissible through to the General Fund. The number of units owned and maintained by each council is shown in the table overleaf.

2. SIMILARITIES AND DIFFERENCES (continued)

Table 4: Scale of HRA (as at 31/3/20 per financial statements)

	GBC	WBC
Total units managed and maintained	5,228	5,567

It is important to recognise the existing partnerships between GBC and WBC before exploring the potential of new ones and these are set out below:

- Care and Repair Home Improvement Agency
- Handy person service
- Surrey Heathlands Project (environmental management of heathland sites) – partnership between Guildford, Woking, Waverley and Surrey

It is also necessary to be aware of the ICT architecture of both organisations and the systems and software upon which they each rely to operate and deliver services. There is commonality in respect of certain transactional services e.g. reliance on Unit4 for finance and HR; Civica for Revenues & Benefits and Orchard for housing management. For other services e.g. planning, each council uses different systems so this needs to be part of considerations.

As for a lot of organisations, the coronavirus pandemic has accelerated the trend towards more flexible and remote working and brought a renewed focus to the cost and need for office space. Both councils have projects underway which are looking at the future role of their corporate centres at The Burys in Godalming and Millmead House in Guildford.

Comparator authorities

It is a necessary and expected part of the analysis to compare GBC and WBC with similar councils elsewhere. The difficulty lies in defining 'similar' such that the comparisons can draw meaningful conclusions. A recent exercise by the Chartered Institute of Public Finance and Accountancy (CIPFA) to assess the financial resilience of local authorities placed both GBC and WBC in the cohort of 'similar' authorities shown in Appendix 1. GBC is one of the largest district councils in the country in terms of expenditure and therefore we have distilled the list down to only include councils that are at the large end of this scale. We have also added to the list by considering councils that have a similar net service expenditure to a combined GBC and WBC. This has produced the comparator list of councils below.

Table 5: Comparator councils

Council	Basis for inclusion
Basildon Borough Council (Bsl)	Similar net service expenditure to a combined GBC and WBC
Northampton Borough Council (Ntn)*	Similar net service expenditure to a combined GBC and WBC
Oxford City Council (Oxf)	Similar net service expenditure to a combined GBC and WBC
Cambridge City Council (Cam)	Largest net service expenditure in GBC and WBC CIPFA resilience cohort
Chelmsford City Council (Chm)	Second largest net service expenditure in GBC and WBC CIPFA resilience cohort

* Abolished on 31st March 2021 to become part of a new unitary council - West Northamptonshire Council

The table overleaf shows the key metric set identified in the earlier Table 2 for each comparator council.

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2. SIMILARITIES AND DIFFERENCES (continued)

Table 6: Key metrics for comparator councils relative to GBC and WBC*

	GBC	WBC	Total	Bsl	Cam	Chm	Ntn	Oxf
FTEs	670	434	1,104	787	700	900	n/a	1,300
Net revenue expenditure (£'000s)**	23,622	16,248	39,870	30,433	17,431	27,198	31,683	25,381
Total dwellings in the borough	58,490	53,752	112,242	78,032	55,207	77,063	97,226	59,197
No. of housing benefit claimants	5,306	4,824	10,130	10,782	7,065	8,009	13,956	8,672
No. of planning decisions	1,913	1,714	3,627	894	989	1,680	1,202	1,289
Indicator of green space('000m2)	360	412	772	370	429	425	364	456

See Appendix 1 for source information

*FTEs data is 2019/20, Housing benefit and planning data is 2018/19, green space data is 2020/21

**20/21 Revenue expenditure (General Fund) per MHCLG

The lack of consistency in scale across the measures is indicative of the complexity of local authorities and demonstrates that, despite delivering a reasonably standard set of services, benchmarking councils against each other for the purposes of determining potential scale economies is extremely difficult.

The metrics used are a crude measure of demand for a dominant element of service within the standard MHCLG service areas listed in the earlier Table 3.

When these demand indicators are applied to the net service expenditure figures for each council they produce the following unit values.

Table 7: Benchmarking with comparator authorities

£'000s per metric	GBC	WBC	Total	Bsl	Cam	Chm	Ntn	Oxf
Housing Services	0.39	0.43	0.41	0.29	0.59	0.59	0.39	0.83
Cultural and Related Services	15.62	3.96	9.40	16.30	13.17	14.53	12.40	11.53
Environmental and Regulatory Services	0.13	0.11	0.12	0.13	0.14	0.10	0.11	0.26
Planning and Development Services	0.74	1.02	0.87	3.71	5.37	1.78	2.43	-5.10
Central Services	4.21	6.28	5.03	9.49	3.48	4.31		3.04

There are three main observations to make in relation to the table above. Firstly, it shows that neither collectively or individually are WBC and GBC outliers across the set of benchmark metrics, except in relation to Planning and Development Services which appears to be generally lower than others on a unit basis. Secondly, the Central Services metric for WBC appears to be high, compared to GBC and most of the comparator councils. The final observation is that there is a significant difference in the unit cost of Cultural and Related Services between WBC and GBC but a lot of this difference is likely to be attributable to differences in how the cost of grounds maintenance is accounted for between the two councils.

