

# **WAVERLEY BOROUGH COUNCIL**

## **EXECUTIVE**

**9 FEBRUARY 2021**

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**Title:**

**Local Government Collaboration in Surrey**

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**Portfolio Holder:** Cllr J Ward, Leader

**Senior Officer:** T Horwood, Chief Executive

**Key decision:** No

**Access:** Public

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### **1. Purpose and summary**

- 1.1 The purpose of this report is to update the Executive, councillors and the public on progress on local government collaboration since the Council and Executive discussions of 22 July and 8 September 2020 respectively, and to seek endorsement to develop an options appraisal for further collaboration with Guildford Borough Council.

### **2. Recommendation**

It is recommended that the Executive:

1. Notes the KPMG report on future opportunities for local government in Surrey;
2. Endorses the development of an initial options appraisal for collaboration with Guildford Borough Council;
3. Allocates the remaining £15,000 budget previously approved for “a unitary council proposal” to “exploring collaboration opportunities with other councils”; and
4. Recommends to the Council that it debate opportunities for future collaboration among local authorities in the light of the KPMG report and this report.

### **3. Reason for the recommendation**

- 3.1 This report updates councillors and the public on the progress made in the discussions on local government reorganisation and collaboration in Surrey.
- 3.2 At Executive meetings in 2020, £30,000 was allocated “to support preparatory work for a unitary council proposal”. It is now recommended to allocate the remaining £15,000 to support the development of proposals for council collaboration, to be reported back to the Executive in due course.

#### 4. **Background context**

4.1 A detailed update was provided to the Executive at its meeting on 8 September 2020,<sup>1</sup> and is summarised as follows. On 10 July 2020, Surrey County Council (SCC) wrote to the Secretary of State for Housing, Communities and Local Government to seek permission to establish a single county-wide unitary council, which would entail the abolition of the eleven district councils, of which Waverley Borough Council is one.<sup>2</sup> SCC commissioned Pricewaterhouse Coopers to develop a business case in support of its bid.

4.2 At the Waverley Borough Council meeting on 22 July, the following resolution was passed (51 votes for, 2 abstentions, 0 against):

*“This Council opposes a single Surrey-wide Unitary Authority. This Council recognises principles of localism many of which are incompatible with a single unitary authority within Surrey, therefore Council, instructs the Executive to urgently investigate alternative forms of Unitary Authorities and the timing of any such reorganisation that may be more advantageous to Waverley and its residents, including any opportunities with neighbouring Counties.”*

4.3 On 23 July, the Leaders of the eleven district councils wrote to the Secretary of State asking for the opportunity to put forward other alternatives if he were minded to invite any proposals for local government reorganisation in Surrey. The district Leaders set out their councils’ principles for the potential future structure of local government, including: place-based local government, value for money and the democratic mandate. The district councils invited SCC to collaborate on one project to develop a range of options prior to submitting proposals to the Government; SCC declined. The district council Leaders, therefore, agreed that the eleven councils should prepare their own joint appraisal and business case, subject to the governance processes of each council, and KPMG was procured to develop an options appraisal and business case. Waverley Borough Council allocated £30,000 as its contribution towards the collaboration project.

4.4 On 9 October, the Minister for Regional Growth and Local Government, Luke Hall MP, wrote to SCC informing it that formal proposals for local government reorganisation in Surrey would not be invited at this time (see Annexe 1).

4.5 As a result of the ministerial letter, the momentum for unitary proposals dissipated. As the letter did not definitively close the possibility of local government reorganisation in medium term, the district councils’ Leaders agreed that the KPMG project should conclude and report, but also incorporate an analysis of ideas for further collaboration among councils in Surrey, that could reduce costs and maintain effective public services. The final report is at Annexe 2. The current intention is for this report to provide a useful basis of evidence for discussions at some point in the future. In the meantime, the councils individually

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<https://modgov.waverley.gov.uk/documents/s37405/Sep%202020%20Executive%20LG%20reorganisation.pdf>

<sup>2</sup> Elmbridge Borough Council, Epsom and Ewell Borough Council, Guildford Borough Council, Mole Valley District Council, Reigate and Banstead Borough Council, Runnymede Borough Council, Spelthorne Borough Council, Surrey Heath Borough Council, Tandridge District Council, Waverley Borough Council, Woking Borough Council.

and together are prioritising their response to the pandemic crisis and to addressing their growing financial challenges.

