

Corporate Peer Challenge

Babergh and Mid-Suffolk District Councils

14th to 17th May 2012

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 Babergh and Mid-Suffolk District Councils to deliver the recent joint corporate peer challenge of both authorities. 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 amongst the first corporate peer challenges delivered by the Local Government Association as part of the new approach to sector led improvement and only the third involving councils with shared management arrangements. It is testimony to the councils that you commissioned the peer challenge so early on.

Peer challenges are managed and delivered by experienced elected member and officer peers. The peers who delivered the peer challenge were:

Kevin Dicks, Chief Executive, Bromsgrove District Council and Redditch Borough Council
Councillor Nick Worth, Deputy Leader, South Holland District Council and elected member at Lincolnshire County Council
Councillor Trevor Jones OBE, West Dorset District Council and Chair of Audit and Scrutiny Committee at Dorset County Council
Dai Larner, Executive Director, High Peak Borough Council and Staffordshire Moorlands District Council
Chris Bowron, 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?

Within this you were keen for the team to focus their efforts on the following:

- ❖ Provide a baseline of how well the two councils are being led and the leadership of the emerging joint entity;
- ❖ Consider the strategic priorities and outcomes the councils are seeking, test how ambitious these are and their fit within the local context and available resources;
- ❖ Examine the change programme, how stretching this is and whether the councils' implementation plan is realistic and deliverable;
- ❖ Promote shared learning, new and innovative practice and transformation;
- ❖ Provide supportive critical-friend challenge to 'open eyes to new possibilities and approaches'

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

The integration moves that Babergh and Mid-Suffolk District Councils have made emerged from a specific set of circumstances including the shelving by the Government of proposals for a unitary Suffolk, the retirement of the councils' two chief executives and the growing trend for shared management arrangements between authorities. Both councils have agreed to integrate their management and staffing structures and to look to do business in partnership but a key difference with other authorities that have done this lies in the fact both councils also considered full constitutional merger and, in line with Boundary Commission requirements, agreed to poll the public on whether or not to merge and create a new single council operating across the two areas. Merger failed to secure sufficient public support. The fact that there was more support by councillors and the public in Mid-Suffolk than in Babergh led to some tensions between the two councils but it is important for politicians to be able to put this behind them and focus on delivering the successful 'integration' of the two councils going forward.

The two authorities are very distinctive from one another in their cultures both managerially and politically. This is an important dynamic when it comes to a new chief executive and single management team endeavouring to develop one organisational culture, in terms of its management and staffing, and working with two sets of politicians with differing approaches. Babergh District Council and Mid-Suffolk District Council are two sovereign bodies who have taken a joint decision to share a single staffing structure. There is no reason at all why two councils with different histories and cultures cannot successfully share an integrated management team. There is no reason either why they need to become more like each other. The successful delivery of the integration arrangements will require both sets of elected members to accept the differences in approach between the two councils, place greater trust in one another, act together to provide strong political

leadership to their shared officer team and overcome the many difficult and testing times that lie ahead on the path to integration.

Whilst some of the background context outlined above may present major challenges, the progress that has been made in Babergh and Mid-Suffolk over recent months is significant. The two councils now have in place a single management team, comprising a chief executive, corporate directors and heads of service. In 2011/12, the integration process delivered around £230,000 savings across the two councils, forming a significant part of what has been the successful delivery of financial savings over recent years to help the councils adapt to a new financial environment. There has also been the establishment of new governance, decision-making and service delivery arrangements in a number of key areas.

Where the two councils have been able to focus their effort and attention it is delivering results. This is an important perspective to bear in mind given the huge agenda facing the councils as they seek to integrate further and the challenges this generates in terms of organisational capacity. There is a good understanding of how much needs to be done amongst people we spoke to but it is easy to see the capacity demands that will be placed upon the councils. We feel that there is a risk of the councils trying to do too much too quickly. It is our view that there is a need to plan effectively, involving determining clear priorities within the integration and change agenda, and, through this, better manage the capacity risks. Linked to this we see the need for improved oversight and co-ordination of the extensive range of change and integration activities, ideally in the form of a proportionate set of programme management arrangements.

We were impressed by the range of communications mechanisms available to staff, elected members and stakeholders outside the councils regarding the integration activity. A key aspect of the internal communications is the high level of visibility of the chief executive and the leadership she is showing. However, there is a demand from staff for greater visibility and collective leadership from senior managers at director and head of service level.

Delivering organisational change on the scale that the two councils are can be expected to have negative impacts at points. There are morale, motivation, customer focus and performance issues resulting from the change in Babergh and Mid-Suffolk. Whilst there is a large degree of inevitability around this, a concerted effort is required to minimise their occurrence and impact. Senior managers must take the lead responsibility for this.

