

Corporate Peer Challenge **Gateshead Council**

November 2016

Feedback Report

1. Executive Summary

Gateshead Council has had a reputation of being a good local authority with an historic track record of achievements particularly in iconic physical regeneration projects. Many of these are nationally recognised and have put Gateshead on the map, for example The Sage, The Baltic Centre for Contemporary Art and the Angel of the North. Councillors, staff and partners are proud of these achievements and of working for and with the council.

Like other councils it faces significant budgetary challenges and needs to make a step change if it is to continue to provide wide-ranging services to local people and be financially viable in the medium term. The scale of the gap in funding is around £72m over the next three years and £92m over the next five years. Although it has been a consummate performer in this area, and has a relatively good level of reserves, the challenge remains.

In order to bridge the budget gap and meet the expectations of the new political leadership the council will need to make a step change in what it does. In 2005 and in 2008 the IDeA peer reviews told the council that there was too much focus on process and that the pace of change was too slow and it is still slow now. There is still a great deal of emphasis placed by officers on processes and by officers and members on consensus, which results in lengthy decision making. There are widespread perceptions that the council is unable to be fleet of foot and concerns that this focus on process is at the expense of broader and early engagement with partners and stakeholders: we heard this often and consistently from a wide range of people when we were onsite at the council. Undoubtedly this may be a solid and sound approach to good decision making, but the broader concern is that this inclusivity is a cause of frustration for some officers, some members and partners who have aspirations for the council to make quicker decisions. It also gives the impression of an organisation that is risk averse. Being able to engage quickly with new initiatives or opportunities will be important factors for the future, when income generation and commercialism become more important for the council's finances, viability and reputation.

Since spring 2016 the council has experienced some significant changes to its leadership including a new Leader and Deputy Leader, the departure of its previous Chief Executive and the appointment of an interim Chief Executive. Other interim appointments have been made at senior level. This has resulted in what some feel to be unprecedented instability and uncertainty, and going forward, more visible and overt senior officer leadership will be essential.

This perceived instability whilst unfortunate in having caused some concern for staff, may in the long run be beneficial if it results in the council questioning its role and approaches more readily than it has done in the past. In particular the council's historic track record of good performing services has resulted in a degree of complacency. Although some staff talk of wanting to be ambitious, this seems to be more about the council's reputation as a good performer

rather than on outcomes for local people. During our onsite week we found it hard to see – although there were a few exceptions - where challenge comes from within the organisation.

The new political leadership of the council is committed to a more open style of engagement and there are signs that the organisation is becoming less defensive than it used to be. The new leadership also brings greater emphasis on people and community regeneration rather than the traditional physical regeneration that the council has focussed on in the past. Clarity is now needed about what the council stands for, and what it will do next. There are also concerns that the 2030 Vision and the Council Plan are too high level and generic and do not provide enough detail for stakeholders to understand what it is the council will do and how it will do it. Internally and externally there is also uncertainty following the political decision on withdrawing from the devolution deal in September 2016, and what this means for businesses, investors and other stakeholders in and around Gateshead.

The new appointments including that of the new Chief Executive provide an opportunity for the council to transform in a way that is more clearly understood and accepted by residents, staff, partners and businesses. This transformation will require difficult decisions to be made of a different order from those made so far, and will need lots of grit, determination and persistence.

The council must accept that you can no longer be all things to all people because if your current forecasts are correct and no action is taken, you will have run out of money for everything except social care within 2 years. Although there is a good focus on income generation, this in itself will not be enough to meet the scale of the budget challenge ahead.

A genuine transformational approach is needed to enable the council to be about more than just managing the budget cuts. Services for local people can change and improve, some will need to stop or be provided in a different way, communities will need to do more for themselves and partnership working needs to be more consistently embraced. These changes are vital and will challenge the solid and steady state that the council has been in for some time. They will require extensive innovation, risk taking, and in some instances, a willingness to think the previously unthinkable and deliver services in a different way where the council is not always the main player. This will help the organisation to become the modern council that Gateshead deserves and be viable for the longer term.