2. SIMILARITIES AND DIFFERENCES (continued)

Financial position and projections

The estimated net service expenditure positions of GBC and WBC over the next four years, as per their respective MTFS published in February 2021, are shown below. The table also shows the expected income and the net deficit position which needs to be addressed by each council in order to achieve a balanced budget.

Table 8: Medium term financial strategies

GBC	2021/22	2022/23	2023/24	2024/25
Net service expenditure	16,853	17,983	18,815	20,100
Income	14,568	13,330	13,509	13,851
Net	-2,284	-4,653	-5,306	-6,248
Cumulative benefits identified	-2,434	-3,117	-3,628	-4,221
Remaining benefits to be identified	150	-1,536	-1,678	-2,027

WBC	2021/22	2022/23	2023/24	2024/25
Net service expenditure	17,485	17,587	17,807	18,092
Income	13,487	12,185	11,578	11,442
Net	-3,998	-5,402	-6,229	-6,650
Cumulative benefits identified	-2,449	-3,053	-3,480	-3,601
Remaining benefits to be identified	-1,549	-2,349	-2,749	-3,049

Data as at February 2021

As the table above indicates, each council has initiatives in place to close some of the budget gap and these are detailed in the adjacent Table 8a. It is important that the nature and approach to these initiatives is understood as part of assessing the additional benefits that could be generated through increased partnering between the two councils. The reasons for this are a) to avoid double counting savings e.g. assuming partnering can eliminate roles that will be becoming vacant as a result of existing plans and; b) to assess likely impact of increased partnering on those existing plans.

Table 8a: Benefits identified

GBC	2021/22	2022/23	2023/24	2024/25
Future Guildford Phase B staffing restructure	1,546	1,546	1,546	1,546
Reduce transport costs in Street Cleansing	20	20	20	20
Park & Ride service challenge	40	340	340	340
Additional property investment income	350	544	677	826
Staff restructure of Strategy & Comms	46	46	46	46
Future Guildford procurement strategy	152	341	719	1,163
Other savings	280	280	280	280
Total	2,434	3,117	3,628	4,221

WBC	2021/22	2022/23	2023/24	2024/25
Removal of homelessness grant	282	282	282	282
Reduce revenue contribution to capital	170	170	170	170
Cancel revenue contributions to reserves	710	710	710	710
Commercial strategy	280	356	461	542
Business transformation	294	649	809	849
Service cost review	563	586	598	598
Investment property income	150	300	450	450
Total	2,449	3,053	3,480	3,601

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3. RESULTS FROM PARTNERSHIPS ELSEWHERE

Details

It is evident from the MTFS review that the combined savings gap of both councils, based upon Table 8, means c.£3.5m of benefits need to be found over the three years subsequent to the current one. Therefore, to what extent can increased partnering between the two councils contribute to closing this gap.

As part of answering this question, the next section of this report considers the levels of savings achieved by those other districts that have proceeded with partnerships with a neighbouring council.

The earlier Table 1 in Section 1 listed those districts that have recently formed partnerships in the manner which GBC and WBC are investigating. It also identifies those districts that have recently merged to become a larger district as these should provide similar insights to the financial benefits from combining services.

The results of analysing how their cost base has changed as a result of the partnering are inconclusive. We have focussed on the impact on Central Services as that is the area where we can be most confident that early benefits would manifest themselves. Table 9 shows how the net service expenditure for Central Services has changed in each circumstance.

Table 9: Benefits from partnerships elsewhere - impact on cost of Central Services

Councils	2018/19	2019/20	2020/21	% change pre and post partnership/merger	Details
Cost of Central Services					
Boston and East Lindsey	6,796	3,360	2,497	-26%	Partnership commenced 1st July 2020
Broadland and South Norfolk	6,602	7,799	5,848	-11%	Partnership commenced 1st April 2019
Forest Heath and St Edmundsbury	5,131	6,062	6,549	28%	Became West Suffolk on 1st April 2019
Suffolk Coastal and Waveney	8,663	12,468	7,109	-18%	Became East Suffolk on 1st April 2019
West Somerset and Taunton Deane	11,410	13,669	11,690	2%	Became Somerset West and Taunton on 1st April 2019

It is evident that in the first year of the new arrangements, the cost of Central Services has increased in every case apart from Boston and East Lindsey. This will be largely due to implementation costs such as retirement benefits for example. The costs have then fallen below the pre-partnership/merger level for two of the examples but also increased for the other two. In reality, an insufficient length of time has passed to properly assess the financial impact using the data sources available.

4. POTENTIAL PARTNERSHIP SAVINGS

On the basis of the work and analysis in Sections 1-3, this section considers the fundamental question of how much could be saved from increased partnership working between GBC and WBC.

There are three main potential sources of savings which are;

- Staffing
- Property
- Third party spend

Staffing

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Although both councils deliver a common set of services, a number of the significant ones in terms of scale are delivered in a fundamentally different way.

For example, in WBC, waste collection and the maintenance of parks, sports facilities, open spaces and road side verges are outsourced to third parties under long term contracts but, in GBC, these are delivered in-house by the council's own staff.