Elected members across both local authorities are seen as good community councillors – dedicated to their wards and acting as ‘local champions’. However, both councils recognise the requirement to develop better organisational understanding of the communities they serve and the needs of local people. Indeed plans are in place for strategic planning activity to take place over the summer aimed at achieving this and determining the strategic priorities for the councils. Whilst such activity will provide significant levels of information and data, we are conscious that the councils already have a very large amount of this – what is required is the translation of it into intelligence to inform decision-making. Alongside this, we see the need for the councils to better understand how services are performing and contributing – including those delivered through others. In addition, with both councils having a complex mix of outsourced arrangements for the delivery of both internal and external services, we believe there will

be the need for a more proactive and robust approach to contract management and procurement going forward.

Both councils are seen to have delivered sound financial management over the years and the savings challenges presented in the recent budget-setting rounds have been successfully addressed. However, we are concerned about what appeared to be the lack of a basic understanding, at all levels of both organisations, of the scale of the financial savings that need to be delivered. This is both a cause for and the result of very confusing messages being given to staff, including managers, about the savings challenge and what is required of them.

Finally, we have developed anxieties about the adequacy of some aspects of governance and decision-making within the two councils. These are outlined in detail in the main body of the report. There has been a stated intention on the part of the councils to undertake a constitutional and governance review. Given our anxieties, we suggest this is expedited, that it has a clear but broad scope encompassing all of the issues highlighted in the 'governance and decision-making' section of the report and that it is undertaken independently.

3. Detailed findings

- In this section we provide a more detailed reflection of the successes and challenges outlined by the peer team in the feedback they delivered on the final day of the peer challenge.
- Delivering major organisational change is complex and challenging and can be expected to have negative impacts at points on aspects such as council performance and staff morale. We would wish to highlight at the outset of this report that we recognised, in coming to Babergh and Mid-Suffolk when we did, that we were there at a particularly challenging time with the process for recruitment to a large number of middle management posts underway and all staff, outwith senior managers, being uncertain as to their future.
- The move that Babergh and Mid-Suffolk District Councils have made to establish shared management and staffing arrangements emerged from a set of circumstances that many people we met with were keen to outline from their perspective. It is fair to say that whilst there were significant elements of commonality within all of this, there were also areas where views and perspectives contrasted. We outline here the 'common threads' that emerged from what people said to us, in order to provide people reading this report with a sense of the background context.
- The former chief executives of the two councils both retired in the early part of 2011 as part of a managed transition towards a 'coming together' of the two councils. This followed proposals for local government re-organisation in Suffolk which were ultimately shelved by the new coalition Government established in 2010. Suffolk Coastal and Waveney councils had already embarked on a journey to shared management arrangements and the collapse of the unitary concept led Babergh and Mid-Suffolk and then Forest Heath and St Edmundsbury councils to follow suit.

However, a key distinction with the other two 'pairings' is the fact that both councils also considered full constitutional merger and, in line with Boundary Commission requirements, agreed to poll the public on whether or not to merge and create a new single council operating across the two areas. The poll took place in May last year, with merger being dependent upon a majority of those voting in each council area approving the move. Whilst a majority of Mid-Suffolk residents voted for the merger it was a minority in Babergh who supported it – leaving 'integration' as the most appropriate way forward. The fact that there was more support from councillors and the public in Mid-Suffolk for merger than there was in Babergh led to some tensions between the two councils but it is important for politicians to be able to put this behind them and focus on delivering the successful 'integration' of the two councils going forward.

- The two councils are very distinctive from one another in their cultures both managerially and politically. This is an important dynamic when it comes to a new chief executive and single management team endeavouring to develop one organisational culture, in terms of its management and staffing, and working with two sets of politicians with differing approaches.
- A significant proportion of people we spoke to within and outside the two councils described them as having traditionally demonstrated variability in performance and the experience of customers when dealing with them. A number of people also saw them as being insular and lagging behind other councils. They contrasted this with the views that they saw of the councils having of themselves – that they were good councils – and highlighted what they saw as a sense of complacency surrounding this. During the peer challenge we chose not to look into past performance, instead focusing our efforts on the future challenges. Thus we don't know whether these perspectives are accurate or justified – but what we are clear about is that these are perceptions held by a meaningful proportion of people we spoke to who have experience of the councils. Again, this provides an important context in terms of providing the scope for a new chief executive to come in and, working with committed politicians, seek to drive up performance and customer satisfaction and adjust people's perceptions of the councils.
- Another key contextual factor surrounding the move to link the two councils is the dramatic change around public finances and the pressures this has placed on the budgets of both authorities in an environment of increasing demand on services and a shared desire amongst elected members to protect frontline services. We touch on the financial aspects of the councils in more detail later in this report.
- With the above representing the 'basis for change' for Babergh and Mid-Suffolk it is important to reflect on the progress that has been made over recent months. We see this as 'a growing track record of achievement'. The two councils now have in place a single management team, comprising a chief executive, corporate directors and heads of service. Whilst we were carrying out the peer challenge the councils were in the midst of the process to recruit to the next management level comprising 'corporate managers'.
- In 2011/12, the integration process delivered around £230,000 savings across the two councils. This formed a significant part of what has been the successful

delivery of financial savings over recent years to help the councils adapt to a new financial environment. The two councils have traditionally enjoyed sound financial management as judged by their external auditors.