2. Key recommendations

- Clarify the intentions of the new administration and what it wants to achieve for Gateshead. This needs to be translated into a simple and accessible narrative that can be readily understood by everyone who has an interest in the council

and is in enough detail that people understand what it will mean in terms of outcomes

- Care must be taken to do this quickly, so that it does not become bogged down by the council's own bureaucracy
- More extensive and inclusive conversations are needed with stakeholders about their role and capacity in this new strategic approach. What can you do together that will improve the quality of life for local people? What might partners deliver more effectively than the council for local people?
- Take steps to actively re-engage with partners and rebuild relationships in light of the devolution debate earlier in the year. The aim should be to rebuild confidence that Gateshead is open for business, investment and partnership working
- Bring together the budget, corporate change and service change projects and programmes into one over-arching programme, properly resourced, but streamlined and with a focus on acceleration of progress
- This programme needs to be underpinned by clear delivery plans across all service areas, backed by tangible targets, actions, dates, and ownership by project leads and by corporate directors
- More widely place less emphasis on process and order and more on innovation, change and becoming more comfortable with challenging and being challenged. Remove or reduce what is unnecessary and address how the pace of change can be improved by streamlining formal and informal decision making
- Actively learn from other areas that have already transformed services and outcomes with partners

3. Summary of the Peer Challenge approach

The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected your requirements and the focus of the peer challenge. Peers were selected on the basis of their relevant experience and expertise and agreed with you. The peers who delivered the peer challenge at Gateshead Council were:

- Cheryl Coppel, former Chief Executive, LB Havering
- Mayor Ros Jones, Doncaster Metropolitan Borough Council
- Alan Gay, Deputy Chief Executive, Leeds City Council
- Wesley Rourke, Operational Director, Halton Borough Council
- Jeff Wood, Head of Technology, Essex County Council
- Hannah Barker, National Management Trainee, West Sussex County Council
- Judith Hurcombe, Programme Manager, LGA

Scope and focus

The peer team considered the following five questions which form the core components looked at by all Corporate Peer Challenges cover. These are the areas we believe are critical to councils' performance and improvement:

1. Understanding of the local place 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?

In addition to these questions, you asked the peer team to provide feedback on:

- Trading and commercialisation
- Economic growth and prosperity
- Digital Gateshead
- Achieving more together

The peer challenge process

The current LGA sector-led improvement support offer includes an expectation that all councils will have a Corporate Peer Challenge every 4 to 5 years.

It is important to stress that this was not an inspection. Peer challenges are improvement focussed and tailored to meet individual councils' needs. They are designed to complement and add value to a council's own performance and improvement. The process is not designed to provide an in-depth or technical assessment of plans and proposals. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared for this peer challenge by reviewing an extensive range of documents and information in order to ensure they were familiar with the council and the challenges it is facing. The team then spent four days onsite at the council, during which they:

- Spoke to more than 80 people including a range of council staff together with councillors and external partners and stakeholders
- Gathered information and views from more than 35 meetings, and additional research and reading
- Collectively spent more than 300 hours to determine their findings – the equivalent of one person spending more than 7 weeks in Gateshead.

This report provides a summary of the peer team's findings. It builds on the feedback presentation provided by the peer team at the end of their on-site visit (15th – 18th November 2016). In presenting feedback to you, they have done so as fellow local government officers and members, not professional consultants or inspectors. By its nature, the peer challenge is a snapshot in time. We appreciate that some of the feedback may be about things you are already addressing and progressing.

4. Feedback

4.1 Understanding of the local place and priority setting

There is immense pride in Gateshead as a place and of its industrial heritage. People talk readily of the achievements the council has made to the physical environment, particularly on the Quayside, and in putting Gateshead on the map. There is also considerable pride in the council's values and it is widely acknowledged as wanting to care for its communities.

Some of this is reflected in emerging new projects in the early help arena, particularly in social care for adults and children, and more recently in health. There is a clear political imperative, shared by officers, of wanting to use community assets to foster more communities doing more for themselves. This is particularly important in light of the budget reductions that the council faces. It is clear to some (though not all) stakeholders that the council will no longer be able to provide everything in the way that it has done in the past. Emerging ideas need to be given more thought and support, working with partners and the voluntary sector, so that they become more prominent in future service delivery. In particular we emphasise the need to be clear about health and wellbeing outcomes for local people, and how these can be achieved with NHS partners and the community themselves.

Overall satisfaction with Gateshead as a place to live improved to 75.5% in 2016 from 64.5% in 2015 through the council's own surveys. Compared to the 2012 results, residents identified street cleanliness, road and pavement repairs, traffic congestion, levels of anti-social behaviour and facilities/activities for young children as needing improvement.

From an outsider's perspective it is not easy to define what are and are not priorities for the council, because everything seems to be a priority. Some staff also told us that they found it difficult to articulate what the most important issues are for the council because on a day to day level, everything seems to continue to be delivered. This may relate to the council's ability historically to be an extensive provider of services, and where services did not exist, it has had the capacity to provide new ones to meet local need. However, those times have changed and a sharper focus is required which correlates to the reality of the council's budget. Councils which have taken active steps to focus on fewer strategic priorities, in approaches strongly driven by councillors include Wigan, Southampton, Plymouth and Nottingham City.

