Corporate Peer Challenge Programme Annual Report 2016/17

Executive Summary

The Corporate Peer Challenge continues to be an effective tool at the heart of the LGA's Sector-Led Improvement (SLI) programme. The sector remains committed to it. This is demonstrated by the levels of take-up of the offer – about a fifth of the sector have received a Corporate Peer Challenge, Finance Peer Review, or a Corporate Peer Challenge Follow Up Visit during 2016/17. The sustained supply of officers and member peers has enabled the deployment of more than 1,200 days of challenge and support to councils. This demonstrates a significant investment by the sector in its own improvement.

It is encouraging that 35 councils received a Corporate Peer Challenge for the first time during 2016/17, but also that many councils who had a Peer Challenge 4-5 years ago have commissioned and received a second one. Demand for 2017/18 is at similar levels. Our aim is to engage with 70 councils each year, with a particular focus on those who have yet to receive a Corporate Peer Challenge. Promoting the offer and demonstrating the benefits of it continues to be a key priority.

Feedback from the sector continues to be positive. An independent evaluation by Cardiff University ('Rising to the Challenge') concluded that Corporate Peer Challenges continue to be highly regarded by councils who have received one, provides a range of positive benefits and impacts and provides value for money. It also suggests that the peer-led approach enables councils to benefit in several ways. Peers gain new insights on how other councils operate and have the opportunity of bringing back learning to their own organisation in ways that both improve service outcomes and drive efficiency.

In addition to that peer learning, Corporate Peer Challenges provide useful insights into how councils are continuing to respond to the challenges facing the sector. We did an analysis of the Corporate Peer Challenge reports from 2016/17 and have produced a summary of the most frequent observations and feedback messages from peer teams. It provides a good picture of how councils are continuing to deliver their priorities within a rapidly changing policy environment and an era of continued austerity and other demographic challenges.

Corporate Peer Challenges tell us that councils have a good understanding of the place they serve and represent, with many becoming more evidence and analysis led in terms of their priority setting. Councils are providing strong leadership of place through positive relationships and partnerships, and seeking to influence sub-regional, regional and national policy and debates. Most Councils have a transformation programme of some description, with many focussed on developing new approaches to service delivery. Financial strategies are becoming predicated on a wider set of approaches, including commercialisation. There are several ways that councils are developing or maintaining their capacity to deliver, including digital transformation and shared services.

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Section1: Introduction and purpose

The Corporate Peer Challenge (CPC) is one of several tools provided by the Local Government Association (LGA) to support improvement in councils. It is a key part of the Sector-Led Improvement (SLI) offer which is based on the key principles of:

- Councils are responsible for their own performance
- Stronger local accountability leads to further improvement
- Councils have a sense of collective responsibility for performance in the sector as a whole

Peer Challenge involves a small team of local government officers and councillors (and sometimes others) spending time at a council as 'peers' to provide challenge and share learning. The process involves engaging with a wide range of people connected with the council and the findings are delivered immediately. It is a proven tool for improvement and is highly valued by the sector. The LGA delivers approximately 110 peer challenges a year, including corporate, finance, fire, children's, adults and other service focussed challenges. The Corporate Peer Challenge programme accounts for about half of the peer challenge activity.

This report provides a summary of what the programme has delivered in terms of peer challenge activity and peer deployment. It also summarises the most frequent observations and feedback messages from peer teams, providing an insight into how councils are continuing to deliver their priorities within a rapidly changing policy environment and an era of continued austerity and other demographic challenges.

Section 2: The current Corporate Peer Challenge offer

The current Corporate Peer Challenge offer was launched in the summer of 2011. It is based on the premise that all councils receive a Corporate Peer Challenge (or Finance Peer Review), fully funded by the LGA, every 4-5 years. The key design principles and features of the offer are:

- The Peer Challenge is not an inspection, it is a tool for improvement. It is aimed at improving, not judging, councils.

