

Executive Report

Ward(s) affected: All

Report of Managing Director

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## Collaboration by Councils in Surrey

### Executive Summary

In 2020, Surrey County Council (SCC) announced that it intended to submit a case for change to central government, with a preferred approach for local government reorganisation in the county being a single unitary council.

The Leaders of the 11 district and borough councils each expressed views on behalf of their councils in relation to SCC's proposal, with the agreed view being that a single unitary model was not supported. It was agreed that the districts and boroughs would collectively explore additional models and options for local government in Surrey. KPMG was commissioned to support this work and its report is attached as Appendix 1.

Following assessment of the options, three preferred structures emerged as being most feasible. Some consensus was reached on the favoured option, which is based on three unitary councils for the county, with one of those councils covering the current boroughs of Guildford, Waverley, and Woking.

As the district and borough councils progressed this work, it became clear that Surrey County Council's proposal would not be agreed by the government as part of a first wave of reorganisation. This also coincided with the delay in the Devolution White Paper from central government. However, it was recognised that the issue of local government reorganisation and unitary councils was likely to be back on the agenda in the medium-term.

The focus of the work with KPMG then changed to explore opportunities for greater collaboration between councils in Surrey. Better joint working was seen as an opportunity to help alleviate the severe financial pressures facing councils and also to demonstrate how this would underpin the preferred model of three unitary councils in the event of any future reorganisation. Eight priority areas were identified as follows:

- new approach to waste
- sharing building control
- IT infrastructure

- shared approach to housing
- standardisation of revenues and benefits
- procurement
- economic development
- shared leisure services

We are keen to take forward opportunities for closer partnership working and are open to discussions with other councils, particularly our neighbours at Woking, Waverley, and Surrey Heath.

The Leaderships of both Guildford and Waverley Borough Councils have already recognised that the report presents a strong case for councils to work together more intensively than before. Continued reduced funding from central government has been compounded by the Covid pandemic to present both councils with a critical medium-term financial challenge. Closer partnership working could bring substantial financial benefits, whilst protecting public services and keeping them local. Options range from a fully integrated staffing structure, or shared services and joint officer posts. The intention is to engage the Local Government Association (LGA) to undertake a high level initial scoping study to determine a rough order of magnitude around potential savings.

This report seeks the views of councillors on future local government structures and opportunities for closer collaboration between councils in Surrey.

The Joint Executive Advisory Board will be considering this report at its meeting on 15 February 2021 and comments arising from that meeting will be provided to the Executive on the Supplementary information Sheet.

### **Recommendation to Executive**

The Executive is invited to consider:

- preferred council structures in Surrey in the light of any future local government reorganisation, including the three unitary council model set out under Option 3(c) of the KPMG report;
- priority areas for closer collaboration identified in the KPMG report;
- the range of options for discussion with Waverley Borough Council on greater partnership working; and
- the proposed engagement of the LGA to undertake an initial scoping study to determine a rough order of magnitude around the potential savings for the various options for collaboration with Waverley Borough Council.

### **Reason for Recommendation:**

To help inform future discussions about local government structures and greater collaboration between councils in Surrey.

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

## **1. Purpose of Report**

- 1.1 The report informs councillors about discussions with other Surrey councils on future local government structures in the county and opportunities for closer partnership working. We are seeking views from councillors to help shape the future direction of this work and, at this stage, particularly on much closer partnership working with Waverley Borough Council.

## **2. Strategic Priorities**

- 2.1 Our values state that we will put customers at the heart of what we do by engaging in clear, honest, and meaningful two-way communications and delivering professional services shaped around their needs. Future decisions on local government reorganisation in Surrey would impact on local democratic accountability and the ability to make decisions on priorities based on local knowledge and understanding of those needs.
- 2.2 Our 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. Given current financial pressures, opportunities for collaboration with other councils will be a vital part in delivering required efficiencies and maintaining quality of services.

