

**WAVERLEY BOROUGH COUNCIL**

**COUNCIL**

**6 JULY 2021**

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**Title:**

**Local Government Collaboration**

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**Portfolio Holder:** Cllr Paul Follows, Leader of the Council

**Head of Service:** 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 Management Board and the Statutory Officers.<sup>1</sup> Noting that they may have a personal interest in some of the outcomes, external advice has been received on Annexe 2 (authored by the Local Government Association/Local Partnerships) and Annexe 3 (authored by South East Employers).

**Key decision:** Yes

**Access:** Part Exempt

**Note pursuant to Section 100B(5) of the Local Government Act 1972:**

Annexe 3 to this report contains exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in Paragraph 4 of Part I of Schedule 12A to the Local Government Act 1972, namely: Information relating to any consultations or negotiations, or contemplated 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. Members are asked not to disclose the contents of this annexe.

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**1. Purpose and summary**

1.1 The Executive meeting of 9 February 2021 endorsed “the development of an initial options appraisal for collaboration with Guildford Borough Council”. This resolution was then discussed at the Council meeting that commenced on 25 February 2021.<sup>2</sup>

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<sup>1</sup> Tom Horwood (Chief Executive/Head of Paid Service), Graeme Clark (Strategic Director/Section 151 Officer), Annie Righton (Strategic Director), Robin Taylor (Monitoring Officer).

<sup>2</sup> Minute EXE 73/20 at <https://modgov.waverley.gov.uk/ieListDocuments.aspx?CId=132&MId=3493>. Minute CNL 95/20 at <https://modgov.waverley.gov.uk/ieListDocuments.aspx?CId=130&MId=3496>.

1.2 This report updates the Executive on the development of that initial options appraisal by the Local Government Association/Local Partnerships (LGA)<sup>3</sup> and seeks direction on the next steps for collaboration with Guildford Borough Council.

## **2. Recommendation**

2.1 It is recommended that the Executive consider this report and the attached Annexes and, on the strength of the LGA report and the risk appraisal:

- Recommend to Council one or more of the options in paragraph 4.10, *or*
- Recommend to Council an alternative option, *or*
- Agree to cease this collaboration project at this time.

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

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

3.1 To seek direction on the next steps for collaboration with Guildford Borough Council or to close this project for the immediate future.

## **4. Background**

4.1 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.<sup>4</sup> 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 Waverley and Guildford 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 financial savings at scale.

### *Service-by-service business cases*

4.2 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

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<sup>3</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/>.

<sup>4</sup> <https://modgov.waverley.gov.uk/documents/s39201/Feb%202021%20Executive%20LG%20collaboration.pdf>.

sharing; a new company as a separate legal entity owned jointly by the two councils as shareholders; or another model.

#### *Single officer team*

4.3 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.

4.4 Examples of both of these approaches have worked successfully elsewhere for over a decade.<sup>5</sup>

4.5 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 at Annexe 1.

4.6 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' 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".

4.7 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:*

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<sup>5</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>.

- 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*

4.8 The LGA's appraisal is at Annexe 2. It recommends that a shared officer structure will provide the most potential for savings.

4.9 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. (Exempt) Annexe 3, provided by South East Employers, sets out a summary of key HR considerations at this time. As this has implications most immediately for the Council's Chief Executive, he will not participate in this agenda item and will leave the Council Chamber while it is being debated.

4.10 It is now necessary for the Executive to agree a way forward for future collaboration with Guildford 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. Guildford Borough Council's Executive and Full Council meetings are due to discuss a similar report on 6 July.

*Option A: Do nothing further*

Cease this project for the time being and do not commission further collaboration with Guildford Borough Council. (This will not require a recommendation to Council.)

*Option B: Commission further research with a defined scope*

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 Guildford Borough Council, to bring forward a project proposal for conducting this work, with costs, benefits and risks identified.

*Option C: Shared services*

Decide that a shared services approach is most appropriate, and ask officers, in collaboration with peers at Guildford 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.

*Option D: Shared headquarters*

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.