The 2030 Vision and the Council Plan are very high level and not necessarily understood or owned widely, despite the large degree of effort that went into their production. They do not provide enough detail about what specifically the council will do or not do either in the short or long term. Some partners did not seem to be aware of their existence. We heard views

that in the production of these documents, as in other areas, the council could have provided more opportunities for external stakeholders to influence at an earlier stage. They told us they feel they are often presented with plans at a late stage when most issues seem to have already been decided, and there are concerns that ‘the council knows best’ stance dominates plans and discussion. In our view more needs to be done to engage with partners earlier about both their intentions and those of the council, and the council needs to be seen to act on partners views more overtly than happens now.

This clarification of the vision also needs to then be applied to the practical things the council needs to do through its Change Programme, including its delivery plans.

There has been a strong focus on physical and environmental regeneration which has resulted in new buildings and new housing, as well as the new Trinity Square retail and leisure complex that opened in central Gateshead in May 2013. However the new leadership’s greater emphasis on people and communities needs to be expanded and articulated into clear proposals for local people, so it becomes clear what the council will do to develop its Achieving More Together approach.

At present much of the council’s communication seems to be about the enormity of the budget reductions and the potential dire consequences arising from those reductions. A next step should be to think past this to more clearly define and articulate what you want to achieve for local communities, despite these budget reductions. Helping define the most important outcomes for the future may help in prioritising what needs to change to deliver them.

4.2 Leadership of Place

The council shares many values with its external partners of wanting to do the right thing for local people. There are good and improving relationships in health and social care and this is a real asset to build on as budgets across the public sector get tighter. The Director of Public Health is widely recognised as bridging traditional boundaries.

Overall partners are enthusiastic about working with the council and are willing to engage, so they can be actively involved in ‘what next’ discussions. In particular, the changing and increasingly important health and social care agenda and the budget challenge means that the council and its partners need to get a real grip on the future of social care. This should include the development of a combined strategy on people and how services can be commissioned at strategic level across the health and public sector landscape.

Another aspect of this approach should be detailed joint work with health partners on the costs and mapping out of Adult Social Care. This could lead to the identification of significant cost savings as well as identification of where services can improve for local service users and significantly improve health and wellbeing outcomes for the community.

There are further opportunities for the council to formalise shared working on economic growth and housing. This would help to foster greater partnership working and capitalise on the partners' willingness to work with the council.

The decision to not back the North East Combined Authority's (NECA) devolution proposals in September 2016 has caused a degree of consternation from external partners and the business community, not just within Gateshead but across the region. This comment is not a criticism of that decision. But more thought needs to be given to what the council wants from devolution and the Combined Authority, and the impact of that decision. How it will re-engage with existing and potential investors? What investment does Gateshead need in order to thrive and how will it bring it about?

More engagement and discussions are needed with key partners to ensure this devolution decision does not derail existing and established place-based partnerships, and to rebuild confidence and understanding in the council as a key partner which is open for business.

The council has clearly expressed values that are reflected in its current and track record of good services. In the past there has been some resistance to seeking externally funded grants or initiatives which were felt to be at odds with the values of the council's membership; that is a prerogative of the members. However it has contributed to perceptions that the council wants to be in charge of and control everything, especially in being a direct deliverer of its services. Moving forwards some observers and stakeholders recognise that the council will no longer be able to do this, and that having an enabling role will be challenging and uncomfortable for members and officers.

Nonetheless there will be services that could be delivered by others and meet residents' needs well, and be more cost effective than at present. This does not necessarily mean through large scale privatisation, but could be through a wide variety of other ways of delivering services, for example through social enterprises or community interest companies. The council could support others to create jobs locally which deliver on its behalf to local people and encourage more entrepreneurship in the local economy, without compromising its values and beliefs. What it needs to do next is explore those alternative ways of delivering and ensure it does not miss opportunities that other councils are taking advantage of.

This will need to be considered in light of the clear priority placed by the council on retaining as many council jobs as possible and seeking to avoid

compulsory redundancies. How the council balances the best outcomes for its community as a whole and this desire to retain council jobs will need to be debated and reflected in future plans.

4.3 Organisational leadership and governance

The council is regarded as a good employer and staff value working for the organisation. They cite overall terms and conditions of working, as well as having a good work/life balance as key factors in how they feel about their employer.

Working relationships across the council are constructive:

- Relationships between councillors are positive and complaints to the Local Standards Board are a rarity. Any minor issues of concern are dealt with quickly and effectively through the political groups
- Call-in is rarely utilised as a means of challenging decision making
- Since the May 2016 elections there has been an improvement in dialogue between the leadership of the political groups and as a result, a feeling of more openness and transparency between elected members
- Member-officer working relationships are based on mutual respect and staff told us that they work together as “a family”. It is backed by a clear protocol for member/officer relations which is updated regularly, and an extensive councillor engagement and development framework
- Dialogue between the council and trade unions is well-established and valued by both sides.