- The Peer Challenge is delivered at a time determined by the council, recognising there are different drivers, challenges, and considerations in different places.

- The Peer Challenge will include a focus on leadership, governance, corporate capacity and financial resilience. These will form the core components of all Corporate Peer Challenge (see below).

- The process is proportionate and flexible. The focus of the challenge (within, or in addition to, the core components) is agreed with each individual council to reflect their local needs and requirements.

- A scoping meeting involving LGA representatives is an essential feature. The council's specific needs, the areas it wants to focus on, the make-up of the peer team and the results it wants to achieve will be discussed and agreed.

- There is an expectation that Councils will publish their final report and develop an action plan to take forward the recommendations

- All councils who have received a Corporate Peer Challenge can have a 'follow up visit' by some or all of the original peer team 1-2 years after the peer challenge. The purpose of the visit is to help assess and demonstrate progress against the areas for improvement and recommendations identified by the original peer challenge.

All Corporate Peer Challenges focus on five core components. These reflect what we consider to be the critical issues effecting council performance and ability to improve. The current core components are:

1. Understanding of the local context and priority setting: Does the council understand its local context and place and use that to inform a clear vision and set of priorities?

2. Leadership of Place: Does the council provide effective leadership of place through its elected members, officers and constructive relationships and partnerships with external stakeholders?

3. Organisational leadership and governance: Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented?

4. Financial planning and viability: Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?

5. Capacity to deliver: Is organisational capacity aligned with priorities and does the council influence, enable and leverage external capacity to focus on agreed outcomes?

Section 3: Programme delivery in 2016/17

During 2016/17 we engaged with 62 councils (nearly a fifth of the sector) via the Corporate Peer Challenge programme:

- 50 councils received a Corporate Peer Challenge
- 7 councils received a Corporate Peer Challenge Follow Up Visit
- 5 councils received a Finance Peer Review

(One council received a Corporate Peer Challenge and Finance Peer Review during 2016/17)

We delivered peer challenges across the range of council types:

- 4 county councils
- 37 district/borough councils
- 10 metropolitan councils
- 8 unitary councils
- 3 London Borough Councils

Peer deployment

Peer Challenge is delivered by the sector for the sector. It is a peer-led process. During 2016/17 we have deployed more than 250 officer and member peers who have delivered more than 1,200 days of challenge and support to councils through the Corporate Peer Challenge programme. 76 of those peers were elected members. 26 peers were from non-local government organisations. Peer teams have been made up of average of 4.2 peers plus an LGA peer challenge manager.

We have continued to recruit and train peers during 2016/17. Six peer training/briefing events were delivered during the year resulting in more than 70 new peers being added to the peer database. Of the peers deployed during 2016/17 approximately a third were doing a Corporate Peer Challenge for the first time.

In January (2017) we revised and strengthened the format of our peer briefing events. These now take the form of a one-day training event.

Section 4: Common themes from CPC feedback reports in 2016/17

The following section is a summary of the most frequent and common feedback messages from peer teams during 2016/17. It is structured in line with the five core components and high level questions considered by all LGA Corporate Peer Challenges.

Understanding of local context and priority setting: Do councils understand their local context and have they established a clear set of priorities?

- Councils have a strong understanding of place and demonstrate a good awareness and depth of knowledge of the needs and aspirations of local communities, coupled with a clear desire to see better outcomes for residents.

- Many councils are drawing on an increasing range of information, analysis and engagement to enable a comprehensive and sophisticated understanding of the local context. The potential and scope to use customer insight and data further to inform local priorities was also a common area for improvement. Councils looking to, or needing to, become more 'evidence-led' and 'data-driven' is a key emerging theme.

- There is a clear commitment to stakeholder engagement and consultation to supplement the understanding of the local context, determine priorities, and assess the impact of service delivery. There are good examples of engagement with communities – including targeted and topic based approaches, and digital channels. It was also an area for further improvement cited by many peer teams.