*Option E: Single management team*

Decide that a single shared management team, comprising a chief executive, directors and heads of services, 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) Annexe 3.

*Option F: Single staffing team*

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) Annexe 3.

4.11 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.

## **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 will continue to guide our approach to this project.

## **6. Implications of decision**

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

6.1.1 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.

6.1.2 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 is £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 BC, 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.

6.1.3 Guildford Borough Council has confirmed that, whilst its 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 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 4-year period there would be a total cumulative budget shortfall of £16.4million, 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.

6.1.4 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>2022/23</b>	£0.8m	£0.8m	£2.7m	£2.7m
<b>2023/24</b>	£0.4m	£2.0m	£0.6m	£6.0m
<b>2024/25</b>	£0.3m	£3.5m	£1.0m	£10.4m
<b>2025/26</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 Annexe 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.*

6.1.5 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.

## **6.2 Risk management**

6.2.1 Annexe 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.

## **6.3 Legal**

6.3.1 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 Options C, E and F 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 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 partnerships.

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

6.4.1 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.

## **6.5 Climate emergency declaration**

6.5.1 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 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. An internal briefing for all councillors took place on 16 June.

## **8. Other options considered**

8.1 The alternative option 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.

## **9. Governance journey**

9.1 This report is for decision by the Executive on 22 June, for comment by the Value For Money Overview and Scrutiny Committee on 29 June, and for decision by Council on 6 July 2021. Note that Guildford Borough Council currently intends to discuss this item at its Executive and Council meetings on 6 July. If the two Councils do not agree on the way forward, further informal conversations between the Executives may be required before any proposal comes forward, or the collaboration project could cease for the time being.

Annexes:

Annexe 1 – Vision statement for Waverley-Guildford collaboration

Annexe 2 – Financial feasibility study *by the LGA*

Annexe 3 – Advice on human resources implications *by SE Employers* [Exempt]

Annexe 3 addendum – Further HR information

Annexe 4 – Strategic risk analysis

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### Background Papers

There are no background papers, as defined by Section 100D(5) of the Local Government Act 1972).

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Agreed and signed off by:



Legal Services: 11 June 2021  
Section 151 Officer: 11 June 2021  
Head of Paid Service: 11 June 2021  
Portfolio Holder: 11 June 2021

## **Annexe 1 – Vision statement for Waverley-Guildford collaboration**

Agreement noted by the two Executives of Guildford Borough Council and Waverley Borough Council on the scope of their preferred partnering relationship covering: context, vision, principles, ambition, governance arrangements, communication and priority areas for business case development.

### ***Context - Addressing the ‘why’ partner question? Where is the common ground for Guildford and Waverley?***

1. Face budget challenges over the next 4 years.
2. Need to make savings beyond internal capacity to do so.
3. Seek to protect, improve, and expand discretionary services, and explore new services.
4. See each other as natural neighbours with common interests geographically, economically and environmentally.
5. Support and strengthen our parish and town councils’ democratic and local mandates.
6. See local government reorganisation and the SCC single mega-unitary as a threat and an opportunity and want to be well-prepared if unitaries become a reality.

### ***Vision - What kind of partnership do we seek? What are the key features that will shape our partnership?***

7. The collaboration needs to be enduring and strategic based on the evidence as to what approach is best. We will seek a joint CX and a shared management team to implement the strategic vision. Although finances are the driver, there is scope to deliver services in a way greater than the sum of two councils.
8. Have a preferred partnering arrangement – striving to create one team, one culture to unlock the most gains. Stronger together. The arrangement should be business case led. It should pave the way for future collaboration if initial stages are successful.
9. A long-term, politically led, and sustainable partnership that puts residents and communities first.
10. Seek a ‘equitable powerful together’ collaborative partnership, that ensures the total is greater than the sum of its parts.
11. Focus on the delivery of better outcomes for residents and communities, always acting with the residents and communities at heart.
12. Recognition that there will be differences in service delivery models and priorities between the two councils.
13. A shared ambition to create a new type of council (model/vehicle) that other partners will want to collaborate with or join.