- The integration has also seen the establishment of new governance, decision-making and service delivery arrangements in a number of key areas. Examples of these include the establishment of a Joint Integration Board, joint HR and IT panels, a joint Scrutiny Committee, a Joint Planning Review Group to consider the challenges and future arrangements for the councils' development control and planning functions with external support from the national Planning Advisory Service (PAS) and a Joint Housing Board. This latter Board, which is a very recent innovation, is tasked with overseeing the running of the 7,000 council houses across the two districts. It is the first such body nationally and comprises elected members and representatives of council house tenants. Another example is the Shared Revenues Partnership set up by the two councils with Ipswich Borough Council to deliver a combined revenues and benefits service for residents. The councils have also established a small number of services on a fully integrated basis across the two councils. These are licensing, waste collection, legal services, strategic housing and planning enforcement. We understand the moves to integrate them have gone smoothly and they appear to offer a sound model for other services to follow in due course.
- All of this suggests to us that where the two councils have been able to focus their effort and attention it is delivering results. This is an important perspective to bear in mind when, later in this report, we outline the huge agenda facing the councils as they seek to integrate further and the challenges this generates in terms of organisational capacity. It is also important to bear in mind that integration successes and achievements are in addition to those delivered as part of the more 'business as usual' activities of the councils, including key initiatives for local people such as the two Health and Well-Being Board pilots aimed at reducing falls amongst the elderly (involving joint work between the councils' communities and housing teams, the NHS Public Health team and Suffolk County Council's adult social care functions) and enhancing learning and development at the early years stage. We also noted a number of initiatives involving significant capital investment by the councils including play areas and a new community centre.

3.1 Recognition of the challenges

- Babergh and Mid-Suffolk face a huge change agenda relating to the integration as they go forward, which exists in addition to the 'day to day' challenges facing local authorities in a very different world to that of five or six years ago. There is a good understanding of how much needs to be done amongst people we spoke to but, just taking a few examples of what people outlined, it is easy to see the capacity demands that will be placed upon the councils:
 - ❖ Seeing the staffing changes through to a conclusion to establish an integrated organisational structure
 - ❖ A review of the options around 'back office' provision for the councils, along with other authorities across Suffolk

- ❖ A review of the councils' accommodation and assets, linking with external partners where appropriate
 - ❖ A review of customer access arrangements
 - ❖ A corporate governance and constitutional review
 - ❖ The establishment of an organisational and leadership development programme – with one for officers and another for elected members
 - ❖ The development of a medium term financial strategy for each of the two councils
- These are just a few examples. So many of our conversations with people involved them outlining things they knew the councils needed to do and seemed to be just on the verge of undertaking. This is reassuring on the one hand, in terms of people being aware of what needs to happen, but it also developed anxieties for us because of the demands that will be generated and the impression we developed that so little of it appears to form part of an overall plan or programme of activities. We feel that there is a risk of the councils trying to do too much too quickly. It is our view that there is a need to plan effectively, involving determining clear priorities within the integration and change agenda, and, in part through such prioritisation, better manage the risks – which we see as primarily relating to organisational capacity.
 - We noted a number of pragmatic decisions that the authorities have taken in recent months to ease capacity pressures and help move things forward. One example of this is the extension of the timescales for delivering the staffing changes relating to the integrated structure in order to ensure they are more effectively delivered – although we recognise the impact such delays will be having on those individuals for whom the uncertainty around their future is extended over a longer period of time. Another example is the dismantling of the programme management arrangements around integration, which were felt to be, rather perversely, draining capacity from the organisations. Another example is the decision to establish, at least on a temporary basis, a single delivery (or corporate) plan for the two councils in order to provide a broad strategic framework for the two authorities entailing a set of shared priorities drawn from existing corporate planning information – as an alternative to dedicating significant time and effort to producing detailed corporate plans for both councils over recent months. In a similar vein, a joint medium term financial plan was produced and there has been an extensive sharing of financial information across the two sets of elected members, in order to develop a better shared understanding of the financial challenges and inform decision-making. In addition, the councils have demonstrated the willingness to source external capacity and expertise where appropriate, for example in relation to HR and IT.
 - We would encourage the councils to continue to operate on this basis of prioritising its activities going forward, but on a larger and much more integrated and managed basis. Whilst, in the paragraph above, we praise the councils' decision to unpick the previous programme management arrangements around the integration, we are concerned that things have now swung too far the other way and there is insufficient oversight and co-ordination of the extensive range of change and integration activities.