These differences in delivery models are evidenced by the number of staff each organisation employs across these service areas. For example, WBC employs c.34 FTEs in Environmental & Regulatory Services whereas GBC employs c.140 FTEs.

The total staff cost budgets for GBC and WBC based on 2021/22 figures are:

Table 10: Staff cost budget (21/22)*

	£'000s	FTEs	£'000 per FTE
GBC	27,349	609	45
WBC	17,871	357	50

*Includes HRA costs and staffing

Other district councils have recently moved forward with partnerships assuming a minimum of 5% can be saved from staffing costs.

We have looked across major service areas to assess whether this would be feasible over the next two years given the difference in delivery approaches for certain services as well as other factors as follows:

- savings that either council have recently made or are in train to be made in that service;
- political or public profile attached to the service;
- identifiable recruitment and retention challenges;
- consistency of demand pressure for specialist skills within the service; and
- degree of external pressure to change.

The results of our assessment are summarised in the table overleaf:

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4. POTENTIAL PARTNERSHIP SAVINGS (continued)

Table 11: Assessment of savings from staffing

Services (MHCLG descriptors)	Notable services	Observations		Collaboration benefit potential
		GBC	WBC	
Highways and Transport Services	Car Parking	Inourced	Outsourced	Negligible
Housing Services	Revenues & Benefits	Use similar processing software and we estimate c. £1m of staff cost associated with this area		£50k based upon 5% saving
Cultural and Related Services	Leisure	Outsourced to Freedom Leisure	Outsourced to Places Leisure	Similar COVID viability issues
	Grounds maintenance	Inourced	Outsourced until 2034	Negligible
Environmental and Regulatory Services	Waste collection	Inourced	Outsourced until 2027	Negligible
	Regulation & Enforcement	Both employ a similar number of FTEs (c.33)		£55k based upon 5% saving
Planning and Development Services	Planning, Building & Development Control	Both employ a similar number of FTEs (c.50)		Would assist recruitment and retention
Central Services	Finance, HR, ICT, Property	We estimate a similar amount of staff cost spent by each Council (c.£14.6m in total, £12.3m excluding SMTs and Heads of Service) and largely using similar core systems		£615k based upon 5% saving
Total				£720k

It is evident from above that we consider the majority of savings that could be achieved from amalgamating services would emerge from Central Services. However, this is heavily predicated upon achieving alignment in culture, systems and processes and we are not in a position, through this piece of work, to give an assessment on how credible that assumption is. Certainly, we are aware that service transformation work has already been undertaken by both councils in this area and that applying 5% on the basis of what other councils have achieved or are targeting may be overlooking differences between respective councils in base productivity and efficiency levels.

The above assessment excludes saving opportunities from a shared management approach at either a corporate SMT level or Head of Service level. Although we have noted that there are a number of significantly sized services with different delivery approaches across the two councils this does not necessarily preclude merging the Head of Service role. It could be beneficial to have sight over a mixed economy approach with it potentially allowing, over time, the attributes of both to be embedded across both organisations.

For other services where the demands are common such as recruiting and retaining appropriately qualified and experienced staff or, in the case of leisure, responding to the viability pressures that the COVID pandemic has imposed on the service, a shared single Head of Service could also be helpful beyond the financial savings that the elimination of a post would bring.

We have taken a simple approach to assessing the level of savings that may arise from establishing a shared single SMT and Head of Service structure. We have removed the lower cost position in each case of duplication and applied a salary uplift of 10% to the remaining posts to reflect the enlarged responsibilities of the new role. On this basis, our estimate of the potential cost saving from this action is £664k.

In total, we estimate the value of savings achievable from Staffing is £1.384m.

4. POTENTIAL PARTNERSHIP SAVINGS (continued)

Property

An operational justification for adopting a shared single management structure, in addition to generating savings, would be in the circumstances where there is a shared vision of place, operational delivery or an initiative that would benefit from unified operational leadership.

Both councils appear to be at similar stages with their intentions to review and reconfigure their main corporate office estate at The Bury (WBC) and Millmead House (GBC).

In order to give some financial scale to a saving opportunity attached to the corporate office estate, the estimated running costs of each excluding staffing and business rates are £160k for the former and £134k for the latter.

However, it should be noted that local authority office workplace transformation projects rarely delivered direct net savings in themselves, due to the cost of developing, acquiring, or upgrading suitable modern accommodation and associated digital infrastructure. This typically countered the benefits from realising capital receipts and lowering backlog maintenance and energy bills. The benefits case was typically built upon the changes in culture and working practices that the new working environment facilitated.

The implications of the COVID pandemic for the demand for both office space and town centre commercial space in general and ultimately rents and capital receipts makes assessing the scale of a benefits case difficult to estimate at this point in time.

Nevertheless, intuitively, embarking on such a project jointly, rather than individually makes a lot of sense even if the financial 'additionality' cannot be determined at this stage.

- Able to share project management costs including the cost of appointing the range of specialist external advice that will be required
- Design a solution that captures the economies and flexibilities of scale that come from combining the office needs of both organisations
- Avoid duplicating the new learning required to understand what the specification for post COVID office workplaces needs to be

4. POTENTIAL PARTNERSHIP SAVINGS (continued)

Third party spend

The final area to explore has been to look at the payments made by both Councils to third party suppliers and ascertain whether there are potential savings from joining up procurement activity.

