

Corporate Peer Challenge

Gloucester City Council

11th to 13th December 2013

Report

1. Background and scope of the peer challenge

On behalf of the team, I would just like to say what a pleasure and privilege it was to be invited in to Gloucester to deliver the recent corporate peer challenge. The team very much appreciated the efforts that went into preparing for the visit and looking after us whilst we were on site and the participation of elected members, staff and partners in the process.

This was one of the corporate peer challenges delivered by the Local Government Association as part of the approach to sector led improvement. Peer challenges are managed and delivered by experienced elected member and officer peers. The peers who delivered the peer challenge were:

Steve Packham, Chief Executive, Chelmsford City Council
Councillor William Nunn, former Leader, Breckland District Council (Conservative)
Sir Stephen Houghton, Leader, Barnsley Metropolitan Borough Council (Labour)
Gerald Almeroth, Strategic Director of Resources, London Borough of Sutton
Vicky Cook, Performance Adviser, Bury Council (shadowing role)
Chris Bowron, Peer Challenge Manager, Local Government Association

It is important to stress that this was not an inspection. Peer challenges are improvement-orientated and tailored to meet individual councils' needs. Indeed they are designed to complement and add value to a council's own performance and improvement focus. The peers used their experience and knowledge to reflect on the evidence presented to them by people they met, things they saw and material that they read.

The guiding questions for all corporate peer challenges are:

- Does the council understand its local context and has it established a clear set of priorities?
- Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
- Does the council have effective political and managerial leadership and is it a constructive partnership?
- Are effective governance and decision-making arrangements in place to respond to key challenges and manage change, transformation and disinvestment?

- Are organisational capacity and resources focused in the right areas in order to deliver the agreed priorities?

To tailor the challenge to the needs of Gloucester, the council asked us to also:

- Consider its approach to regeneration and economic development
- Look in depth at issues of organisational culture and the change agenda

As you will recall, we undertook to write to you to confirm the team's findings, building on the feedback provided to you on the final day of the peer challenge and, in particular, expanding upon those areas that we highlighted as likely to benefit from some further attention. This report sets out those findings.

2. Executive summary

There has been a huge amount of regeneration and development activity in Gloucester over recent years and the council can be proud of what has been achieved in this regard. There seems to be a successful balancing of the regeneration and economic growth agenda with preserving the heritage and history of the city.

The 'City Vision' has a focus on prosperity and emphasises the importance of the economy, regeneration and economic development. The council recognises the need for a strategic economic plan to sit behind the 'City Vision' to help map the future out in more detail. There is much good work taking place on both physical and social regeneration in Gloucester, although we suggest these two strands need to be more closely integrated.

Whilst the ambitions for further growth and development of the city continue to be high, it is important to ensure there is sufficient capacity to fulfil them. There has been a lot of change recently in relation to the way regeneration is managed and funded. The key question that needs to be answered is whether changes that have taken place have led to a reduction in capacity and resources. If the answer is 'yes', then there will inevitably be a requirement for re-prioritisation in some form.

There is good cross-party working politically and mutual respect between elected members. Council staff are committed and conscientious and clearly want to do their best for Gloucester and the council. The council is valued by external partners and it is seen as good to work with. There are occasional tensions with some 'arms-length' partner organisations but the council is committed to working to maintain what have been traditionally good relationships with them.

The council has dealt successfully with the financial challenges to date. Going forward, we see it as being important to develop a better understanding across the elected membership of the scale of the future financial challenge. The savings achieved thus far have been significant and the impact on 'frontline services' has been minimised. However, the delivery of those savings means there is reduced scope for the future and therefore the impact is likely to be greater and the decisions more difficult.

The council's budget setting process needs to be further developed in future years. There must be better involvement and engagement in developing options, aligning of options and decisions with priorities, analysis of the likely impact and timely and appropriate communication of decisions. To assist in all of this, elected members need to agree a clear set of priorities that can be used to help frame thinking around how a reduced level of resources can best be utilised to achieve the biggest impact on what matters.