- We would also highlight to the councils the extent to which people, in our discussions with them, focused on the financial imperatives as being pretty much the sole drivers for integration and transformation. Whilst there is an inevitability around financial considerations having primacy, we noted that the two authorities established at the outset a shared set of ambitions around integration and transformation that encompassed the following:
 - ❖ Increasing efficiency
 - ❖ Enhancing capacity
 - ❖ Developing greater resilience
 - ❖ Improving performance
 - ❖ Establishing a new model for locality working
- Whilst the first of these, as part of the wider financial agenda, was very much to the fore in our discussions, the others were virtually silent. It is perfectly valid for the councils to come to the conclusion that these initial aims and ambitions have changed over time and need to be revised. However, whatever the appropriate set of ambitions may be, the key message is that, at this point in time, people are largely focused solely on one – achieving savings.

3.2 Governance and decision-making

- Babergh District Council and Mid-Suffolk District Council are two sovereign bodies who have taken a joint decision to share a single staffing structure. As we referred to earlier, the two organisations are seen to have very distinctive cultures and approaches. People summarised these broadly, using the following sorts of words:
 - ❖ Babergh – ‘thoughtful, deliberative, reliable, risk-averse, steady and paying attention to detail and process’
 - ❖ Mid-Suffolk – ‘driven, decisive, risk-taking, focused on the end result, not hidebound by process or attention to detail’
- The political make-up of both councils and the way this informs their governance and decision-making arrangements and processes are a key dynamic in the integration. Babergh, in the entirety of its existence, has never been controlled by a single political group or collection of groups and has nobody defined as the ‘leader of the council’ and nor does it have a cabinet. Instead, it operates with a committee system, including a body known as the Political Leaders Group, which provides a steer on key issues but is not constituted as a decision-making body. As a result, decision-making can prove lengthy and drawn-out – but this is simply a democratic and political reality. Whilst the political make-up of Mid-Suffolk is complex and it too has retained the committee system, the fact is it has a majority party (Conservative) and has very clear political leadership – making decision-making significantly more straightforward.

- Delivering integration requires mutual trust and full political backing. From our discussions with various groupings of elected members from each authority, it is clear to us that anxieties exist amongst both sets of councillors regarding how the other authority operates its decision-making. This translates the thoughtful and deliberative approach in Babergh to ‘an inability to take a decision and stick to it’ and the driven and risk-taking nature of Mid-Suffolk into ‘head-strong and a failure to think through whether it is the right thing’. There is no reason at all why two councils with different histories and cultures cannot successfully share an integrated management team. There is no reason either why they need to become more like each other, although some convergence on some matters over time is probably inevitable. We welcome the fact that links between elected members from the two councils are growing, through formal activity such as the various Joint Boards and informal activity such as social events and training and development initiatives. We also welcome the proposal to establish an organisational and leadership development programme that will encompass elected members. The successful delivery of the integration arrangements will require both sets of elected members to accept the differences in approach between the two councils, place greater trust in one another, act together to provide strong political leadership to their shared officer team and overcome the many difficult and testing times that lie ahead on the path to integration.
- We have developed anxieties about the adequacy of some aspects of governance and decision-making within the two councils. The first of these is something that we touched on above – the change agenda will require a speed of decision-making that is likely to be challenging to existing approaches in Babergh. Whilst we have reflected that there is a democratic and political reality to such approaches we also recognise the potential for the existing arrangements to delay and potentially, as a consequence, de-rail key elements of the integration – not least because of the issues of trust it generates for the partner council. Whilst it won’t be simple and is likely to very much go against the grain, we would encourage the council to identify ways in which to reduce the extremes of the current approach and, in so doing, minimise the risk to both authorities.
- The second area of concern relates to the council in Mid-Suffolk needing to ensure greater clarity is established amongst elected members and officers regarding the role and function of the Policy Panels for Community and Environment and the council’s ‘portfolio holders’. They are regularly briefed on issues and have reported to them decisions taken by officers using delegated powers but should not be looked to to take decisions themselves. Neither the panels nor ‘portfolio holders’ have decision-making powers and it is important for clarity to be established around this and, more generally, the role and function of the panels and ‘portfolio holders’.
- Babergh and Mid-Suffolk share a Monitoring Officer and each has their own Section 151 Officer. In the two councils none of the people holding these positions are in the top two tiers of management, although they are invited to attend the weekly meetings of the joint Management Board – the councils’ most senior management level forum. These are statutory positions with responsibilities relating to holding the councils to account around sound corporate governance and financial management respectively. In order for the roles to operate effectively it is vital that there is sufficient understanding and respect around them within both councils and,

as part of this, the post-holders use their influence and operate in a way that reinforces the status and importance of the positions, regardless of their place within an organisational structure. Also, the Management Board need to support and reinforce the positions and there needs to be a culture in both authorities that values and attaches importance to good governance. In our view, all of these aspects need strengthening by the councils.