- Most councils translate their understanding of the local context and challenges effectively into a clear set of relevant strategic priorities, usually articulated via a council/corporate plan. There is scope to strengthen the narrative about the rationale for priorities. Some councils were encouraged by the peer team to consider developing an overarching vision or 'story of place'.

- While many councils are able to demonstrate some impressive progress against stated priorities, for some an increased focus on the outcomes expected would enable more accountability for delivery and demonstrate the measurable difference and impact residents can expect to see.

- Priorities within corporate plans commonly include: economic growth (including tourism, job creation and employment and education), people and place shaping (including community working, safer communities and connected communities), housing (including sustainability and affordable homes), health and well-being (including children and older people) and the environment.

Leadership of place: Do councils provide effective leadership of place through its elected members, officers and constructive relationships and partnerships with external stakeholders?

- Councils appreciate the role they play in providing leadership to the place they serve and represent. They know the importance of developing positive relationships, working arrangements and partnerships with a range of organisations, stakeholders, and local businesses to build consensus on a shared vision for the place, and create a basis for collaboration and joint working.

- The role of the chief executive and leader in providing leadership was often cited. Many of the feedback reports mention a strong and effective leader and chief executive and how they personally help to develop relationships and enhance the reputation of the council. Their input to sub-regional, regional and sometimes national debates and forums that potentially impact on the area the council serves was also a common theme.

- Relationships with partner organisations across the public, private and voluntary sectors were often described as constructive and enthusiastic, and are seen to be delivering influence, impact and improvement in outcomes. In terms of developing this further, many councils were encouraged to consider how they could seek earlier involvement and engagement from partners and other stakeholders to enable and encourage fuller collaboration, joint problem solving and co-production of solutions.

- Peers also often recommended earlier communication with communities around decisions that were likely to involve unpopular choices, ensuring the context and challenges faced by the council were made clear.   Linked to this is the relationship between council and communities, with some councils starting to consider how to re-set and re-balance expectations.

Organisational leadership and governance: Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented.

- The majority of councils were described in positive terms with regard to the organisational leadership provided by senior politicians and managers. Many chief executives and leaders are described as well-respected and highly regarded by staff. They clearly provide a critical role in providing clarity about the direction of travel, and shaping the organisational culture, behaviours and values.

- Relationships between officers and councillors tend to be good, with supportive interaction and effective dialogue. Relationships are based on mutual respect and a good understanding of respective roles. There are exceptions to this. One common area for improvement is finding time for more dialogue – both formal and informal - between portfolio holders and senior officers for horizon scanning and longer term strategic planning.

- There is generally good cross party working that is consensual and inclusive. Councillors from all groups felt they had appropriate access to information relevant and timely opportunities exist for councillors to be informed and involved in decision making. Political composition (current and historical) has a bearing on this. Standards issues look to be rare. But where there are negative issues around member behaviour this impedes the council's progress in delivering priorities and overall performance and can have an adverse effect on reputation.

- Opportunities for non-executive councillors to provide scrutiny and challenge are considered an important part of governance arrangements. Overview and scrutiny is often valued, with some good examples of where it is working well and adding value to policy development. However, there is often potential for the scrutiny to be focussed more on strategic issues including the transformation programme, and involved earlier in the policy development cycle.

- Councils appreciate the importance of robust performance management information and arrangements. Many are investing in its further improvement and development. Strengthened arrangements are enabling managers and members to more proactively monitor in-year service and budget performance and take remedial action where necessary.

- Most councils have a transformation programme. These vary in terms of their focus, but many include exploring new models of service delivery. The pace and scale of change in councils can unsettle staff. Their understanding and buy-in to organisational change is helped by effective internal communications. The need for a continued development of a clear, regular, consistent and realistic narrative between the top and bottom of the organisation was often identified by peers. Councils were often advised to consider developing the range of channels to achieve this.

- Capacity to lead and manage transformation is often cited as an area for further consideration. Ensuring sufficient leadership and management capacity was in place – including programme and project management capability and expertise - in order to deliver their future change and transformation programmes was a frequent recommendation.