Following difficulties that it had experienced in relation to aspects of financial management, culminating in major difficulties in the closure of the 2011/12 accounts, the council developed a Financial Services Improvement Plan. This has been externally assessed in recent months, is seen to be sound and is currently being implemented. The external auditor has subsequently "noted improvement" in the council's financial management.

There is seen to have been almost constant organisational change over recent years and there is substantial anxiety and uncertainty amongst staff. The situation has been compounded by a lack of clarity about the future shape and priorities of the council. The issue has been further exacerbated by what staff feel is insufficient communication generally about the situation facing the council and potential or proposed changes. That is not to say that effort does not go in to communication – indeed there are a range of well-established mechanisms including an annual staff event, team meetings and regular communications from the senior management team. Despite this, staff generally still feel there is insufficient communication and information. The Chief Executive has recognised this issue and has recently undertaken a series of discussion sessions with staff across the organisation which have been welcomed, but people still feel the need for more communication and engagement.

The council was in a very difficult and challenging situation in late 2012. A series of issues came together which culminated in a number of officer suspensions and some people subsequently leaving the employment of the council, with the approach that was taken to address the situation causing further unease. What took place then is still having an adverse effect on the functioning of the authority now.

Day to day relationships between people across the council and the general atmosphere as people go about their work are good again following a significant dip when the issues arose twelve months ago. However, relationships within the collective senior leadership of the council, politically and managerially, are clearly still tense, albeit less so than in late 2012. This situation is not easy to resolve but the anxieties and tensions will not simply disappear. The council cannot afford to wait – a tremendous strength of leadership is required now as the council faces up to the future. In order to help things move forward, we see it as important to focus and apply effort in a few key areas as follows:

- Elected members and officers at all levels need to better understand their respective roles and responsibilities and adhere to them. The senior political and managerial leadership need to lead the way on this.
- The Leader and Chief Executive need to continue to be willing to invest the time and effort to re-build relations and adapt their styles and approaches. They also need to take the lead in fostering the leadership style and approach that is desired across the council.

- The senior political and managerial leadership of the council needs to improve the dialogue between them and with the wider organisation.

Through the leadership focusing on these aspects we believe it is possible to re-establish a constructive climate within the organisation and ensure the council successfully addresses the challenges it faces and goes from strength to strength.

3. Detailed findings

3.1 Successes in Gloucester

The 'City Vision' covers the period from 2012 to 2022 and defines Gloucester as 'a city ambitious for its future and proud of its past'. The vision provides a broad framework that helps to shape direction and ambition, with two key strands relating to 'prosperity and community'. The prosperity aspect focuses on a flourishing economy and city centre, a vibrant evening economy and ensuring the city improves through regeneration and development. The community dimension centres on a city where people feel safe and happy in their community and a healthy city with opportunities available to all. The city is seen to have 'bucked the trend' on the recession of recent years, with people indicating Gloucester hasn't experienced the same level of economic impact and social hardships as other places.

There has been a huge amount of regeneration and development activity in the city over recent years. Examples include the re-development of the Docks, the creation of the Gloucester Quays retail outlet and the developments at St Oswald's Park and the Railway Triangle. The council seems to be successfully balancing the regeneration and economic growth agenda with preserving, and indeed even enhancing, the heritage and history of the city, as seen with the Robert Raikes pub and The Fleece. Further regeneration work currently underway includes the King's Quarter, Blackfriars and Eastgate Market. A lot of work is currently going in to arranging the transfer of the council's housing stock, which represents a major project.

The council is valued by external partners and it is seen as good to work with. One local authority described it as "the best partner council it works with" and commercial partners see it as a pragmatic and professional organisation. The story, however, is slightly different with partners who are more closely linked to the council – those that might be described as 'arms-length' organisations – where there are felt to be occasional tensions. This is the result of recent experiences regarding the way the council has gone about the budget-setting process for 2014/15 and must be seen in a context of traditionally good relationships between them, which the council is committed to working to maintain.