- In addition, we believe ambiguity has emerged around who holds the formal position of Monitoring Officer in the councils and provides relevant direction and guidance. As an example, we understand that the Monitoring Officer does not regularly attend Full Council meetings, leaving a situation whereby the chief executive, who has a legal and governance background and experience of the Monitoring Officer role, is looked at to provide guidance and direction when necessary. We would urge the councils to remove any such ambiguity for the purpose of sound corporate governance and to safeguard the individuals involved.
- There has been a stated intention on the part of the councils to undertake a constitutional and governance review. Given what we have outlined above, we suggest this is expedited, that it has a clear but broad scope encompassing all of the issues highlighted in this 'governance and decision-making' section of the report plus whatever other strands are deemed important by the councils and that it is undertaken independently.
- Finally, it is important in terms of the safeguarding of the councils and the people they serve that they enable and encourage challenge in the system. We have already outlined some anxieties in relation to decision-making and the positions of the Monitoring Officer and Section 151 Officers. In addition, we believe there are issues around the extent to which performance monitoring and performance management of services is sufficiently focused and challenging, which we outline later in this report. Also, we identified an apprehension, albeit amongst a limited number of council staff, to speak up about issues because they didn't feel the new chief executive would welcome it. We don't know how extensive such feelings are or the reality of the situation but, with such a perception existing even on a small scale, the chief executive must make a conscious effort to dispel it and demonstrate to people that challenge is welcomed as part of ensuring a healthy and sound organisation.

3.3 Political and managerial leadership

- Whilst much of the focus of what we have outlined thus far in this report has related to the 'integration' of the two councils, it is important to remember that 'transformation' is also cited by the two organisations as a key aspect of what they are seeking to deliver. Therefore during the course of the peer challenge we asked virtually everybody we met internally what 'integration' and 'transformation' meant to them and how they distinguished them. The vast majority of people spoke of them in a way that suggested they saw them as interchangeable concepts, indeed as one and the same thing as they currently exist. It became clear to us that whilst the councils have aspirations around transformation, the primary focus to date has been on successfully delivering an integrated staffing structure - which is

unsurprising given the scale of the challenge and the capacity it has absorbed. Once integration has been achieved the council will be able to turn its attention to the 'transformation' agenda, looking in greater detail than has been possible to date at the future of services, in terms of what is delivered, by whom and what form it takes. Delivering the integration will go some way to addressing the financial challenges facing the two councils over the coming years but will not be sufficient in itself. As a result there is reliance upon transforming the way the council operates, both in terms of what it delivers and how it does so, in order to secure the necessary scale of savings.

- One of the key difficulties people have in articulating what transformation entails, and which will provide them with a challenge when it comes to delivering it, lies in the absence of a vision for the two organisations in the future. Whilst we would not expect there to be a clear vision already formed, we do see benefit in some consideration being given to the key principles around the role and purpose of the councils in the years to come. For example, will they seek to adopt a role of facilitator and enabler of services for their communities, with a commissioning core only, or will they seek to maintain a mixed economy of service provision with many services still being delivered in-house? Will they seek to encourage communities themselves to take on more responsibilities and become more self-reliant? Is there an intention, depending on capital resources, to invest more in IT to increase 'self-serve' uptake amongst residents and maximise the ability of staff to work remotely? Crucially, is there a desire for both councils to operate in the same way, or will distinction and differentiation (with potential consequential impact for efficiency) be valued? It is important for such issues to be worked through over the coming months, between officers and politicians, in order to provide a framework for options and plans for transformation to be drawn up, decided upon and implemented.
- During our discussions we didn't come across anybody who objected to transformation and change – although people naturally have anxieties around it. Our sense was that people are willing to change but they don't yet know what to change into as individuals or services.
- We were impressed by the range of communications mechanisms available to staff, elected members and stakeholders outside the councils regarding the integration activity. Whilst these seemed to focus on the cascading of messages and information, rather than two-way engagement, we developed a clear sense of there being ample information for people. We did also, however, feel that integration dominated internal communications and there would seem to be merit in developing a broader focus, not least because there are a lot of other interesting things taking place across both councils that people are likely to be interested in and would benefit from knowing about.
- A key aspect of the internal communications is the high level of visibility of the chief executive and the leadership she is showing in terms of being willing to meet with staff and engage them in discussing issues. Many people spoke of her commitment to people and the integrity she has shown whilst delivering difficult changes. She is clearly inspirational to many but there are also aspects of her personality and character that lead some people to see her as domineering – something that she recognises within herself and that we would encourage her to seek to address. As

part of this, and linked to what we outlined above in relation to the councils enabling and encouraging challenge in their systems, we would encourage her to demonstrate to people that she welcomes the voicing of alternative ideas, thoughts and suggestions as part of constructive challenge in helping to identify the right way forward on an issue and, as a result, show people that they should feel able to disagree with her.

