

Cabinet

10 October 2012

Corporate Peer Challenge



Report of the Corporate Management Team
Lorraine O'Donnell, Assistant Chief Executive
Simon Henig, Leader of the Council

Purpose of the Report

- 1 During July 2012 the council was the subject of a peer challenge visit by the Local Government Association (LGA) and the purpose of this report is to set out the key findings of the review and identify key areas for future development.

Background

- 2 In 2010 the LGA developed a peer challenge offer which is free to all local authorities between April 2011 and March 2014. It is voluntary and is intended to complement improvement work that local authorities initiate themselves.
- 3 It was agreed to request a peer challenge visit three years on from local government reorganisation in order to:
 - measure our progress since reorganisation in April 2009
 - report on progress to local residents and the Government
 - provide a useful external challenge to our vision and direction of travel
 - access learning and ideas from other areas.

Durham peer challenge

- 4 The peer challenge visit involved five days on site and was designed to complement and add value to the council's own performance and improvement focus. The peers who delivered the peer challenge were:

- Deborah Cadman, Chief Executive, Suffolk County Council
- Ian Greenwood, Former Leader of Bradford Metropolitan District Council
- Paul Dransfield, Strategic Director, Birmingham City Council
- Annette Stansfield, Associate, Warwick Business School
- Neil Shaw, Programme Manager, Local Government Association

5 The peer challenge process included some core elements common to all councils which focus on leadership and corporate capacity. These key components look at:

- Leadership and governance;
- Financial viability;
- Organisational capacity.

6 In Durham, it was agreed that our peer challenge would look in particular at:

- The council's approach to community engagement and partnership working. Strong connections and engagement with local communities was a key priority for the new council and was a major feature of the LGR bid. There has been a strong focus on improvement in this area and in particular, through our Area Action Partnership (AAPs).
- Our strategic approach to economic development, reflecting the top priority placed on our Altogether Wealthier theme.

Key findings and next steps

7 The Corporate Peer Challenge Final Report is attached in full as appendix 2. Overall the team found that the Council has had a successful first three years:

"The challenge of bringing eight councils together to form a new single purpose authority was significant. It is a tribute to all concerned that the transition was successful and that we see a self-confident Authority dealing effectively with the massive challenges which face it and wider local government.

The Leadership of the Council, both member and officer, all of the political groupings and the staff of the organisation deserve great credit for the position which now exists. The findings from the peer challenge should be viewed in this context.

The council has strong political leadership, with a clear vision for the future. The leadership is supported by an effective Corporate Management Team. The council is well regarded by partners.”

- 8 The attached report includes more detailed findings in relation to leadership and governance, financial viability and organisational capacity, as well as in relation to economic development and community engagement. The report also identifies potential development areas for the next stage of the council's improvement journey.
- 9 Most development areas are in line with the council's direction of travel, set out within the Council Plan 2012-16. Linked council plan priorities supporting key peer challenge findings are summarised at Appendix 3, alongside 5 new proposed high level actions relating to:
 - a. Organisational development strategy
 - b. Exploring innovative financial approaches
 - c. Economic development
 - d. Community engagement.
- 10 It is proposed that these current Council Plan actions, and new draft actions are further developed and agreed as part of this year's Council Plan refresh.

Recommendations

- 11 It is recommended that:
 - (a) the content of the peer challenge final report is noted;
 - (b) the draft high level action plan set out at Appendix 3 is agreed.

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Appendix 1: Implications

Finance

Financial viability of the council is a key element of the peer challenge.

Staffing

Organisational capacity of the council is a key element of the peer challenge.

Risk

Governance and decision making arrangements are a key element of the peer challenge. Risk management forms a major part of our governance arrangements.

Equality and Diversity

Not applicable.

Accommodation

Not applicable.

Crime and Disorder

Not applicable.

Human Rights

Not applicable.

Consultation

The scope of the peer challenge included community engagement.

Procurement

The peer challenge is provided free of charge by the LGA to member authorities.

Disability

Not applicable.

Legal Implications

Not applicable.



Corporate Peer Challenge

Durham County Council

July 2012

Report

Background and scope of the peer challenge

On behalf of the team, I would just like to say how much we enjoyed spending time in Durham to work with you on the recent corporate peer challenge. The team very much appreciated the welcome we received, the openness and honesty with which people engaged in the process and the support provided in the lead up to, and during the course of, the challenge.