Within the council, there is good cross-party working politically and mutual respect between elected members. Council staff are committed and conscientious and clearly want to do their best for Gloucester and the council. There are good areas of performance within the authority, with examples including homelessness prevention, Revenues and Benefits and Planning. The council knows those areas of service provision and performance where improvement needs to be made and they include enhancing waste

recycling and increasing commercial revenue. There is a mixed economy of service provision by the council, reflecting a pragmatic philosophy of 'what matters is what works'.

The council has delivered cumulative savings of £7.5m over the last four years. In planning for and achieving this, it has worked to minimise the impact on 'frontline services' and people feel that this has been achieved. New avenues are being explored to help address the financial challenge going forward, including looking at the potential for sharing further services with other councils, with Building Control being a prime live example, and progressing commercial opportunities.

3.2 Financial challenge

The council's net budget for 2013/14 was set at £16.6m, and included a reduction of £1.9m from the year before. The savings requirement for 2014/15 is £800,000. In the year after that, 2015/16, the challenge is much greater – with it being expected that further reductions of £2.2m will be required. We see it as being important for the council to develop a better understanding across the elected membership of the scale of the financial challenge being faced. The savings achieved to date have been significant and the impact on 'frontline services' has been minimised. However, the delivery of those savings means there is reduced scope going forward and therefore the impact is likely to be greater and the decisions more difficult.

The council is not unique in needing to develop increased understanding amongst the elected membership of both the scale of the challenge and the likely impact. There have been efforts to communicate this but there would be benefit in looking to find a different way of framing the problem, outlining the position in a way that brings things to life and makes them real by setting them in a context that people can relate to – rather than as pure numbers in more complex formats. There would also be benefit in looking to implement savings as early as possible – so, for example, whilst something might be identified as a saving for 2015/16, if there is scope for earlier in-roads to be made then doing so would make good sense. The council also recognises the need to move away from placing too great a reliance upon New Homes Bonus funding to balance its budget, given the uncertainty around the future of this scheme.

The budget setting process needs to be further developed in future years. There must be better involvement and engagement in developing options, aligning of options and decisions with priorities, analysis of the likely impact and timely and appropriate communication of decisions. It would be good to follow the example of the preparatory work undertaken recently regarding the budget for the Guildhall, which has seen elected members, officers and other stakeholders working together to consider options for the future and their potential implications.

The reports to Overview and Scrutiny and Cabinet in December on the 'Draft Money Plan 2014 – 2019 and Budget Proposals for Consultation for 2014/15' highlight significant sums of money to be saved in 2014/15 and 2015/16 in key areas such as grants and service level agreements with the voluntary sector (£200,000), the Aspire Leisure Trust (£100,000 next year and £400,000 the year after) and the Amey contract for waste and street care services (£500,000 next year and £1m the following year). The information presented on these and the other proposals in the reports is limited and contains nothing in the way of an evidence-base, risks and implications, although we recognise that further detail, which

had been prepared closely with senior management and Cabinet members, was outlined verbally by Portfolio Holders when presenting the report to Overview and Scrutiny. In future years, the set of budget options for elected members that are evidence-based and clearly outline the likely impact, should feature fully in related written reports earlier in the process.

The communication of budget proposals and decisions also needs improved handling in the future. Whilst there was engagement with services in the council and with partner organisations regarding budget options over a period of several months through the summer and autumn, with the proposals that ultimately featured in the Overview and Scrutiny and Cabinet reports referred to above being publicly available and the services and organisations that would be impacted upon being involved in discussions around them, the actual proposals put out to consultation were different in some instances to what people had been expecting. Whilst communications on developing budget options featured as a standing item on the monthly trade union consultation meetings and was the subject of corporate staff updates, there were examples of council staff learning about the proposals in the newspaper, with the negative impact of this being compounded by them being asked by the public to explain what was happening when they themselves did not know any detail.