- 4.6 The KPMG report presents 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 is notable and perhaps not surprising that KPMG identifies that Waverley and Guildford boroughs in particular 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, have 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. To make progress, officers will need a clear, early steer from councillors on how to proceed.
- 4.7 There are two broad approaches to the transformation needed to deliver financial savings at scale.

*Option A: service-by-service business cases*

- 4.8 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.

*Option B: single officer team*

- 4.9 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 option A, financial targets and deadlines would be set within a business case.
- 4.10 Examples of both of these approaches have worked successfully elsewhere for over a decade.
- 4.11 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. Given that the cost to Waverley BC of the KPMG report was less than the £30,000 that was allocated, it is recommended that the

remaining £15,000 support the development of an options appraisal for further consideration by both councils.

## **5. Relationship to the Corporate Strategy and Service Plan**

- 5.1 The *Corporate Strategy 2020-25* emphasises “open, democratic and participative governance”, “high quality public services accessible for all”, and “a financially sound Waverley, with infrastructure and resilient service fit for the future”. These principles, in particular, will guide our approach to this project.

## **6. Implications of decision**

### **6.1 Resource (Finance, procurement, staffing, IT)**

Paragraph 3.2 allocates funding to this recommendation. Collaboration across councils could provide significant financial benefits, to be explored and articulated in the next phase of this work.

### **6.2 Risk management**

As proposals emerge, further risk appraisals will be required and reported accordingly. If change proposals are approved, there will be a period of transition that will require thorough project planning and short-term cost, in order to achieve the intended longer term benefits. A substantial change programme could be required to determine the detailed structures and to harmonise staff terms and conditions. As many other councils in England have been through similar collaborative projects, there will be available a considerable wealth of expertise and knowledge, as well as support from the Local Government Association.

### **6.3 Legal**

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 A or B would be the creation of a Section 113 Agreement, from which various other agreements would flow (depending on the specifics of the arrangements) that would establish methods of governance, strategic and operational management, decision-making, financial arrangements and any other working arrangements that would need to be agreed between the two authorities. These arrangements have been put in place by many local authorities across the country in a variety of partnership arrangements.

In terms of the *creation of unitary councils* (which is part of the KPMG report, but not now being actively pursued), the Local Government and Public Involvement in Health Act 2007 sets out the process by which any new single tier of local government is created. Section 2 enables the Secretary of State to invite or direct a county or district council to make a proposal. Where a proposal is received, the Secretary of State may then by order implement the proposal, with or without modification, and may make regulations via Parliament to supplement the implementation of any proposal.

#### **6.4 Equality, diversity and inclusion**

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. Detailed impact assessments will be required as proposals are considered.

#### **6.5 Climate emergency declaration**

The climate change emergency declaration and the urgent target for net zero carbon by 2030 is a critical objective for Waverley Borough Council. While no specific impacts on the climate emergency declaration have been identified as a consequence of this report's recommendation, the Council will be assessing and prioritising the environmental, climate and carbon impacts of any proposals that emerge. It may be noted that Guildford Borough Council, like Waverley, 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.

### **7. Consultation and engagement**

- 7.1 No external consultation has yet taken place, beyond informal discussions with the leadership of the other district councils in Surrey. As options are developed, engagement with parish/town councils, community groups and the wider public may be desirable as any impacts on those stakeholders are identified.

### **8. Other options considered**

- 8.1 The alternative option to the recommendation would be to cease the exploration of options with Guildford Borough Council and forego any benefits that the project might identify. At this exploratory stage, it is recommended to proceed, so that both councils can later take an informed decision as to whether to collaborate more closely and, if so, how.

### **9. Governance journey**

- 9.1 This report is for decision by the Executive on 9 February 2021 and debate by the Council on 23 February 2021.

### **Annexes:**

1. Letter of the Minister of State to Surrey County Council, 9 October 2020.
2. KPMG, *Surrey District and Borough Councils: Local Government Reorganisation and Collaboration*, December 2020.

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### **Background Papers**

Background papers as defined by Section 100D(5) of the Local Government Act 1972:

- None.
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Agreed and signed off by:

Legal Services: 28 January 2021

Strategic Director/S151 Officer: 28 January 2021

Portfolio Holder: 26 January 2021