Our analysis has been based upon the contract registers of both Councils and identified approximately twenty common suppliers. A number of these relate to housing expenditure which is subject to separate funding and accounting within each Council's Housing Revenue Account.

The other areas in which some commonality is evident is in relation to ICT and energy services. There are likely to be savings from aggregating spend in these two areas but without further analysis of the contracted nature and scale of spending it is not possible to attach a value to this aspect.

Overall, both councils, based on 2021/22 budget data, expect to be spending c.£34m on supplies and services over the financial year. Within this figure are sums in relation to the long term contracts highlighted in Table 11 and also housing maintenance expenditure that is recharged to the HRA. A more detailed piece of work would need to be undertaken to identify the value of addressable spend where aggregating the commodity type requirements of both councils could yield volume savings.

It is also worth noting that GBC, within its MTFS, is targeting a saving from its new procurement strategy of £1.1m per annum by 2024/25 while WBC identifies c.£100k of savings from ICT related spending in its MTFS.

5. IMPLEMENTATION

The source and nature of savings identified by this work are such that they could only be unlocked by adopting a shared single management team.

The alternative approach of taking an incremental service by service approach is only likely to yield savings in three service areas, the most significant of which is Central Services as defined in earlier Table 11. The savings in that area would be predicated upon adopting common processes, reporting templates and information requirements which would be harder to achieve if separate senior management teams were retained.

The strategy for designing and implementing a single senior management team would need to be subject to a separate piece of work and the outcomes of that will determine the profile and timescale of implementation costs. The main costs, dependent upon approach, would relate to redundancy payments and while the £95k exit cap was revoked earlier this year, it is anticipated that the cap or similar will be reintroduced in some form in due course.

There are a number of risk aspects that need to be considered in addition to the uncertainty around implementation costs. The availability of funds to meet these costs is one of these although given that the general fund reserves of both Councils total £7m (GBC £3.7m WBC £3.2m), it is evident that even under a worst case payback scenario of two years, assuming recurring savings of £1.4m, that one-off implementation costs would be fundable. There would of course need to be discussion and agreement about how these costs were borne by each council and how the resulting savings are shared.

The main concern, from a financial perspective, should be ensuring that a managerial restructure does not have an adverse impact on achieving the existing saving targets that need to be made as described earlier within this work's review of each organisation's MTFS.

This links into the culture that is established as result of the changes and the impact it has on productivity and efficiency.

There will also be the need to look, reasonably early into the new shared management approach, at the pay and terms and conditions of staff in both organisations impacted by the changes to ensure there is no exposure to claims of discrimination under the Equal Pay Act 2010.

Finally, as with any partnership, both Councils should consider what mitigations and protections it needs to put in place in the event that, for example, either GBC or WBC decides it wants to reverse out of the arrangement or policy emerges that brings structural reorganisation back to the fore.

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6. NEXT STEPS

It will be apparent from the content of this report that there is further work required before both councils can be confident about the scale of benefits that could be generated from closer partnership working.

Specifically, there would be a need to:

- Undertake a review of functions falling under the classification of Central Services to assess the feasibility of combining activity and starting to identify an indicative structure and operating model through which it could be achieved
- Start to engage with staff, unions and wider members on the principles of a single management team and develop out illustrative proposals to support that exercise
- Agree the basis upon which implementation costs and subsequent savings are shared*

Inextricably linked with such work would be the need to initiate a business case workstream that would encompass the above and:

- a) Build on the work done with Shared Service Architects around strategic vision
- b) Assess to greater depth and breadth the level of achievable savings, the associated implementation costs and the resulting profile of net savings
- c) Consider the options for establishing and developing the partnership model ranging from a rapid wholesale, 'big-bang' approach to an incremental, opportunistic roll-out over a longer period of time
- d) Assess the change management and programme management demands and how these will be met

A reasonable time period for such work would be no less than six-months which would mean any changes not taking effect until the start of 2022/23 at the earliest.

As previously noted, the scale of implementation costs is dependent upon the type of approach taken but the payback periods of programmes of this type typically range between 1-2 years.

This would mean net savings starting to feed through to budgets in 2023/24 although there would, inevitably, be implementation dependencies and necessary sequencing with, for example, changes to Central Service activities unlikely to take place before a single management structure was in place.

*From our experience and insights of other local authority partnerships, they have tried to avoid complex apportionment exercises with costs and savings being shared commensurate with relative 'spending power' i.e. the assessment MHCLG makes of each council's funding requirements.

APPENDICES

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APPENDIX 1 – COMPARATOR AUTHORITIES AND DATA SOURCES

CIPFA Financial Resilience Index

The following local authorities represent the comparator set of authorities for both GBC and WBC for the purposes of the CIPFA Financial Resilience Index

Ashfield, Broadland, Broxbourne, Cambridge, Chelmsford, Chichester, Daventry, Derbyshire Dales, East Devon, Epsom and Ewell, Fareham, Gravesham, Harborough, Hart, Hertsmere, Horsham, Maldon, Malvern Hills, Richmondshire, Runnymede, Rushcliffe, South Derbyshire, South Lakeland, South Norfolk, South Oxfordshire, Spelthorne, Stevenage, Tamworth, Three Rivers, Vale of White Horse, West Oxfordshire, Wychavon, Wyre

Comparator data

The table below shows the sources for the comparator data used in the report.