## **3. Local Government Reorganisation and Collaboration between Councils**

- 3.1 As explained in the KPMG report (Appendix 1), Surrey County Council developed proposals in 2020 to create a single unitary council for the county. The eleven district and borough councils were concerned about the democratic deficit in this proposal and the loss of decision-making at a more local level.
- 3.2 The districts and boroughs commissioned KPMG to explore alternative options that reflected a better balance between democratic accountability and economies of scale. Although it became clear during this work that Surrey County Council's submission for a single unitary council would not be taken forward by the government during an initial wave of local government reorganisations, it was agreed that we should continue to assess options to be ready to progress an alternative proposal at the appropriate time.
- 3.3 The options for local government reorganisation in the KPMG report were assessed against criteria (co-created with the councils) based on service delivery, growth, democratic representation and financial benefits and sustainability). A preference emerged for a three unitary council model and there was some consensus around an option (3c) that would see one of those councils based on the current areas of Guildford, Waverley, and Woking.
- 3.4 It seems likely that local government reorganisation will be back on the agenda in the medium-term. Therefore, we are seeking councillors' views on the options,

including the preferred model expressed in 3c, to help guide any future discussions at the relevant time.

- 3.5 Whilst work on the options was completed, the decision that Surrey County Council's proposal would not be progressed did change the focus of the discussions between the district and borough councils to include an exploration of areas for better collaboration.
- 3.6 In the current extremely challenging financial climate, the need to deliver savings through greater economies of scale and less duplication is a primary driver of greater collaboration. However, successful closer partnership working between councils now, could also demonstrate and support the case for a multi-unitary authority model as part of any future local government reorganisation in Surrey.
- 3.7 Collaboration opportunities were identified through workshops, surveys and the views of chief executives and leaders. Although not an exhaustive list, eight priority areas were identified for which business cases would need to be developed to progress, as follows:
- new approach to waste
  - sharing building control
  - IT infrastructure
  - shared approach to housing
  - standardisation of revenues and benefits
  - procurement
  - economic development
  - shared leisure services
- 3.8 We would wish to pursue conversations with other councils on options for better joint working, particularly with our neighbouring authorities at Woking, Waverley and Surrey Heath. Waverley's leadership has also indicated informally that it would wish to undertake early work to investigate the options and benefits and this is discussed further in the next section of the report.
- 3.9 Again, councillors' views are invited on these proposed priorities and opportunities for greater collaboration.

#### **4. Partnership Working with Waverley Borough Council**

- 4.1 Despite having made efficiencies and cut costs substantially over the last decade, continued reductions in government funding and the effects of the current pandemic mean that both Guildford and Waverley Borough Councils face critical financial challenges and extremely difficult short to medium-term budget decisions.
- 4.2 The leaders and deputy leaders would like to undertake further work at speed to explore how much closer partnership working between the councils can bring financial benefits at scale to ensure a sustainable future, whilst keeping public services appropriately local. An informal working group comprising the leaders, deputy leaders, chief executives, and a number of senior officers at Guildford and

Waverley Borough Councils have held initial discussions. These will continue in order to assess opportunities and oversee the development of business cases for preferred options.

- 4.3 The expected outcomes of this work are the retention of two separate democratic councils, but with greater sharing of resources and staffing. To make progress, officers will need a clear, early steer from councillors on how to proceed.
- 4.4 There are two broad approaches to the transformation needed to deliver financial savings at scale

#### Option A: Service-by-Service Business Cases

- 4.5 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.
- 4.6 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.

#### Option B: Single Officer Team

- 4.7 A single corporate 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 option A, financial targets and deadlines would be set within a business case.
- 4.8 Examples of both these approaches have worked successfully elsewhere for over a decade.
- 4.9 Clearly, further work would be required to develop business cases around preferred approaches to collaboration and associated governance arrangements. The Local Government Association has been invited to support this work and to provide independent input.

## **5. Consultations**

- 5.1 All Surrey leaders, deputy leaders, chief executives and finance directors were involved in the preparation of the KPMG report on local government reorganisation and collaboration between Surrey councils.

