LOCAL PARTNERSHIPS

JOINTLY OWNED BY

HM Treasury

Local Government Association

Llywodraeth Cymru
Welsh Government

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

11th June 2021

CONTENTS

DRAFT

LOCAL PARTNERSHIPS

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.

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 particularly 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 wholescale corporate approach led by a single management team.

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 MTFSs.

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.

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
Cultural and Related Services	Head of Culture, Heritage & Leisure Services	Head of Commercial Services
Environmental and Regulatory Services	Head of Environment & Regulatory Services	Head of Environment & Regulatory Services
Planning and Development	Head of Place Services	Head of Planning & Economic Development
Central Services	n/a - no Head of Service role	Head of Finance & Property Head of Business Transformation Head of Policy & Governance & MO

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
- Handyperson 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.

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

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

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:

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	Insourced	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	Insourced	Outsourced until 2034	Negligible
Environmental and Regulatory Services	Waste collection	Insourced	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 Burys (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.

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 wholescale, '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

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=CBDM2QWCyuu1kVjUaQUjew%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
	Carlilse	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	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)	

LOCAL PARTNERSHIPS

DRAFT

localpartnerships.org.uk