- Whilst the chief executive is demonstrating visibility there is a demand from staff for greater visibility and collective leadership from senior managers at director and head of service level. We fully recognise, as do people across both councils, that the people in these roles have experienced significant change and uncertainty themselves in recent months, many have only recently commenced in post and, in their roles to date, have had a primary focus on the recruitment to posts at corporate manager level. However, with so much uncertainty for people across the two organisations, it is essential that they are given greater leadership – starting now. This involves engaging with the wider workforce, rather than the narrower focus that appears to currently exist on those presently involved in the recruitment process to the next tier and people identified as ‘being at risk’. Whilst senior managers can’t give people answers to questions at present regarding what their future holds, and recognising the difficulty in presenting a picture of the future in the absence of a vision for either council, people want some sense of direction and to have the opportunity to air their views and thoughts and share their anxieties. The next round of appointments to the integrated structure, at middle management level, is obviously important both in this respect and enhancing capacity more generally.
- Senior managers, and particularly those at head of service level, can reasonably expect clear direction from elected members and the chief executive in terms of their priorities and the policy and resource parameters within which they and their services need to operate. However, given the current levels of change being experienced across local government and within Babergh and Mid-Suffolk and the capacity pressures on councillors and the chief executive, there will inevitably be something of a vacuum at times – which they, as senior managers, will have to do their best to fill. Hand-holding at this level, even where people have moved in to a new and possibly unfamiliar role, isn’t an option – senior managers need to demonstrate initiative and drive, an ability to self-start and to make things happen. They have gone through a lot and are having significant demands placed upon them due to current circumstances but they are the ones that have ‘won through’ and demonstrated in the recruitment process that they have the skills and competencies the councils are seeking. It is vital that they demonstrate them.
- As touched on earlier, delivering organisational change on the scale that the two councils are can be expected to have negative impacts at points. There are morale, motivation, customer focus and performance issues resulting from the change in Babergh and Mid-Suffolk. Whilst there is a large degree of inevitability around this, a concerted effort is required to minimise their occurrence and impact. Senior managers must take the lead responsibility for this.

3.4 Understanding of the local context and priority setting

- Elected members across both local authorities are seen as good community councillors – dedicated to their wards and acting as ‘local champions’. However, both councils recognise the requirement to develop better organisational understanding of the communities they serve and the needs of local people. Indeed plans are in place for strategic planning activity to take place over the summer aimed at achieving this and determining the strategic priorities for the councils. This will involve extensive community engagement and it is intended that local elected members play a key role in facilitating this engagement and building insight.
- One of the stated aims of the integration activity is the development of a new model for locality working. This is a reflection of the importance of localities, of understanding them and tailoring activity and delivery to need – the requirement to achieve outcomes for local people. There is the possibility of an inherent tension between an emphasis on localities and integration which, with efficiency as a key driver, may skew thinking towards uniformity and economies of scale. Many people we spoke to within the organisations, when asked about the two council areas, sought to emphasise the similarities. Few articulated the distinctions – and those that did offered only a very high level overview. However, when we met with external partners they were able to articulate significant levels of both similarity and differentiation – but with these existing in relation to distinct communities that paid no heed to council boundaries. Thus if people within the councils are seeking to identify commonality and differentiation in order to inform strategic thinking and planning, perhaps they need to do so not on the basis of local authority area but on a community by community basis. Either way, the starting point is the strategic planning activity over the summer.
- Whilst such activity will provide significant levels of information and data, we are conscious that the councils already have a very large amount of this. When we asked for insights to the local population and communities and benchmarking information on the costs and performance of council services we were inundated with large amounts of ‘raw’ information. Even though these were just samples the amount of information was daunting. What was lacking was an overview of all of it, an analysis that translated data and information into intelligence. There is no point in the councils undertaking their strategic planning activity in the summer and simply adding to the information available. Analytical activity is required to turn it into something that can inform decision-making, planning and delivery – essentially acting as the basis for transformation.
- Alongside this, we see the need for the councils to better understand how services are performing and contributing – including those delivered through others. We found it difficult to get a good understanding of council performance and actually found ourselves sourcing Audit Commission data – even though much of this was dated and could not be relied upon. There was a lot of anecdotal information around the performance of some high profile services that are out-sourced, including housing matters delivered through Customer Services Direct for Mid-Suffolk, and a downturn in relation to the revenues and benefits service since it shifted to the Shared Revenues Partnership. However, there was no sense that the councils were actively monitoring and managing these issues or that people readily knew which council services, whoever provided them internally or externally, were performing well and which were struggling.

- As the councils plan for the future and consider a transformation agenda, we noted the improving relationships with Suffolk County Council (for which we believe the two new chief executives can take much credit) and the extensive network of parish and town councils and voluntary and community sector organisations. We were struck by the willingness and desire of the representatives from the parish and town councils and the voluntary and community sector that we met potentially to contribute more in terms of taking on additional responsibilities. There appear to us to be clear opportunities around this but obviously there would be much to work through in order to turn this into a reality. Linked to all of this, we wondered what the thinking was in relation to the role of the county, town and parish councils in this summer's strategic planning activity.