The council’s constitution is reviewed on a regular basis to ensure it is up to date and fit for purpose. Role descriptions are in place for councillors, training is provided throughout the political year and unusually and positively, extends to members undertaking the Civic Mayor and Deputy Mayoral roles.

The past few months have seen a number of changes at the most senior levels of the council including:

- A new Leader and Deputy Leader
- A new Cabinet member
- The departure of the previous Chief Executive
- The departure of the Director of Children’s Services
- The departure of the Director of Adult’s Services
- The appointment of interim managers at senior level across a range of functions, including an internally appointed interim Chief Executive.

These changes have contributed towards uncertainty for staff and partners on a scale unprecedented for Gateshead Council, described to us by a number of people as creating “instability” and “confusion”. Some of this is probably a reflection of little churn in staff across the organisation for many years, as many people enjoy working for the council so much that they rarely leave and it is not unusual to find staff who have worked there for decades.

The absence of a permanent Chief Executive has contributed to a lack of cohesiveness at senior officer level. Our view based on behaviours we observed and discussions we participated in at Strategy Group level, is that it has resulted in less obvious behaviours associated with the ‘One Council’ approach agreed in the Ways of Working work stream and more variable corporate working and drive. There is a risk that departmentalism/silo-working is becoming the norm, where senior managers revert back to what they know or are comfortable within their services, instead of working together and collegiately in the best interests of the organisation. It can also be difficult to see where the constructive challenge comes from within the council.

During the week of our onsite visit to the council a new Chief Executive was appointed. In our view a key task for her will be to develop more corporate and cohesive working, in particular to challenge the directorates and senior managers who are not pulling together enough to bring about the fundamental improvements the council must make if it is to be viable in the longer term.

Some of this lack of leadership manifests itself in confusion about who is accountable and responsible for change at senior levels. There has been a corporate Change Team in place since April 2016 with a remit to:

Support, challenge, enable and facilitate services across the Council to identify and implement new delivery models which will secure a balanced budget in line with the Council Plan and Community Strategy

It has four work streams of people; place; trading and commercialisation; and ways of working.

However, there appear to be varying degrees of buy-in to what the Change Team has been asked to do. This is reflected in some aspects of the change programme having completed delivery plans and at least a third which are missing or incomplete. We were also told of other relevant projects which were taking place within services, but not reflected in the change programme. Overall we were unable to gain what we felt to be an accurate view of the number of projects across the council that were taking place. We are unclear whether or not this is because of deliberate disengagement with the programme, a belief that some projects are genuinely outside the remit of the programme or something else. But the overall effect of this variable degree of buy-in is that the change programme

is incomplete. The consequence of this is that it is difficult to regard the change programme as over-arching and comprehensive.

Further work is needed to address this partial approach in particular the finalising of delivery plans and starting to implement the necessary steps to transform the council and achieve the required budgetary savings.

The slow pace of change is a cause of frustration for many officers, some members and partners, yet it has been an established feature of how the council works for a long time. It appears to arise from a number of factors:

- A stronger focus and value held on processes rather than outcomes, including a reluctance to share plans until they are at a final or near final stage of completion
- A view that there is a 'Gateshead way' of doing things which cannot be challenged, because it has been established for many years
- A belief held by many that the council is best placed to provide everything
- Pride in being a high performing council, as referenced by previous inspection regimes
- This in turn appears to reinforce views that established systems and processes have served the council well, and therefore do not need to change
- We also heard of duplication of effort relating to the broad approach to new projects, including multiple requirements to attend different meetings to largely reiterate the same information, sometimes to more or less the same people. This is another example which highlights a degree of comfort in process which results in bureaucracy
- During our onsite phase members talk widely about wanting to make a difference for communities but we heard much less from officers about outcomes
- Some staff seem to reflect a nervousness about change, as reflected in widespread often tentative terms including "should be", "hope" and "beginning to"
- A belief that operational details about staffing that are delegated in most councils have to be agreed with trade unions in Gateshead

These factors need to be addressed because they give the overall impression that the council is unable or unwilling to respond quickly when it needs to. The focus needs to move from talking about plans and details to finalising them and pushing on with delivery that people will notice on the ground. Wigan, Luton and Sevenoaks councils are examples of local authorities that have reviewed their systems and processes to tackle such perceptions.

It is particularly important for the confidence of partners and potential investors that they feel they are dealing with a pragmatic and open council that wants to do business with them, and which can react and engage when it needs to. If not addressed, it may result in the council being by-passed by partners in favour of its neighbours.