It is testimony to the confidence of Durham County Council that it commissioned the peer challenge. Peer challenges are managed and delivered by experienced elected member and officer peers. The peers who delivered the peer challenge were:

- Deborah Cadman, Chief Executive, Suffolk County Council
- Ian Greenwood, Former Leader of Bradford Metropolitan District Council
- Paul Dransfield, Strategic Director, Birmingham City Council
- Annette Stansfield, Associate, Warwick Business School
- Neil Shaw, Programme Manager, Local Government Association

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

The guiding questions for all corporate peer challenges are:

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

In addition, the council identified two issues for the team to explore:

- ❖ Economic development
- ❖ Community engagement

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 we were in Durham and, in

particular, expanding upon those areas that we highlighted as likely to benefit from some further attention. This report sets out those findings.

Executive summary

Durham County Council became a Unitary Authority in 2009 by the amalgamation of the existing County Council and the seven former district councils. The first elections were in May 2008 so the Shadow Authority existed for 11 months prior to the formal amalgamation.

The challenge of bringing eight councils together to form a new single purpose authority was significant. It is a tribute to all concerned that the transition was successful and that we see a self-confident Authority dealing effectively with the massive challenges which face it and wider local government.

The Leadership of the Council, both member and officer, all of the political groupings and the staff of the organisation deserve great credit for the position which now exists. The findings from the peer challenge should be viewed in this context.

The council has strong political leadership, with a clear vision for the future. The leadership is supported by an effective Corporate Management Team. The council is well regarded by partners.

The council has undertaken an extensive programme to bring together services in a coherent way, taking opportunities to join up services and make financial savings. A 'can do' culture runs through the organisation. The financial position appears sound, underpinned by a clear Medium Term Financial Plan. Issues around resources and the future savings programme are well understood by members, officers and partner agencies.

It will be important for the council to keep focused on its core vision as times get harder in order to deliver the bold ambition in the County's Sustainable Community Strategy of an 'Altogether Better Durham'. This will include ensuring ongoing support for future improvement and change.

The challenges of the next Comprehensive Spending Review and significant public sector reform mean that change is likely to be a constant over the medium term. There is a need to manage these changes effectively in the context of a more strategic approach to corporate workforce planning. Key service areas like Customer Services and IT need to better support the council's transformation and overall, there is a need to maintain a keen pace and momentum to the change process.

The council specifically asked the peer team to focus on economic development and community engagement.

In terms of economic development, the council has strong commitment to 'Altogether Wealthier', the economic development strand of the community strategy and Council Plan. The council has demonstrated effective leadership and is an active and effective partner in the Local Enterprise Partnership. It has good plans and strategies acknowledged by partners and neighbouring authorities. There is commitment to the priorities from partner

agencies and the County can already point to a number of achievements in terms of attracting major employers, completing infrastructure projects and promoting tourism.

However, it will be important to maintain commitment and momentum to deliver the joint 'Altogether Wealthier' vision. Businesses are keen to explore how they can work more effectively for and with the council. The council must also continue to positively influence the Local Enterprise Partnership. A key part of the overall improvement in the future is to continue to ensure that major funding agencies understand the aspiration and delivery plans.

In terms of community engagement, the Area Action Partnerships are working well with a strong focus on action and an impressive record of running exciting events and projects. Partner agencies are generally involved and supportive. The Partnerships have had early success in leverage of matched funding.

The future challenges on community engagement are to keep the Partnerships fresh, flexible and action-oriented. As public sector finances become further constrained in the future, the local partnerships will need to increase the funding they leverage in from outside the council and manage the overall funding transparently, flexibly and responsibly. The council also needs to map and link more closely with partners' community engagement mechanisms with a view to making this more joined up for local people.

In summary, it will be important for the council to maintain the pace and momentum on delivering the vision, building on the work it has already undertaken to date.

Detailed findings

Leadership and governance

The council has strong political leadership, with a clear vision for the future. The leading political Group is well established and has provided a clear political steer on the future 'Altogether Better' vision and direction for the council and its partners captured in the Sustainable Community Strategy and the Council Plan. Both the Leader and the Chief Executive are well regarded by members, staff and partners.

The administration is supported by an effective Corporate Management Team (CMT). The peer team received considerable positive feedback on both senior members and CMT. There is a good relationship between senior members and senior officers. CMT is well regarded by members and staff. This has also been recognised within the local government sector, with the council being highly commended in the recent LGC awards. The council is well regarded by external partner agencies.

Overview and scrutiny can often be a challenging role for local authorities. In Durham, it is making a useful contribution through influencing policy development in areas related to the Council Plan. The council has 126 elected members. This appears to be fit for purpose, with members playing a strong local role in their communities. Overall, members have

worked for the greater good of Durham County since reorganisation. This demonstrates a mature approach to local politics.