- 5.2 The leaders, deputy leaders, chief executives and a number of senior officers at Guildford and Waverley Borough Councils have held initial discussions on greater partnership working between the two authorities as described in this report.

## **6. Key Risks**

- 6.1 It is likely that local government reorganisation will be back on the agenda in Surrey in the medium-term. District and borough councils have identified the loss of democratic representation and more distant decision-making as key risks in that process. The KPMG report goes some way to mitigating this risk by arguing for better, alternative forms of unitary local government in the county.
- 6.2 Greater collaboration between councils offers opportunities to deliver efficiencies and financial savings and, ultimately, help us continue to provide high quality services to our residents. However, the success of these discussions relies on several factors, such as a shared and clear vision for the partnership, support and buy-in by councillors and senior officers and trust between the leaderships.
- 6.3 Without that commitment from each party, much time and work can be spent without delivering the required outcomes. If the benefits of greater collaboration are not realised, we would need to come back with reports for planned spending cuts and service reductions in other areas.
- 6.4 In terms of any specific projects, we would require risk assessments to accompany any business cases for change.

## **7. Financial Implications**

- 7.1 The aspiration to deliver financial savings at scale through much closer working with other councils has been made clear in the report. We would expect the financial implications of any proposals, together with milestones, to be set out in business cases before implementation of any specific project.
- 7.2 We are planning to engage the LGA to support the work with Waverley Borough Council, including peer support, mentoring and an initial high level scoping study. Given that the cost of the KPMG report was less than the £30,000 we allocated, it is recommended that the remaining £15,000 be used to support the development of an options appraisal for further consideration by both councils.

## **8. Legal Implications**

- 8.1 Options raised in the KPMG report on local reorganisation and council collaboration are at an early stage and the legal implications would need to be assessed on a case-by-case basis. There could be scope to progress opportunities to work with Waverley at greater pace and, therefore, the following paragraphs focus on those.
- 8.2 Section 113 of the Local Government Act 1972 allows council officers to work for other councils that are not their employer. This mechanism is straightforward and used widely elsewhere. It is legally possible for councils to share their statutory

officers. Different partnerships have followed varying approaches to have a single staffing resource working for more than one council.

- 8.3 An inter-authority agreement would be the legal contract that underpins the partnership. This would include the objectives, cost/benefit apportionment, governance structures, dispute resolution, and termination and penalty provisions.
- 8.4 In terms of governance and in the event of a move towards a joint officer resource, the two councils and two executives would remain distinct. Some partnerships have established a formal joint committee – whether advisory or with delegated and limited executive authority – and some have also created a joint scrutiny committee. Others have neither and retain all reporting, decision-making and scrutiny separately.

## **9. Human Resource Implications**

- 9.1 Subject to the preferred direction travel, there will be significant human resources implications. Consultation will be required and all relevant staffing policies and procedures followed. The detail would be included in the business cases and timelines for specific projects.

## **10. Equality and Diversity Implications**

- 10.1 There are no equality and diversity implications arising from this report. We would need to screen any specific proposal to determine whether a full equality impact assessment is required.

## **11. Climate Change/Sustainability Implications**

- 11.1 There are no climate change or sustainability implications arising directly from this report. However, climate change, carbon emissions, energy use, waste and recycling and air quality are all areas that should be considered in terms of how they could benefit from a more collaborative approach.

## **12. Summary of Options**

- 12.1 This report seeks the views of councillors on options for the future structure of local government in Surrey and on options for collaboration between councils.

## **13. Conclusion**

- 13.1 The report has discussed work undertaken on preferred future structures for local government in the county and outlined suggested priorities for collaboration between Surrey councils. It suggests that work could progress at greater pace between Guildford and Waverley Borough Councils. We are asking for councillors' views to help shape future discussion on these issues.

## **14. Background Papers**

None

## **15. Appendices**

Appendix 1: Surrey District and Borough Councils: Local Government Reorganisation and Collaboration (KPMG, December 2020)