Undoubtedly the council will need to make some difficult decisions in the short to medium term about how it conducts its business, what it can no longer afford to deliver and what it will and will not do for local communities. We are not sure that there is sufficient realism yet across the council about how difficult some of this will become and how much it will test the organisation's values, ethos and ways of working. We heard concerns from some observers that there is a reluctance to either make or implement difficult decisions, partly because good financial management has to an extent enabled the council to delay difficult decisions. Some members have a perception that there is no room for further budget cuts, yet the organisation needs to deal with a budget reduction of £92m over the next five years, from a current base budget of £206m. More work needs to be done to help members and some officers deal with the scale of the challenge ahead, if the council is to remain viable in the long term.

4.4 Financial planning and viability

The council has a good track record of managing and delivering the budget savings required: this is reflected in positive annual letters from the external auditor. Since 2010 budgets have reduced by £130m with a reduction in government grant of £76m. To date the need for compulsory redundancies has been avoided and the number of staffing posts at the council has reduced by around 2,100. The council's General Fund reserves are reasonably healthy at £41m which, whilst not excessive, afford the council some degree of flexibility to deal with the financial challenges facing them over the next three years.

Recent external audit letters have confirmed that overall the council's finances are sound and well managed, but also recognise the significant challenges that the council faces in the future. An unqualified value for money has been given.

The Medium Term Financial Strategy (MTFS) which was updated in July 2016, appears to be based on a sound set of assumptions and identifies a funding gap of around £72m for the period 2017/18 to 2019/20, and an overall funding gap of £92m by 2020/21 (the term of the strategy). The strategy has been compiled using best practice guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the LGA and notes that the wider financial context for the medium term remains uncertain.

However, the absence of clear delivery plans for proposed savings make it difficult to see whether all of the savings will be achieved. For example the

gap identified in Adult Social Care and Health has been identified at £11.4m for 2017/18, but it is not yet clear how that gap will be bridged. The review of the revenue budget for the first quarter of 2016/17 reported a projected overspend of £2.87m, mainly arising from social care costs in both Children's and Adults services.

Looking forwards the budget constraints will test the council's ability to manage budgets and ensure service delivery remains within future constraints.

There are mixed views about the approach to the budget setting process and some observers told us that setting the budget is largely finance-led, and tends towards incremental cuts, although it should be noted that the council has identified and delivered £130m of budget reductions since 2010. We heard views that the council should be more focused on outcomes when setting its budget, and should give greater regard for the impact of budget measures on the council and the borough as a whole. There is acceptance at the most senior levels that this approach needs to change and become more open, with more emphasis on what the council is trying to achieve for its communities.

4.5 Capacity to deliver

The support given to services by HR and finance colleagues is regarded as positive and constructive by receiving services. The Finance Business Partners we met know their respective services well.

We saw a strong commitment to demand management and an acceptance that the council must operate differently if it is to manage expectations, residents' needs and balance its finances.

We were particularly impressed with the service directors we saw. They are enthusiastic about their roles and have clear and positive views about what needs to be done in order to make Gateshead a better council. They are particularly ambitious and open to change. This is important because managers at the centre of any organisation are usually regarded as the drivers of improvement, due to their roles in being the interface between senior managers and staff delivering on the frontline. They need to be harnessed more effectively in order to bring about the changes facing the council.

Middle managers both understand the need for change and are willing to embrace it, but do not always feel well served by the lack of a corporate approach to change. They also expressed concerns about the effect on their services of some redeployed staff who were perceived to be 'marking time' until they reach retirement, as they lack the required skills for the role they had been slotted into.

We also heard of some good ideas around asset based community development, but these ideas need to be translated into tangible projects and actions. Linkages also need to be made about how the broad intention of Achieving More Together will fit in with and work with the other aspects of change including future ways of working, the council's physical and environmental plans, and strategic commissioning.

Whilst employees regard Gateshead Council as a good employer, staff morale has fallen between the 2 staff surveys conducted between 2016 and 2015, for example 8% fewer staff agreed with the statement "I am confident with the way the council is run". Across the headlines of the survey the responses were reported at lower rates than in the previous year. Frontline staff we met also felt their and the morale of their colleagues to be on a downward trend. Some of this may relate to uncertainties about the strategic leadership and direction of the council but also arises from practical support mechanisms that staff told us have room for improvement:

- Poor completion of the appraisal system. This was also reflected in the 2016 employee survey results which recorded fewer than half (47%) of staff had an appraisal in the previous 6 months
- Better communication at all levels including more opportunities for staff to work with each other across departmental boundaries
- The slow pace of change
- Perceptions that the approach to redundancies to date has largely focused on 'last in, first out' and concerns that this means those with new ideas, and often younger people, are the first to depart
- Concerns from staff that there are many people across the organisation that have worked for the council for a very long time. Whilst this has given stability, it appears to contribute to a degree of resistance to new ideas and sometimes an impression that people have lost focus on the primary reason for employment: to serve the residents of the borough. Staff told us very clearly that new people with new ideas often find it difficult to make progress because innovation is often resisted unless it comes from people who have been at the council for a long time
- Better strategies for dealing with redeployed staff who need training or motivation in their new roles.