	Source
FTEs	
Waverley	19/20 Budget Book https://www.waverley.gov.uk/Portals/0/Documents/services/council-information/about-waverley-borough-council/financial-information/Budget_Book_2019_20.pdf?ver=CBDM2QWCyuu1kV/UaQUJew%3D%3D
Guildford	19/20 statement of accounts https://www.guildford.gov.uk/article/18469/Annual-accounts
Chelmsford	Transparency webpage https://www.chelmsford.gov.uk/your-council/finance-and-transparency/transparency/
Cambridge	How the council works webpage https://www.cambridge.gov.uk/how-the-council-works
Oxford	Staff and management structure webpage https://www.oxford.gov.uk/info/20050/how_the_council_works/332/staff_and_management_structure
Carlisle	Statement of accounts 18/19 https://www.carlisle.gov.uk/Portals/25/Documents/Financial_Publications/2018_19%20-Final%20Statement%20of%20Accounts.pdf?timestamp=1622557812767
Basildon	Workforce profile https://www.basildon.gov.uk/media/10463/Basildon-Council-Workforce-Profile-2019-2020/pdf/Basildon_Borough_Council_Workforce_Profile_2020.pdf?m=637508123513430000
Northampton	Not available
Net service expenditure (£'000s)	https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing
Total dwellings in the borough	https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants
No. of housing benefit claimants	https://www.gov.uk/government/statistics/housing-benefit-caseload-statistics
No. of planning decisions	https://www.gov.uk/government/statistical-data-sets/live-tables-on-planning-application-statistics
Size of green space	ONS April 2020: Average combined size of Parks, Public Gardens, or Playing Fields within 1,000 m radius (m2)

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By virtue of paragraph(s) 4 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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APPENDIX 3 (ADDENDUM)

Following discussion with Waverley Executive Members, additional information was requested to supplement the advice contained in the report produced by South East Employers at Appendix 3 and this is set out below.

Workforce report

Guildford – Waverley Borough Council Workforce Report

Gender	Waverley Head Count	Guildford Head Count
Female	275	288
Male	149	372
Grand Total	424	660

Job Type	Waverley Head Count	Waverley FTE	Guildford Head Count	Guildford FTE
Full Time	282	282	563	563
Part Time	142	83.23	97	55.1
Grand Total	424	365.23	660	618.1

Age group	Waverley Headcount	Guildford Headcount
Under 30	42	75
30-39	73	121
40-49	119	160
50-59	120	212
60-69	63	90
70 and above	7	6
Grand total	424	660

Recruitment of senior officers

It has been customary in Waverley to include the Leader of the Opposition in senior officer recruitment panels, with the confirmation of the appointments being a matter that is, under Waverley’s constitution, reserved for full Council. Guildford Borough Council’s Constitution includes provision for the Employment Committee to undertake the recruitment/ appointment process in respect of the Relevant Officers, namely Head of Paid Service, Chief Finance Officer, and Monitoring Officer, and to make recommendations as appropriate to full Council. The Employment Committee may also determine the appointment of directors (where they are not Relevant Officers). It is a requirement that the committee involved in making such appointments includes at least one executive councillor. The Committee is politically balanced and currently comprises the Leader (Chairman), Deputy Leader and a member of the Conservative group. If Members were minded to proceed with the single management team option, it is recommended that the recruitment process should mirror that of Guildford’s. Joint scrutiny arrangements would also need to be put in place, and it is noted that Waverley is currently reviewing scrutiny arrangements as part of a broader governance review.

Communication and engagement with union and staff

Waverley and Guildford have already begun to engage with the union and staff are aware of this proposal. The Guildford/Waverley collaboration is a standing item on Waverley's Joint Consultative Committee Agenda and Guildford's Staff Side (Unison) meetings which are held monthly. Waverley staff have been made aware of this initiative through Cascade and the Chief Executive briefings and Guildford staff through its Staff Forum and the Managing Director's weekly newsletter. In both authorities there is an awareness that more information is likely to be available after July regarding direction of travel and both Waverley and Guildford have Chief Executive/ Managing Director briefings scheduled for July which gives the opportunity for a verbal update and the opportunity to ask questions. Following the Council decision in July, a detailed communications plan will be put in place.

Contacts:

Sally Kipping, HR Manager, Waverley Borough Council

Louise Fleming, Democratic Services and Business Support Team Manager (Deputy Monitoring Officer), Waverley Borough Council

Francesca Smith, Lead Specialist (Human Resources), Guildford Borough Council

STRATEGIC RISK ANALYSIS

The LGA high-level analysis identifies significant potential benefits from a collaborative partnership and indicates that a closer collaboration would bring greater benefits in terms of service sustainability, future resilience and financial savings. For example, the report suggests that circa £1.4m could be saved across the partnership from shared management, spending and property. Each of the options in this report entail risks that will threaten the partnership objectives, and several are presented here for councillor consideration in the format of an event-outcome-impact statement and mitigations. Listing these risks does not mean that they are all very likely; if the partnership develops, officers will need to develop this strategic risk assessment with more quantifiable metrics, depending on the option pursued.