3.5 Financial planning

- The judgements of the external auditors for Babergh and Mid-Suffolk over recent years are that both councils have delivered sound financial management and that this continues to be the case. The savings challenges presented in the recent budget-setting rounds have been successfully addressed. The savings challenge for the two councils in the three years from 2012/13 to 2014/15 totals £7.3m (£3.8m for Mid-Suffolk and £3.5m for Babergh) – which equates to approximately 30% of each council's 2011/12 General Fund.
- We quote the £7.3m figure, and the respective breakdown of the total, for two main reasons additional to setting the financial context. The first is what we noted a strong tendency for people at all levels within the two councils to meld together the financial picture of what are two sovereign councils with their own budgets and accounting responsibilities. Whilst we understand the rationale, which is to help develop a shared understanding, including at elected member level, of the financial position of the two councils in order to inform thinking and decision-making around the integration agenda, we do not see an appropriateness in continuing this over the medium to long term. Currently the two councils have a joint medium term financial strategy but we understand there is an intention to develop a separate strategy for each over the coming months. This seems right and proper to us and does not diminish the ability of the two councils to share information wherever this may be felt to be beneficial.
- The second reason for quoting these figures is because there seems to be a very low level of awareness of them amongst many people we spoke to internally. We are concerned about what appeared to be the lack of a basic understanding, at all levels of both organisations, of the scale of the financial savings that need to be delivered. Whilst everybody could cite finance as the key driver for integration and transformation, few had any more detailed knowledge than that. This is both a cause for and the result of very confusing messages being given to staff, including managers, about the savings challenge and what is required of them. We were amazed to hear people saying that they were being advised that the integration alone would deliver the savings requirement and people could plan on the basis of no cuts to service budgets going forward. Not only is this simply inconceivable because of the scale of the required savings but it also risks losing a galvanising effect in relation to staff and their contribution to further change and transformation.

As an example, our understanding is that the 2012/13 budgets for the two councils have been set in a way that requires £1.3m of savings to be achieved by Babergh and £1.5m by Mid-Suffolk, but, the combined amount being targeted from integration is £1.34m. Whilst the sources for the remainder have been identified including the use of New Homes Bonus monies by both councils, increased council tax in Babergh, use of reserves by Mid-Suffolk, increased charges across both councils and reduced community grants and payments to community bodies in Babergh and increased income targets for both councils, few of them had much profile in our discussions with people. In addition, for some of them, there is still the challenge of turning them into a reality whilst, for others, there must be questions around their sustainability.

- The two councils have agreed a pragmatic approach to the allocation of costs and savings relating to the changes, involving an equal split. This is positive, in terms of indicating a desire to focus on the bigger picture and avoid diverting capacity to deal with fine accountancy detail, but we are also sceptical that such an approach will prove to be sustainable as the decisions get tougher and more complex. Whilst, for example, agreeing to an equal split of redundancy costs and the subsequent savings in a situation where one manager additionally takes on the responsibilities of their former opposite number, is logical and relatively simple, it becomes another matter entirely when one council wants to invest more in a service to maintain or enhance standards for their residents whilst the other wishes to de-prioritise the same service. We therefore see a requirement for a more robust approach in the future.
- With both councils, like many authorities, having a complex mix of outsourced arrangements for the delivery of both internal and external services, we believe there will be the need for a more proactive and robust approach to contract management and procurement going forward. This will be important in enabling the councils to control and capitalise upon such arrangements, either in terms of securing greater value from current or future contracts or putting alternative arrangements in place for when such existing contracts draw to a close. There is a positive example here, in terms of the councils having commenced looking, jointly with others across Suffolk, at the options for future back office provision, in a context of the Customer Services Direct contract being due to expire in 2014.

3.6 Resources and organisational capacity

- We referred earlier in this report to the huge agenda facing the two councils as they seek to integrate further, with this agenda existing in addition to the more 'business as usual' activities undertaken by councils. This generates major challenges in terms of organisational capacity across a range of spheres such as technical/professional expertise, including the likes of HR and IT; general management, in terms of providing leadership, support to people at what is a difficult time and delivering key HR processes; and more generally amongst staff in terms of potential reductions in 'discretionary effort' as a consequence of morale and motivation issues. In this context, there is a need to prioritise, manage risks and plan and we reiterate here what we outlined earlier in terms of what we see as a risk of the councils trying to do too much too quickly, the importance of

determining clear priorities within the integration and change agenda and the need to develop an overall plan or programme of integration and transformation activities.