Once the new Chief Executive is in post there may be some quick wins by having meeting broad groups of staff with the new political leadership to hear concerns and have dialogue about how people feel and where the organisation can improve. This would be beneficial to both the managerial and political leadership.

The Workforce Strategy needs to move quickly towards finalisation and implementation. It should also consider longer term succession planning to prepare for the inevitable future staff reductions that must be made if longer term budget and council viability is to be achieved.

Large scale change is also being impeded by support services being hampered through lack of resources, particularly where managers are wanting to and have been asked to develop a more commercial approach to the council's business. An example of this, we were told, is a waiting list of people wanting to update the council's website, but there is a lack of resource in the ICT function to enable this to happen. This in turn means that the service (s) affected are unable to promote trading opportunities via the website, and potential income is not realised. Looking forwards we encourage the council to think about investing in support services to ensure that income generation and commercialisation are not held back by either a lack of understanding in support services or too little resources to make things happen.

Elsewhere we have made reference to the council being regarded as a good employer, and one aspect of this perception is its established Terms and Conditions for staff. Severance terms in particular appear to be relatively generous when compared to other councils. In light of cost pressures and the future needs of the council, we think that Terms and Conditions should be reviewed to ensure they are still fit for purpose and affordable, and commensurate with those of other local authorities.

For the future the council needs to explore and articulate what it will be and not be about. Whether this is described as a target operating model or something else, clarity is needed to help drive and shape the approach to change, investment and disinvestment. It will be increasingly important to gain this clarity so that officer resources are directed to the right areas, and so progress can be made rapidly, without lengthy bureaucracy and without duplication of effort.

4.6 Trading and commercialisation

There is a clarity of purpose and strong systematic approach to those services which are expanding into trading activities. The stated purpose of the approach is to maximise growth by generating income for the council through more council tax, more business rates, external funding and trading opportunities.

There are some clear areas of success, for example:

- the creation of an energy company
- the new Supporting Independence Service which is moving from being a subsidised to a profit-making venture

The council has some sensible plans to grow external income in support of its wider objectives. Of particular note is the ambitious private house building proposals through the council's trading company.

However, we identified that a significant barrier to achieving its trading ambitions is a lack of capacity which is having an impact on the pace of progress. It is also important that the council does not place too much reliance on this approach to offset the funding reductions it faces; whilst important, the income gains are still likely to be relatively marginal.

There are perceptions that the council's established ways of managing its business work within a local authority context but are constraining if the organisation is to be more commercially successful. Recruitment processes for example may need reviewing to ensure they enable the trading service to compete effectively in a more open market environment. Its Terms and Conditions of Employment (mentioned earlier in this report) may also have an impact on the council's ability to trade at a surplus in some areas, for example in the proposed service(s) operating on a 7 rather than 5 day per week basis.

We think at various intervals the council should challenge itself more about the rationale for developing traded services, in particular to ensure that the market(s) it is competing in are fully understood, particularly the degree of competition within those market. And also the need to ensure that proposals and efforts are commensurate to the amount of potential income to be generated. Is the council trading in the right areas where it has real expertise and effectively create income where others cannot? Is it creating income opportunities which are not undermining local people's efforts to become more entrepreneurial and create and grow small businesses in Gateshead, which in turn could grow the local economy?

4.7 Economic growth and prosperity

The council has a proven track record of regeneration with iconic developments in the borough, and these have helped to establish a stronger identity for Gateshead. The customer journey in regeneration and recruitment is well-defined. There is good use of local employment key performance indicators.

There is clear use of evidence running through key strategic documents relating to regeneration including the Core Strategy, the Rural Economic Strategy (2015-2020) and the Housing Strategy.

However inconsistency in engaging some key stakeholders in developing a vision for what next for Gateshead is leading to a lack of clarity in how the Economic Growth Acceleration Plan 2013-18 should be delivered.

The importance of economic growth to the borough and the council is not yet widely understood by all employees across the organisation, particularly at frontline levels. Related to this there is also a lack of understanding of how broader regeneration initiatives benefit Gateshead residents. For example, there are local perceptions that regeneration is only about the Quayside and what happens there, without a wider appreciation that physical regeneration

initiatives not only create local jobs but they improve the appearance of the borough, and in turn lead to more businesses wanting to expand or invest in Gateshead. This also has a positive effect on the council due to an increase in business rates revenue.