<i>Risk</i>	<i>Mitigations</i>
GOVERNANCE	
1. There is a risk that the partnership lacks clear objectives , leading to inefficiency and mission creep, which results in stakeholder dissatisfaction and misunderstanding and undermines benefits.	Adopt and communicate a shared vision statement (such as at Annexe 1). Develop the vision statement into clear metrics and expectations, agreed by all partners.
2. There is a risk that the councils will not proceed with any collaboration , leading to foregoing any of the potential benefits of partnership, which results in greater pressure on the council's financial challenge and service sustainability	Focus more aggressively on the transformation programme. Identify more options for efficiency, income, savings and potentially service reductions.
3. There is a risk that the two councils disagree on an important aspect of the partnership, leading to dissatisfaction with the partnership and mistrust, which results in the partnership ending or being delayed.	An agreed vision statement that is reviewed at least annually by both council Executives. Regular opportunities for councillors to meet across boundaries, both formally and informally. An early agreed Inter-Authority Agreement (IIA) which sets out protocols for dispute resolution and termination with an appropriate notice period.
4. There is a risk that costs and savings will not be apportioned fairly, leading to mistrust, which results in dispute and distraction.	A clear, early and agreed mechanism for cost and savings apportionment, enshrined in the IIA. Regular clear accounting of savings and costs to the relevant committees.
5. There is a risk that either or both councils will decide to terminate the partnership , which results in lower-than-expected benefits realisation and reputational harm.	Regular contact between councillors in the Executives and wider Councils. Clear agreement of priorities and objectives. Clear clauses on termination in the IIA with an appropriate notice period to allow for transition. Proactive communications with all stakeholders and the public.
6. There is a risk that future political change leads to a serious change of partnership direction, which results in a change in direction or a termination, which could lessen or increase benefits of collaboration.	Engage all councillors throughout the transition process, with openness among all participants. Identify where the disagreements and different priorities exist and be ready to adapt to them should a change occur.

<i>Risk</i>	<i>Mitigations</i>
CAPACITY/RESOURCES	
7. There is a risk that officer capacity will be over-stretched during the transition, leading to lack of focus, which results in negative impacts on service delivery, partnership progress and morale.	Build in investment during the earlier phases, potentially including external support. Set clear timetable and pace, agreed by both councils, with appropriate resources and succession planning. Develop early a programme of HR support for resilience, strategies for dealing with change, and team building. Create a single shared programme management team at the start.
8. There is a risk that current projects/programmes will be delayed by diversion of capacity to the partnership project, leading to delays in achieving key objectives, which results in harm to the beneficiaries of those programmes.	Early investment in the partnership so that it is not displacing resource from other key priorities. Clear programme management and reporting to senior management and councillors on progress of current service plans. Review with councillors the existing priorities and agree where displacement may take place in a planned and agreed way.
9. There is a risk that knowledgeable officers may leave , leading to missing information and dilution of 'corporate memory', which results in delays and confusion.	Clearly documented hand-over and succession processes for when officers leave. Clear process and time for 'downloading' corporate knowledge from those that may leave. Clear and consistent record-keeping and retention.
10. There is a risk that one council's priorities will (or will be perceived to) dominate for a period, leading to inequitable cost apportionment, which results in mistrust and undermining of the partnership.	A clear agreed mechanism for how officer capacity is shared over time. Shared annual business plans for each service agreed by the councils, clearly articulating the apportionment on planned projects. Regular communication with both Executives on specific local issues and priorities that arise.
11. There is a risk that working across two councils leads to increased travel, which results in wasted time and negative impact on the environment.	Encourage video-conferencing and home working, supported by the consistent policies and training. Consider further expanding electric vehicles within the fleet(s). Progress a project for considering a single office to serve both councils.
FINANCIAL	
12. There is a risk that expected savings cannot be realised at one or both councils, which results in unexpected further pressure on services and undermines the partnership.	Regular communication to both councils as to plans and progress.

