

Executive Report

Ward(s) affected: All

Report of Strategy and Communications Manager<sup>1</sup>

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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 Partnerships<sup>2</sup> (LGA) and seeks direction on the next steps for collaboration.

### Recommendation to Executive

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

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

In the case of the third possibility, a recommendation will not be required to the Council.

### 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.

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<sup>1</sup> 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).

<sup>2</sup> 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/>.

**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 Executive 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 (EAB) welcomed potential opportunities for collaboration with Waverley Borough Council. At its meeting on 16 February 2021, having considered the Joint EAB'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 Executive 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.<sup>3</sup>
- 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 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'

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<sup>3</sup> 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>.

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 partnerships 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 resources 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 It is now necessary for the Executive 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 is asked to indicate preferred options from the following list, or to modify the options. Waverley Borough Council's Executive and Full Council meetings are due to discuss a similar report on 22 June and 6 July respectively.

<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>

- 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 Joint EAB on 24 June 2021 and briefings have been held with individual political groups where requested.

#### **5. Key Risks**

- 5.1 Appendix 4 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
<b>22/23</b>	£0.8m	£0.8m	£2.7m	£2.7m
<b>23/24</b>	£0.4m	£2.0m	£0.6m	£6.0m
<b>24/25</b>	£0.3m	£3.5m	£1.0m	£10.4m
<b>25/26</b>	£0.8m	£5.8m	£1.7m	£16.4m
<b>Total</b>	<b>£2.3m</b>		<b>£6.0m</b>	

\*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 resources 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. It will be most helpful to officers if the Executive could indicate at this meeting whether collaboration options should continue to be developed and, if so, the preferred approach.



## **12. Conclusion**

- 12.1 The Executive is asked to consider this report and the attached appendices and 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 3 (Addendum) – Further Human Resources Information  
Appendix 4 – Strategic Risk Analysis