For officers to develop budget options in the future that are appropriate and sufficiently well worked up, elected members need to agree a clear set of priorities that can be used by officers to help frame their thinking around how a reduced level of resources can best be utilised to achieve the biggest impact on what matters. This fits well with the fact that the 'Council Plan' covers the period from 2011 to 2014, therefore necessitating the development of the next iteration of such a guiding framework – a piece of work that is already underway. In developing this, a more narrowly defined set of priorities will be required to replace what exists currently:

- Prosperity – strengthening Gloucester's economy
- People – a city for everyone
- Place – creating pride in the city

'Customer service' is an example of a clear priority, with investment being made by the council in this area, including the revamp of the main public reception area and 'channel shift' activity. What is required going forward is the mapping out of what the council currently delivers and what local people need, which is then narrowed into a set of tangible priorities that enable staff and citizens to clearly see where the council is going to focus its resources and effort.

In undertaking this, elected members will need to be clear about those services and activities where disinvestment can take place. Where this happens, their expectations will need to be revised accordingly. This observation stems from reflections being shared with us by officers that there were instances of a few elected members, despite changes having been made to the council's policy or budget framework in recent years, still expecting things to happen as before.

All of this throws up a number of over-arching questions that the council needs to address. These include what type of organisation does Gloucester City Council want or need to be going forward, how is that being shaped and, in turn, how is it informing budget thinking? What will its priorities be and what is the process for determining how the council's future purpose, shape and size will be settled?

Following difficulties that it had experienced in relation to aspects of financial management, culminating in major difficulties in the closure of the 2011/12 accounts, the council developed a Financial Services Improvement Plan. This has been externally assessed in recent months, is seen to be sound and is currently being implemented. This has seen the council's finance team being strengthened and the authority has also recognised the need to make extra support and training available to managers around budget management and financial understanding. The external auditor has subsequently "noted improvement" in the council's financial management. The conclusions we have reached in this area are that financial planning and budget monitoring need to be further strengthened going forward and business and financial planning need to be integrated – which the council has recognised and put steps in place to achieve during 2014.

3.3 Regeneration and economic development

There has been a huge amount of regeneration and economic development activity in Gloucester over the years, as we outlined earlier under 'Successes in Gloucester'. As we have also already outlined, the 'City Vision' has a focus on prosperity and emphasises the importance of the economy, regeneration and economic development. The council recognises the need for a strategic economic plan, covering both Gloucester as a whole and the city centre, to sit behind the 'City Vision' to help map the future out in more detail.

As an example, there is a sense currently that regeneration is seen simply as a good thing in and of itself. However, it is important for the future of the city that regeneration is channelled and enabled, rather than being left to its own devices. What type of regeneration is being sought and where? How can the wealth that it generates be maximised? Where does that wealth most need to go to? How can local people's skills best be developed in order to enable them to take advantage of forthcoming opportunities?

The council is well engaged with the Local Enterprise Partnership (LEP) and recognises the importance of aligning the ambitions for Gloucester and its priorities with the LEP's emerging strategic economic plan. The Joint Core Strategy with Cheltenham and Tewkesbury councils is currently being consulted upon and the underpinning City (Local) Plan for Gloucester is in development. The formal adoption of both of these will provide certainty in terms of spatial planning and protect the area from unwanted development.

Whilst the ambitions for further growth and development of the city continue to be high, it is important to ensure there is sufficient capacity to fulfil them. There has been a lot of change recently in relation to the way regeneration is managed and funded – as a result of revisions made at both the national and more local level. Examples include the cessation of the Regional Development Agency and Gloucester Heritage Urban Regeneration Company and the imminent commencement in post of a new Head of Regeneration and Economic Development. The key question that needs to be answered is whether changes that have taken place have led to a reduction in capacity and resources. If the answer is 'yes', then the council and other stakeholders need to work through how this is responded

to – which will inevitably require re-prioritisation in some form. In considering the capacity issue, we would urge people to bear in mind that this isn't just an issue concerning readily apparent regeneration and economic development resources – such work also places a set of requirements on other council resources, such as Planning, legal and finance.