- Councils need to further strengthen and modernise governance to support the transformation programme. Some were encouraged to become more 'fleet-of foot' and practical in their approach to decision making. Others were recommended to refresh, strengthen or streamline procurement and commissioning.

- Councils with a strong two-way communication with staff, feedback mechanisms and a staff suggestion scheme were often the ones with a positive and supportive culture for innovation and ideas. They encourage the involvement of staff in change processes. Those councils also tended to have a focus on staff development and progression including management development, with a focus on supporting leaders of the future.

- Many councils are explicitly striving for a 'one council' ethos and culture. Some are further advanced than others. Many councils have staff who are loyal, motivated, and demonstrate the core values and behaviours of the organisation. A need to improve corporate working was evident in some councils, with particular reference made to the need to break out of silos, and developing a more streamlined, connected and cohesive approach.

Financial Planning and Management: Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented effectively?

- The majority of councils have a clear understanding of the financial challenges they face. Whilst there are still many difficult pressures to be negotiated, there are numerous good examples of where these ongoing challenges are being well understood and planned for.

- There are big variances in how equipped councils are to respond to the financial challenge. The ability to respond to the challenge can often be determined by historical factors and decisions taken pre-austerity.

- Councils have continued to respond to the ongoing challenge of reducing revenue budgets in a variety of different ways. Financial strategies are becoming more diverse, proactive and innovative. Due to the scale of the future financial challenges facing many councils, there is an acknowledgement that financial planning and management will require increasingly difficult decisions in the future. For many places, there are no more easy options for savings.

- The development of commercial income generating activity is underway to some extent in many authorities. There are examples of where this is more than just a focus on making savings, with some councils establishing income generation plans and developing multiple revenue streams. There is a need for some councils to define and understand the term "commercialisation" more fundamentally across the organisation if they are to effectively prioritise, resource and deliver income targets.

- Many councils are able to demonstrate a grip on their financial position as a result of having developed clear, realistic financial planning. Where this can be improved, there is a requirement for more effective financial management systems based on quality intelligence, better management access to this intelligence and a review of reporting mechanisms..

Capacity to deliver: Is organisational capacity aligned with priorities and does the council influence, enable and leverage external capacity to focus on agreed outcomes?

- Councils across the country have a loyal, enthusiastic and committed workforce who understand the need for change and to develop new and more efficient ways of working which avoid the duplication of activity. Many senior management teams recognise that their workforce is their greatest asset in ensuring the continued effective delivery of services in a challenging financial climate.

- Many councils recognised that agile, flexible staff are needed to deliver effective services in a climate of ongoing financial challenge. These places are continuing to invest in staff, taking steps to fully leverage the skills of a reduced workforce and utilise the experience of existing staff members. Member development is also a key consideration.

- Skills gaps within councils are being identified, particularly in relation to commercialisation. This is at both an officer and member level. Training and any new recruitment needs to target the skills currently missing within organisations, and there is opportunity for councils to take measures to retain these skills where they are present, develop capacity and enable successful succession planning.

- Peers highlighted several areas where councils can positively impact their capacity to deliver. Namely: an efficient and effective digital strategy; flexible partnership working that ensures early engagement with stakeholders; flexible working practices, utilising cross-departmental and co-location working; clear and consistent modern management practices and strong leadership and clear communication.

- Exploring new, innovative approaches to service delivery was highlighted by peers as useful in developing capacity and resilience. Commissioning, outsourcing or shared service initiatives with other authorities, whilst an area of focus for some councils, would benefit from further development in others.

- The continued drive to share and publicise these innovations through best practice examples was encouraged as a way of ensuring shared learning and evidence-based decision making across authorities.