Elsewhere in this report we have made reference to decision making and approvals being slow and this is having a detrimental impact on investor confidence and perceptions that the council is risk averse.

The council could take more of a leadership role in linking employer skills needs to appropriate training providers. We picked up views that it is a competitive market and a 'free for all' but the council could use its existing links with employers through its Business Support Team to engage with training providers in the 'diagnostic' process through the account manager role the team provides. Gateshead's current approach seems to be more about employability support rather than helping a business to grow and this would be a way of the council taking more control of the skills agenda. The What Works Centre for Economic Growth offers some pointers.

<http://www.whatworksgrowth.org/policy-reviews/employment-training/>

The council has had some success through its GATES service (Gateshead Access to Employment Services) through internships, job readiness support and employment for people with learning disabilities. There are opportunities to further the links between adults and social care through supported employment by using personal budgets to fund 'employability' related activities as opposed to leisure and lifestyle interventions. Some areas have used their Health and Well-Being Boards to progress the recommendations arising out of the Inquiry on Health Equity for the North to look at other ways of work e.g. personal budgets <http://www.nhs.uk/choiceintheNHS/Yourchoices/personal-health-budgets/Pages/about-personal-health-budgets.aspx>

It wasn't clear how the council's vision on skills is being monitored and evaluated by partners. Although there is a sub-group of the Gateshead LSP which meets to discuss employment and skills it needs to be more target driven. You might wish to consider the Skills Factory concept which was originally pioneered in the West Midlands to coordinate its skills and training offer in relation to the borough's growth sectors <http://www.blackcountyskillsfactory.co.uk/>. This isn't to say that Gateshead isn't doing these activities but it would help with focus, consistency of message a shared 'brand'. The Skills Factory focuses on four key priority pillars to achieve this:

- Up-skilling of Existing Workforce – to counteract ageing workforce and to reflect new technology
- Apprenticeships – to extend and encourage SME's to take on apprentices
- School engagement – increase the pipeline of people wishing to enter the sector

- Skills Factory Profile – provides a first point of contact for skills in the High Value Manufacturing Sector.

The Economic Growth Acceleration Plan is still high level – perhaps this could be supplemented by a ‘delivery and investment plan’ which more clearly outlines the interrelationship between: regeneration sites; housing sites alongside the borough’s people assets; schools, college, university linkages - as well as transport infrastructure.

The Acceleration Plan could also be enhanced by measures including:

- Whilst the analysis in the Core Strategy is good in identifying potential site usage, a further market driven analysis which identifies potential end users would serve to determine the viability of bringing forward these sites.
- The council should consider the establishment of a ‘flexible’ development fund to build on the principle of ‘speculate to accumulate’, an approach which has served the council well in the past
- Being clearer about which schemes accord with strategic priorities of ‘macro-economic’ partners and which are local priorities, to help address market uncertainty concerns
- Undertaking a gap analysis exercise to ascertain whether there is enough data, intelligence on sites to form an outline business case (OBC) then full business case (FBC)
- Following on from this consider what can be done in house and what needs input from external providers. This exercise could be used to justify the allocation of corporate financial resources to provide a development fund (as described above) to be used to support consultancy work; site investigations etc.
- Accelerated Development Zone/Tax Increment Financing (ADZ/TIF) principles would further strengthen the business case for doing this. In addition the baseline work on business rates could also support this work.

4.8 Digital Gateshead

The council’s digital strategy sets out a five year strategy to develop and implement digital public services. It is important to ensure that there a good understanding of technology as an enabler for digital transformation and as such, technology still requires its own strategy and continual service improvement alongside the digital strategy.

To be truly successful as a digital organisation the council must ensure the transformation is customer led, with strong support from customer service, marketing, communications and partners. It needs to have a focus on speed, agility, adaptability and sharing.

On digital working the council needs to accelerate the pace of change and become more agile, looking to deliver quick wins and early benefit realisation utilising preotypes, prototypes and short quick project blocks (i.e. 6 weeks). The focus needs to be on the required outcomes and objectives, and not on 'nice to have' outputs.

The current work programme appears to deliver most business cases, but would benefit further from milestones being defined. The strategy would be enhanced by developing cost estimates for design and implementation, so that resources can be assessed and scaled up, if required, to accelerate certain projects in line with the council's defined drivers (see below). It would be useful to select a defined number of projects and work in a more agile way, possibly as a BiModal IT process.