There is much good work taking place on both physical and social regeneration in Gloucester. Social regeneration is very important given Gloucester has five 'Super Output Areas' which feature within the most deprived ten per cent nationally. Examples of the good work involved include the 'Great Expectations' initiative aimed at young people at risk of becoming involved in crime and the creation, through funding from various partnership groupings, of 'Community Builder' posts with a remit of identifying key social issues, and appropriate solutions, within specific geographical communities and generally enhancing the spirit within those communities.

However, we would suggest the two strands of regeneration – the physical and the social – need to be more closely integrated and the link between them made more explicit and obvious. An example of local regeneration activity which is likely to have a significant impact because of its targeted nature, and in which the council has been involved, is the recruitment centre established in one of the more deprived communities in Gloucester by Westmorland Ltd. They will run the Gloucestershire Gateway motorway service station on the M5, which is currently under construction, and have set up the centre to help recruit local people who can be trained up to work there. The council has provided advice to Westmorland on local suppliers and helped to facilitate access to potential employees.

The council's Deputy Leader, who is the Cabinet Member for Communities and Neighbourhoods, is a strong champion for the work on social deprivation and regeneration. She is clearly dedicated and is widely respected both within and beyond the council for her work in this regard. It is important going forward, however, that the council's efforts to address social deprivation are led more widely, particularly amongst elected members, and the responsibility more broadly shared.

3.4 Performance management

The authority is currently developing the next Council Plan for the period from 2014. In doing so, the council is clear that it needs to align more with the 'City Vision' priorities and is working to achieve this. It also needs to be firmly evidence-based. The current plan outlines what the authority is seeking to achieve, what it is going to do and what it will measure to assess progress. However, there is no analysis as to the reasons behind what it sets out nor are there specific targets outlined in the document – although we recognise they are set out elsewhere and are measured through the council's performance management framework. The intention is for the council to feature clear performance targets in the next Council Plan document.

The authority recognises the need to further develop the performance culture within the organisation. The council's performance management framework will need to be revised in order to reflect the new Council Plan, ensure the authority is focused on the agreed priorities and outline how the council contributes to the achievement of them. It will also need to include a refreshed set of performance indicators that measure what matters in the city. Indicators will also need to be included that reflect the council's organisational health, such as sickness absence levels and staff turnover rates, which are already monitored,

and we understand the authority is intending to do this under a newly-expressed priority of 'performance'.

Moving forward, budget monitoring and performance reporting need to be undertaken together to provide a more comprehensive picture to inform decision-making both politically and managerially within the organisation. At present, the two are disconnected from one another and reporting them together would provide a clearer picture of what is happening.

3.5 Organisational capacity and culture

There is seen to have been almost constant organisational change over recent years. With the budget reductions that have been required in the past, and those needed going forward, change has been and continues to be inevitable – along with the uncertainty that it generates. However, the situation has been compounded by a lack of clarity about the future shape and priorities of the council – the creation of which would provide people with a sense of direction and enable them to form a view as to what the future potentially holds for them. The issue has been further exacerbated by what staff feel is insufficient communication generally about the situation facing the council and potential or proposed changes.

The Chief Executive has recognised the communications issue and has recently undertaken a series of discussion sessions with staff across the organisation in an effort to improve things, including understanding and engagement around the strategic agenda. These sessions have very much been welcomed by people. Such sessions are in addition to a number of well-established internal communications mechanisms, including staff newsletters and team meetings/briefings. Despite all of these activities, people still feel a need for better communication. People also feel the opportunities to input their views and ideas are too limited – something which the council could look to benefit positively from by involving staff more in thinking about the future and how to help address the financial challenges.

Amongst staff that we met morale seemed to be higher than elected members and senior managers had indicated might be the case. However, that should not hide the fact that there is substantial anxiety and uncertainty. Additionally, having only met a relatively small number of staff we would not claim that our findings are truly representative. The authority will wish to monitor the situation carefully and rely on more detailed analysis, for example in the form of a staff survey, to assess the position and how it might respond. Sickness absence levels increased significantly between 2011/12 (5.5 days per full time equivalent (FTE) member of staff and 2012/13 (8.1 days) and although it has dropped back this year (6.9 days is the projected figure based on information to date) this situation should also be carefully monitored.