<i>Risk</i>	<i>Mitigations</i>
13. There is a risk that transition costs are prohibitively high (e.g. redundancy, IT, accommodation), leading to a threat to the viability of some aspects of the collaboration for either or both councils, which results in an unviable partnership and reputational impact.	Identify and include transition costs in business cases as they are developed. Agree and document a common approach to rate-of-return and cost/benefit sharing. Change the phasing of transition to reduce the impact of unexpected new costs that arise. Focus first on those areas that present the biggest 'wins'. Clear communication with councillors and the public throughout the partnership.
SYSTEMS	
14. There is a risk that different HR and service policies lead to confusion and duplication, which results in inefficiency or failures of governance.	A programme of policy harmonisation wherever possible, recognising that this huge task will take time. A single shared intranet hub for managers to consult policies, with cross-references where they are different. Regular communication of policy changes. Strong engagement with unions.
15. There is a risk that support functions and processes remain disparate , leading to mis-application of policies/processes, which results in confusion and potential challenge to decision-making.	A plan for an early harmonisation of HR, IT and change management functions and key policies, with accompanying significant financial investment. Strong and regular communication from the senior political and management teams, with employees and unions. A single intranet.
16. There is a risk that different legacy IT platforms will be used, leading to duplication within a shared service, which results in inefficiency, anxiety and cost.	Review the costs and benefits of the current IT systems and their current contractual obligations. Use this information to inform the prioritisation of the transition programme. Develop a new IT strategy that is focused on supporting the partnership and identify the resources required and return-on-investment that is possible.
CULTURE	
17. There is a risk that councillors do not feel ownership of the collaboration, leading to mistrust and concerns about sovereignty, which results in destabilisation of the partnership.	Clear and agreed governance principles and processes, including how councillors will be engaged in decision-making and scrutiny via existing committees or, if desired, shared committees. Regular communication with councillors, parish councils and the public.
18. There is a risk that councillors will perceive that officers are less available to them, leading to delays and dissatisfaction, which results in harm to the how councillors perform in their role.	Clear expectations to be agreed, acknowledging that shared staff serving two councils may sometimes not be available. Clear protocols on accessibility and building of resilience across officer tiers, so that the critical ward councillor role is prioritised throughout any transitions. Ensure that support to affected senior managers, via technology and assistants, is in place and supported adequately.

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<i>Risk</i>	<i>Mitigations</i>
19. There is a risk that different officer cultures may hinder collaboration, leading to lack of prioritisation for the changes required, which results in delay, inefficiency and dissatisfaction.	Clear direction from senior political and officer leadership. An articulated change strategy including expected behavioural norms. Investment in engagement, communication, training and support through times of change.
20. There is a risk that officers may not trust those from the 'other' council , leading to failure to share key information and attrition, which results in delay and unhealthy cultures and behaviour.	Clear direction from the political and senior management leadership as to the way forward. Good communication and support/training for employees on how to work will during change and transition. Harmonise performance management processes.
21. There is a risk that employees will become increasingly anxious, leading to negative impacts on morale, which results in impact on service delivery, mental health concerns and loss of staff.	A clear direction of travel from the political leaderships, with messages delivered consistently and clearly. Regular communication from senior management and transparency with employees and unions about the plans, progress and impact on affected staff. Investment in HR support and employee assistance, including identifying internal opportunities for career development and a single package of good welfare support. Review regularly the impact on service performance and be prepared to support and resource accordingly.
22. There is a risk that current programmes or past decisions are being implemented in a fixed way, leading to partnership options being constrained, which results in compromises in the short term.	Review and clearly assess how far there are new opportunities, as well as constraints, arising from legacy decisions; whether they permit or block a 'best of breed' approach and for how long. Clear communication with the Executives. Be prepared to be bold if the business case holds, with an agreed process for cost-sharing if necessary. Phase the partnership accordingly.
EXTERNAL	
23. There is a risk that residents/ businesses will be confused between the two councils' services , leading to miscommunication, which results in inefficiency.	A clear branding strategy to reflect the Councils' agreed priorities and approach. Clear communication on the nature and extent of the partnership, and the continuing importance of the role of ward councillors.
24. There is a risk that unexpected external events lead to significant diversion of attention, which results in delays to the partnership transition.	Clearly documented progress of the partnership. An early and agreed plan for handling such an unexpected external event, and a protocol for slowing or pausing the partnership.

<i>Risk</i>	<i>Mitigations</i>
25. There is a risk that the Government will restart ' local government reorganisation ', leading to unitary government in Surrey, which results in the abolition of the two councils.	Given that any future unitary model is likely to include Guildford and Waverley within the same new unitary council, plan the current collaboration so that it could also adapt to and be a strong voice within a new enforced unitary. Regular communication with other government stakeholders (councils, MHCLG, MPs) on the progress of this partnership.

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Council Report

Ward(s) affected: n/a

Report of Director of Strategic Services

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Date: 6 July 2021

Proposed amendment to terms of reference of the Corporate Governance and Standards Committee

Executive Summary

Under the Accounts and Audit Regulations 2015 the Council is required to prepare an Annual Governance Statement (AGS) detailing the governance framework and procedures that have operated at the Council during the year, a review of their effectiveness, significant governance issues that have occurred and a statement of assurance.

The 2015 Regulations also require the Council to publish the AGS alongside the adopted statement of accounts each year.

In recent years, the Executive has approved the AGS on the recommendation of the Corporate Governance and Standards Committee. Officers are now of the view that approval of the AGS is probably a non-Executive function and should be carried out either by the full Council or, in common with many councils which have delegated the function to an audit (or equivalent) committee, by the Corporate Governance and Standards Committee.

The Council is also required by the 2015 Regulations provide to ensure that it has a sound system of internal control which:

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

The Council must review of the effectiveness of the system of internal control for each financial year and at the same time prepare the AGS. The AGS is the mechanism by which this review is undertaken.

