

Council Report

Ward(s) affected: All

Report of Strategy and Communications Manager¹

Author: Steve Benbough

Tel: 01483 444052

Email: stephen.benbough@guildford.gov.uk

Lead Councillor responsible: Joss Bigmore, Leader of the Council

Tel: 07974 979369

Email: joss.bigmore@guildford.gov.uk

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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:

	Waverley		Guildford	
Year	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