- Whilst we didn't undertake any form of detailed analysis of the matter, our discussions gave us confidence that the HR capacity is available to the authority, in the form of both internal capacity and access to external expertise, to steer the personnel elements of the integration. Whilst some of the initial timescales for delivering parts of this agenda may have been overly ambitious, and have subsequently been lengthened in a way that has extended the uncertainty for staff, people we spoke to across both organisations generally felt the changes had been well delivered without any major mishaps. We did, however, develop a sense of pressures growing in other areas which may need to be addressed – including legal and contract management – whilst the programme management capacity of the organisation has still to be tested given what we outlined earlier as the absence of an overall plan or programme for integration and transformation.
- Integration is throwing up a lot of challenges for people in terms of them moving into new roles, understanding how they need to fulfil them and demonstrating the full range of skills and competencies necessary. Whilst the councils are clear that they have conducted robust recruitment processes and appointed the best people to the roles, it would be unrealistic to expect everybody to be able to operate to the maximum of their potential from day one. Inevitably people will need support and development – although it is to be hoped that the needs people have aren't too great and, where they exist, they have been identified through the appointments process and appropriate arrangements have been put in place. Where this isn't the case the councils need to ensure the environment exists in which people can be comfortable seeking the support and development they need – otherwise all parties will lose out.
- The intended organisational development and leadership programme will help in addressing some of the needs people will have as they move into new roles or are required to adapt to new ways of working. However, it won't be a panacea, with a need for other arrangements to be put in place to meet additional needs. It is also important for the organisational development and leadership programme to be able to adapt over time as the transformation agenda develops and people find themselves facing different challenges and needing to operate in different ways. This principle also applies to the organisational structure going forward, with it being important for people to recognise the need for the councils to be able to refine it as the transformation agenda progresses and services find themselves needing to respond to a changing environment – it will not be helpful if staff believe that 'integration' will deliver a structure that will remain static for years to come and mark an end to change.
- Integration inevitably dominates people's thinking and their time. As outlined earlier, it places a significant set of demands, in terms of emotional distraction and workload, on staff. Managers at head of service level and above are bearing a significant amount of the integration workload in addition to those in professional and technical roles, such as HR, focused on supporting the process. However, the harsh reality for these managers is that delivering this is over and above the 'day job' for them – there are still all of the responsibilities associated with running

effective services, such as performance management, financial management, maintaining customer focus and liaison with elected members, that need to be delivered. It is to be hoped that they can find the means, from somewhere, to fulfil all of these responsibilities equally during the coming months whilst the integration moves towards completion. We recognise this won't be easy but without them being able to do so the councils risk something going awry.

- As the council moves towards delivering what it is seeking in terms of 'transformation', it will be important for this to be founded on a solid basis in terms of knowledge within services of the communities they serve and their needs, how they are performing and how this compares to others, what the costs of the service are and how this compares to equivalent services in other councils and the future opportunities in terms of methods of service delivery and how they operate. It is also important for staff to be clear about the parameters they are operating within including finance, policy and political imperatives. With all of this in place, services would be well placed to develop proposals about how such services might be configured in the future which can be put before elected members and senior managers for consideration.
- Change under the 'transformation' agenda also needs to be informed by objective analysis of what works well. Given the integration will see current Babergh-only managers assuming responsibility for Mid-Suffolk services and vice versa, it is important that managers have the ability to look afresh at the way their services are currently delivered in each council and draw the best from both. Any sense of them showing bias towards how things were done in their former council risks generating tension amongst staff and missing out on opportunities for improvement. In addition, there is learning to be drawn from the three services that are already integrated across the two councils. There also needs to be a willingness to look beyond Babergh and Mid-Suffolk for insights as to how services might be delivered, with much learning to be drawn on locally from some of the other Suffolk councils as well as nationally.
- As change starts to take place across services, under both 'integration' and 'transformation', we have an anxiety that the absence of a consistent change model generates the risk of disarray. It is entirely the prerogative of the two councils to determine between them which change model they wish to adopt but having a unified approach represents the difference between individual services 'ploughing their own furrow' in shaping what is delivered and a well co-ordinated and joined-up approach to service changes. As an example, services determining for themselves how customers can access them risks establishing a myriad of systems that represent neither good customer service nor cost effectiveness.
- Partners as well as staff are anxious about change and it is important communication and engagement is maintained with them at the individual level throughout. We spoke with a range of partner organisations and they have anxieties around the potential for a loss of continuity in terms of council officers they have been liaising with over the years. There is an inevitability around this occurring, given the proportion of people likely to leave the employment of the two councils over the coming period. However, it is incumbent upon the councils to ensure partners are not negatively impacted by this in terms of a vacuum

developing for them if their key contact moves on. They need to be kept informed of how impending changes will impact on them as individual organisations before those changes come into effect and advised of the alternative arrangements that will be put in place.

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

There is also the issue of the council considering the communication of the findings of the peer challenge, with many people the team met expressing a strong interest in learning of the outcomes of the process.

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 – indeed the suggestion of a short follow-up to the peer challenge in around 18 months' time was mooted at the time the challenge was commissioned. Rachel Litherland, as the Local Government Association's Principal Adviser for your region, will continue to act as the main contact between the two councils 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.

All of us connected with the peer challenge would like to wish the councils and the areas they serve every success in the future.

Yours sincerely

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