Strategic and organisational capacity is stretched and things are beginning to creak – the risks around this need to be monitored and a revision of capacity might be required in some areas in response. Given the level of staffing changes made in councils across the country in recent times, Gloucester is not alone in experiencing such capacity challenges and needing to be prepared to make amendments over time. This will, however, be made significantly easier once the council's priorities are more narrowly defined. Given the

stretched strategic capacity, we urge the council to think very carefully about the proposal to make further savings at the senior leadership level.

Weaknesses around ICT are recognised and the council is currently running a 'business transformation and technology' outsourcing process in an effort to resolve the situation and help achieve a step change in this area of its operation.

3.6 Moving forward - relationships

The council was in a very difficult and challenging situation in late 2012. A series of issues came together which culminated in a number of officer suspensions and some people subsequently leaving the employment of the council, with the approach that was taken to address the situation causing further unease. We do not intend to rehearse the history of all of this here. However, the 'issues of 12 months ago' (as people refer to the situation) have had a major impact on the organisation and led to matters of trust and confidence within the council. This is still having an adverse effect on the functioning of the authority. As an example, one of the consequential impacts is staff being apprehensive and reluctant to take decisions for fear of getting them wrong and undermining their future with the organisation as a result. They instead escalate them up the organisational hierarchy, with bottlenecks and slowed decision-making resulting

Day to day relationships between people across the council and the general atmosphere as people go about their work are good again following a significant dip when the issues arose twelve months ago. However, relationships within the collective senior leadership of the council, politically and managerially, are clearly still tense, albeit less so than in late 2012. Whilst there seems to be good engagement on a one to one and day to day basis between senior managers and Cabinet members, things are much more limited when it comes to collective discussions at that level regarding key strategic issues. There were sessions held to develop budget proposals and there was also an away day for the senior leadership and we suggest more of this type of activity and engagement is undertaken.

The situation that exists is not easy to resolve but the anxieties and tensions will not simply disappear in a matter of months or even years. The council cannot afford to wait – a tremendous strength of leadership is required now as the council faces up to the future. This requires the political and managerial leadership to work extremely closely together to help shape decisions over priorities, diminishing resources and organisational shape and form.

In order to help things move forward, we see it as important to focus and apply effort in a few key areas as follows:

- Elected members and officers at all levels need to better understand their respective roles and responsibilities and adhere to them. The senior political and managerial leadership need to lead the way on this.
- The Leader and Chief Executive need to continue to be willing to invest the time and effort to re-build relations and adapt their styles and approaches. They also need to take the lead in fostering the leadership style and approach that is desired across the council.

- The senior political and managerial leadership of the council needs to improve the dialogue between them and with the wider organisation.

Through the leadership focusing on these aspects we believe it is possible to re-establish a constructive climate within the organisation and ensure the council successfully addresses the challenges it faces and goes from strength to strength. We strongly recommend the council seeks some external support as it looks to move forward on these issues over the coming months – and the authority has indicated that this is something that it is keen to do.

Through the peer challenge process we have sought to highlight the many positive aspects of the council and Gloucester but we have also outlined some difficult challenges. It has been our aim to provide some detail on them through this report in order to help the council understand and consider them. The council's senior political and managerial leadership will therefore undoubtedly want to reflect further on the findings before determining how they wish to take things forward.

Members of the team would be happy to contribute to any further improvement activity in the future and/or to return to the authority in due course to undertake a short progress review. Paul Clarke, as the Local Government Association's Senior Adviser for the region within which the council sits, will continue to act as the main contact between the council and the Local Government Association, particularly in relation to improvement. Hopefully this provides you with a convenient route of access to the organisation, its resources and packages of support going forward, which we know the council is keen to tap in to.

Andy Bates, the Local Government Association's Principal Adviser for your region, is also available for support and advice to the authority.

All of us connected with the peer challenge would like to wish Gloucester, both as a council and a place, every success in the future.

Yours sincerely

Chris Bowron
Programme Manager – Peer Support
Local Government Association