It is clear that the relevant item in the existing terms of reference of the Corporate

Governance and Standards Committee requires an update to actually refer to the AGS. The terms of reference currently state under Corporate Governance Activity:

“(14) To consider the Council’s statement on internal control and to recommend its adoption.”

Recommendation to Council

That the following paragraph be substituted in place of the existing paragraph (14) of the terms of reference of the Corporate Governance and Standards Committee (under Corporate Governance Activity):

“(14) To consider and approve the Council’s Annual Governance Statement in advance of the formal approval of the Council’s Statement of Accounts”.

Reason for Recommendation:

To ensure the efficient and effective consideration and approval of the Council’s Annual Governance Statement each year.

Is the report (or part of it) exempt from publication? No

1. Purpose of Report

1.1 To ask the Council to consider amending one of the terms of reference of the Corporate Governance and Standards Committee to provide clarity over adoption of the Annual Governance Statement (AGS).

2. Strategic Priorities

2.1 Providing clarity over which decision-making arm of the Council is responsible for adoption of the AGS is consistent with being open and accountable with our residents, which is one of the Values for our Residents stated in the 2018-23 Corporate Plan.

3. Background

3.1 Under the Accounts and Audit Regulations 2015 the Council is required to prepare an AGS detailing the governance framework and procedures that have operated at the Council during the year, a review of their effectiveness, significant governance issues that have occurred and a statement of assurance.

3.2 The 2015 Regulations also require the Council to publish the AGS alongside the adopted statement of accounts each year.

3.3 In recent years, the Executive has approved the AGS on the recommendation of the Corporate Governance and Standards Committee. Officers are now of the view that approval of the AGS is probably a non-Executive function and should be carried out either by the full Council or, in common with many councils which

have delegated the function to an audit (or equivalent) committee, by the Corporate Governance and Standards Committee.

- 3.4 The Council is also required by the 2015 Regulations provide to ensure that it has a sound system of internal control which:
- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - (b) ensures that the financial and operational management of the authority is effective; and
 - (c) includes effective arrangements for the management of risk.
- 3.5 The Council must review of the effectiveness of the system of internal control for each financial year and at the same time prepare the AGS. The AGS is the mechanism by which this review is undertaken.
- 3.6 It is clear that the relevant item in the existing terms of reference of the Corporate Governance and Standards Committee requires an update to actually refer to the AGS. The terms of reference currently state under Corporate Governance Activity:
- “(14) To consider the Council’s statement on internal control and to recommend its adoption.”*
- 3.7 It is therefore suggested that we clarify the terms of reference by referring specifically to the AGS and that the Corporate Governance and Standards Committee has authority to formally approve it each year.

4. Financial Implications

- 4.1 There are no financial implications associated with the proposal in this report.

5. Legal Implications

- 5.1 In order to comply with Regulation 6 (1) (b) of the 2015 Regulations, the Council must prepare an AGS in respect of each financial year. A committee of the Council, or the Council itself, may approve the AGS.
- 5.2 Regulation 6 (4) states that the AGS must be approved in advance of the Council approving the statement of accounts. The terms of reference of the Corporate Governance and Standards Committee includes approval of the statement of accounts each year.
- 5.3 Regulation 10 of the 2015 Regulations requires the Council to publish the AGS alongside the adopted statement of accounts each year.
- 5.4 The government introduced changes to the 2015 Regulations as a consequence of the pandemic to extend the statutory audit deadline for 2020-21 and 2021-22

for all local authorities. The publication date for audited accounts will move from 31 July to 30 September 2021 for all local authority bodies.

- 5.5 If the Council agrees the suggested amendment to the terms of reference of the Corporate Governance and Standards Committee, this year's AGS will be considered initially by the Executive on 20 July, and then by the Corporate Governance and Standards Committee on 29 July, which would be invited to approve the AGS taking into consideration any comments/recommendations submitted by the Executive. The final statement of accounts for 2020-21 are scheduled for adoption by the Corporate Governance and Standards Committee at the end of September.

6. Human Resource Implications

- 6.1 There are no HR implications associated with the proposal in this report.

7. Equality and Diversity Implications

- 7.1 There are no equality and diversity implications associated with the proposal in this report.

8. Climate Change/Sustainability Implications

- 8.1 There are no climate change/sustainability implications associated with the proposal in this report.

9. Summary of Options

- 9.1 The options open to the Council are:
- (1) To agree that formal approval of the Annual Governance Statement should be undertaken by resolution of the Corporate Governance and Standards Committee (RECOMMENDED OPTION)
 - (2) To agree that formal approval of the Annual Governance Statement should be undertaken by resolution of full Council.

If the Council is minded to reserve the decision to approve the AGS to full Council, it is suggested that the terms of reference of the Corporate Governance and Standards Committee be amended as follows:

“(14) To consider the Council’s Annual Governance Statement and to recommend its adoption by full Council.”

However, this would create an administrative problem this year as we would have to convene an extraordinary meeting of the Council before the September meeting of the Corporate Governance and Standards Committee when it is scheduled to consider the adoption of the statement of accounts.

10. Conclusion

- 10.1 For the reasons stated above, the Council is invited to consider the proposed amendment to the terms of reference of the Governance and Standards Committee.

11. Background Papers

None

12. Appendices

None

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