### ***Partnership Principles – scoping the partnership. How will we work together?***

15. Each council will retain its own constitution, setting out how it makes decisions, re-organises scrutiny and delegates authority.
16. Each council will continue to set its own council tax and publish its own budget and accounts.
17. Each council will continue to be able to set its own corporate plan, using a common template and language, seeking wherever possible to harmonise ambition.

18. No council can be 'out-voted' by the other council in a way which requires that council to adopt a policy, accept a cost or change a priority that its decision makers are not willing to support.
19. There will be no change in the name of any of the councils.
20. The costs of changes and the benefits achieved from change will be fairly attributed and shared to the satisfaction of both councils.
21. No council will be obliged to break an existing contract.
22. Each council will continue to speak up for its own residents, even where there is an apparent conflict of interest between the councils but will strive to secure an agreed approach where conflict around inward investment opportunities arise.
23. Each council will seek to harmonise wherever possible, but will be able to set its own policy for which and how services are delivered.
24. The councils can commission or grant aid on their own but will seek to harmonise or jointly commission wherever possible.
25. Nothing within the partnership is intended to stop councils developing local ideas about how to support their local communities.
26. Each council will seek to align its internal governance and democratic structures and its relationship to one another.
27. Each council will default to the harmonisation of services wherever possible.
28. The collaboration between GBC and WBC must go beyond shared management and shared services and be strategic in intent.
29. Ambition is to secure a longer-term sustainable future for both councils through collaboration in a preferred partner relationship.
30. Both organisations to retain autonomy, accountability and local identity.
31. The collaboration must have the residents at its heart.
32. The collaboration is not a take-over by one council of the other.
33. The collaboration should support the creation of a new shared organisational team/culture where appropriate, through a single senior management team (chief executive, directors, heads of service), who will make recommendations for further organisational collaboration.

***Partnership Ambition – What do we want to achieve together? What is the size of the prize?***

34. By working together being bigger, stronger, louder, and more influential, locally, regionally, and nationally.
35. Creating the scale of operation capable of jointly securing financial saving of the magnitude of circa £4m pa based on the 2022/23 budgets as its first milestone and more thereafter.
36. Ensure that the collaboration enhances both councils' ambitions for carbon neutrality.
37. Use the best of both councils to explore scaling and in-sourcing services where there is a business case and protect/create local jobs.
38. Be prepared to propose a positive solution that builds on this partnership if/when the Government makes unitary councils a reality.
39. Maintain existing council priority services and seek to protect and improve non-statutory services.
40. A collaborative partnership that strive to deliver social value and or value for money to local residents, by being innovative in how it operates and works at pace.

***Leading Collaboratively – Sharing the leadership. How will the partnership be led and governed?***

- 41. A joint working group (JWG) comprising leaders/deputy leaders and CEXs to provide leadership of feasibility studies and business cases.
- 42. JWG reporting to Joint Executive at key decision points.
- 43. Both councils align their governance arrangements including scrutiny to provide oversight of feasibility study.
- 44. JWG to agree a shared disputes protocols and exit strategies if parties subsequently wish to end the partnership.

***Multiple voices – one message. How will the partnership be communicated, and staff engaged?***

- 45. JWG responsible for all communications and messaging.
- 46. A clear process for agreeing a single message on behalf of the partnership, which can then be tailored for different audiences.
- 47. Regular joint staff briefings – so that staff across all levels are fully engaged in the feasibility study.
- 48. Staff and unions to be consulted and supported through the culture change of shared service working.
- 49. The JWG to set up work-streams where staff and unions can directly input into the feasibility study and bring their ideas to the fore.

***Scoping the feasibility study. How will the business cases be prioritised?***

- 50. Phase 1 – To determine an approximate order of magnitude around potential net savings that could be generated from increased collaboration and provide an initial view on the implications of the two delivery options being considered.
- 51. Phase 2 – To develop a detailed Business Case to enable these councils deliver their agreed shared service arrangements and realise the benefits including financial savings.