Section 5: Feedback and evaluation

Independent evaluation

In September 2016 we commissioned Cardiff University (Centre for Regional and Local Government Research) to carry out an independent evaluation of the Corporate Peer Challenge programme. The report *'Rising to the Challenge: An Independent Evaluation of the LGA's Corporate Peer Challenge Programme'* (February 2017) concludes that:

Effectiveness: Corporate Peer Challenge is an effective tool at the heart of the Sector-Led Improvement (SLI) programme. The ability for councils to choose the timing of their peer challenge continues to be an important feature. So too does the focus on the five core components of priority setting, leadership, governance, finance and capacity. The quality of the peer team is key, and we need to remain focussed on peer recruitment and continue to strengthen training for peers. The feedback processes during a Corporate Peer Challenge, including the final report, all have value. It is important to make sure reports continue to be written constructively to inform and support improvement, while also providing sufficient information to enable councillors and the public to hold the council to account. There is also a need to consider how follow-up visits are applied, ensuring a focus on delivering them in the councils that will most benefit from them.

Impact: Corporate Peer Challenge is having a positive impact for participating councils and the sector as a whole. The extent of that impact is determined by how councils approach and react to a peer challenge. These impacts tend to occur in five main areas, all of which are all helpful in ensuring councils are best placed to meet the challenges they face. Corporate Peer Challenges have helped provide reassurance; improve external reputation; prompt behaviour change; informed organisational change; and supported service transformation and financial sustainability. For many councils, what happens after the Corporate Peer Challenge is as important as the peer challenge itself. The process can be a trigger for a set of activities and support from the LGA that have had further impact on improvement. We need to promote Corporate Peer Challenge more by using 'impact stories' from those who have had one to show how the process helps councils to improve and to encourage all councils to have one.

Value for Money: The Corporate Peer Challenge programme provides value for money. Peer Challenge is a good example of the sector helping itself by providing improvement support at a lower cost than is available through external consultancy. Not only is it cheaper, there is considerable added benefits from it being peer-led. While there are costs to the LGA in managing peer challenges and officer time is needed by councils receiving them, the value of Corporate Peer Challenge should not simply be evaluated on a unit cost basis. There are a range of benefits that offer a return on the cost and investment. Councils benefit in several ways from being involved in a process of peer learning. Peers gain new insights on how other councils operate and have the opportunity of bringing back learning to their own organisation in

ways that both improve service outcomes and drive efficiency. Corporate Peer Challenge is a catalyst for a range of activity and support (both formal and informal) which is valuable but difficult to put a price on. Additionally, these mechanisms can act in consort to help prevent failure and the more significant financial costs of intervention.

The report provides a range of recommendations for the further improvement and development of the Corporate Peer Challenge. These were considered by the LGA Improvement and Innovation Board on 8th March 2017 and have informed the continued development of the Corporate Peer Challenge process.

Feedback from councils

Feedback is sought from councils that have received a Corporate Peer Challenge. This is collated through two surveys sent to Chief Executives and Leaders (current surveys were introduced in April 2017):

- Feedback survey: survey sent to the Chief Executive and Leader on completion of the Peer Challenge to ascertain initial feedback about the process and peer team.

- Impact survey: sent to the Chief Executive and Leader 12 months after the Peer Challenge to ascertain measures and perceptions of impact in the longer term.

In terms of the impact survey, headline findings from authorities who had received a Peer Challenge a year ago (i.e. during the first three quarters of 2016/17) include:

- 96% of respondents said the corporate peer challenge (including any further improvement support it triggered) had a positive impact on the council's performance

- 96% of respondents said the corporate peer challenge (including any further improvement support it triggered) had a positive impact on the delivery of council priorities

- 88% of respondents said the corporate peer challenge (including any further improvement support it triggered) had a positive impact on the council's external reputation

- 88% of respondents said the corporate peer challenge (including any further improvement support it triggered) had a positive impact on the culture and behaviours within the council

- 92% of respondents said the corporate peer challenge (including any further improvement support it triggered) had a positive impact on relationships with partnerships external stakeholders

- 72% of respondents said the corporate peer challenge (including any further improvement support it triggered) had a positive impact on the financial sustainability of the council.

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