Some clarification is needed about why the council is pursuing its current strategy, as this will help to shape the programme further. This clarification needs to ensure that all stakeholders are engaged and understand the approach. There are a number of drivers that are typically seen as key to digital transformation including: customer experience; customer expectation, cost reduction, digital capability, emerging technology, market disruption and data usage. As outside observers we are not clear which of these elements are the most important to the council. Has a full analysis been undertaken of whether the council's drivers may contradict or undermine each other, for example, how are customers' experiences being balanced against cost reductions?

There is a good understanding of the role that partners play in what the council is trying to achieve through its work on digital. However stakeholders' needs should be more clearly identified through a broader and more extensive mapping exercise. Once this is complete further targeted engagement is needed from the early design stage of the proposals through to initiatives going live and for a period afterwards (the early life stage). This should help to ensure that the human transformational changes and integration to business as usual process are robust and effective. Currently there is a danger that the full benefits achievable from the digital transformation will not be capitalised on or will fail due to not addressing the cultural/behavioural aspects of the change.

There are some good initiatives identified for data sharing that need to be expanded further. Integrated data sets should be reviewed at every stage to ensure analytics and in particular predictive analytics are utilised not only in through the Digital programme, but in all aspects of the council's service delivery. Consideration should be given to using the VRTGO Lab or exploring resources through local universities to support artificial intelligence and/or Machine Learning to enhance the use of Big Data.

The Digital team is committed and enthusiastic in its approach and some good building blocks are in place or planned that will help to ensure the

council becomes a more digitally enabled organisation. The web team are particularly active and they may need some extra short term resources to ensure they can meet the demands being placed on them from across the council.

We would encourage you to keep up to date with what other councils are doing in this area through the LGA's website at <http://www.local.gov.uk/demand-management;jsessionid=B0A5540A667DD5267CB96FB171E2B7FD.tomcat1>

4.9 Achieving more together

Historically there have been good working relationships across the borough with stakeholders and partners sharing common values: this is a real asset to build upon. The council and its partners benefit from comprehensive and quality sources of data and good levels of analysis on the data. There is also confidence in the council's public health team and their skills, and some observers told us that they could have a much greater role to play in holistic early interventions to improve health and wellness amongst the local population.

There are There are some good emerging ideas and projects on asset based community development including:

- The council's asset transfer programme, recognised by Locality as an example of good practice. It includes 21 community centres and 3 leisure centres.
- Live Well Gateshead's capacity building approach has engage with over 200 local groups and organisations to help improve residents' health and wellbeing
- Co-ordination of the volunteer plan across the borough which includes over 8,000 registered volunteers across Gateshead

The people strand of the change programme has recently undergone a stocktake of progress. There is acknowledgement through this stocktake that the approach is beginning to develop partnerships with key stakeholders and that capacity is expanding, but progress will only be made when there are detailed delivery plans in place. The approach will also need a good performance management system to ensure that progress is being tracked. As the future operating model for the council has yet to be articulated. This a constraining factor on the Achieving More Together theme, because in order to develop delivery plans there must first be clarity about what the council will and will not do for the future.

We think the various strands and threads of delivery under the people theme would benefit from an overarching and strategic approach through a new people strategy that focuses on outcomes for local residents. It needs to

make clear and explicit links to the future of Adult Social Care and the wider radical changes that the council needs to make. It should articulate what the council's future role will be in supporting people, what the voluntary and community sector will do, and what it expects people to do for themselves. Gateshead may want to benefit from strategies that other councils further ahead in this area have already enacted.

Emphasis is placed on the voluntary and community sector as key delivery agents of the Achieving More Together theme, but care needs to be taken to ensure that over ambitious assumptions have not been made about the sector's capacity. This is particularly important in the context of previous reductions in grants to the sector in Gateshead. There does not appear to be a joint planned approach for how the council and the 3rd sector can more effectively work together.

5 Next steps

Immediate next steps

We appreciate you will want to reflect on these findings and suggestions with your senior managerial and political leadership in order to determine how the council wishes to take things forward.

As part of the peer challenge process, there is an offer of further activity to support the implementation of the recommendations we have made. The LGA is well placed to provide additional support, advice and guidance on a number of the areas for development and improvement and we would be happy to discuss this. Mark Edgell, Principal Adviser is the main contact between your authority and the Local Government Association (LGA). His contact details are: 07747 636910 and mark.edgell@local.gov.uk.

In the meantime we are keen to continue the relationship we have formed with you and colleagues through the peer challenge. We will endeavour to provide additional information and signposting about the issues we have raised in this report to help inform your ongoing consideration.

Follow up visit

The LGA peer challenge process includes a follow up visit. The purpose of the visit is to help the Council assess the impact of the peer challenge and the progress it has made against the areas of improvement and development identified by the peer team. It is a lighter-touch version of the original visit and does not necessarily involve all members of the original peer team. The timing of the visit is determined by the Council. Our expectation is that it will occur within the next 12-24 months.