However, the council needs to work on an ongoing basis to ensure that the vision is consistently translated through to officers, members and communities. The future national public sector funding reductions will also require wider political support for ongoing future change.

To further mature the approach, the council is likely to benefit from countering a perception by some members that politics is not as inclusive as it might be. For example, by encouraging more open debate in full council meetings or involving more political parties in lobbying.

Financial viability

The council's current financial position appears sound. This is a considerable achievement in a time of significant public sector spending reductions. Last financial year the council managed its revenue spend effectively with all services managing expenditure within their cash limits. There is a strong and improving reserves position underpinned by financial provisions made for known liabilities including equal pay and single status. There are relatively low borrowing levels on the balance sheet against assets. There has been an underspend on the capital programme.

The council has a clear Medium Term Financial Plan (MTFP) and delivery of savings is being well managed. All savings targets have been achieved to date and the council is on track to achieve future projections. The issues around the resources and savings programme are well understood by members, officers and partners. Budget pressures and risks have been identified and accounted for in the MTFP.

Financial plans for 2013/14 look to be achievable without material diversion from approved plans. The council is planning well for future financial challenge including the next Comprehensive Spending Review (CSR). , Clearly, it will be critical to maintain the current momentum in future years.

The council is likely to experience challenges over the impact of welfare reform and future public health funding on the county, due to its demographics. Despite the savings the council has had to make, it has managed to create some financial headroom for new investment and addressing policy choices and priorities. To assist with this, the council may want to consider whether there is a case for additional prudential borrowing or local investment of the Pension Fund to accelerate regeneration programmes

In reviewing future priorities and budget it will be important to:

- continue to test resource allocations against your priority outcomes
- consider pump priming new methods of early intervention to change demand for services in future
- consider the need for a more holistic commissioning strategy and examining contract management arrangements

- explore the opportunity for transformation programmes being accelerated including asset rationalisation, customer service channel shift, agile working etc.
- consider shared service opportunities both within Durham and with neighbouring authorities and agencies

Financial management and project management skills need to be further developed within financial services, focused on financial business case modelling, company structure options knowledge and tax.

In addition, if the council wished to go further it may wish to positively explore:

- innovative approaches to finance to further accelerate regeneration projects
- examining the business case for a “Finance Durham” business loan scheme (and possible equity share scheme) to promote the growth of small/medium sized enterprises across the County
- a more strategic approach to corporate workforce planning widening current approach

Organisational capacity

The council has undertaken an extensive programme to bring together services in a coherent way, whilst also taking opportunities to join up some services and make financial savings. In addition to the challenge of bringing together eight councils into one organisation, the council has continued to deliver strong service performance in many core service areas. For example:

- Educational attainment at GCSE level has improved for the last 10 years with performance in Durham being higher than the national average.
- Durham is only the 2nd authority in the country to have safeguarding services independently assessed as outstanding in a recent inspection.
- Durham was assessed as providing excellent adult social care services.
- Overall crime rates are lower than the national average and are falling year on year.
- Through pursuing a number of initiatives, domestic recycling continues to increase whilst CO₂ emissions from council operations and waste sent to landfill are both falling.
- Customer satisfaction with the council has increased significantly following LGR.

The organisational culture of the council is open, transparent and generally positive, even in light of the impact of national public sector funding reductions. Staff morale is generally very positive and there is a strong ‘can do’ culture.

The council uses a range of channels to communicate with local communities and staff. The internal communication channels are generally good and staff understand key issues within the organisation through bulletins, team briefings, road shows and intranet blogs from CMT.

The reorganisation has been supported by training. Staff generally perceive middle managers to be in touch with operational service issues.

Since change is in a sense a constant, there is a need to manage change effectively in the context of a more strategic approach to corporate workforce planning. widening the current approach to look at, for example, organisational design, approaches to managerial

and supervision layers, workforce development and rebuilding employee morale and skills after headcount reductions and single status. The council is planning to undertake a skills audit within the next 12 months. This needs to be accelerated in order to identify possible key capacity and skills gaps across the organisation.

The council needs to build on the 'can do' attitude that was evident amongst staff that we spoke to and develop a more empowering culture. This could enable middle managers and allow the council to benefit from frontline staff becoming more involved in providing solutions to frontline service issues.

As a significant local employer, there is room to significantly expand the council's own apprenticeship programme from its current 80 apprenticeships. As well as providing more opportunities for young people this will contribute to the council developing a younger skills base.

The council has invested heavily in developing its approach to Customer Services. This has included a series of new Customer Access Points and a new telephony system. Without the need for a wholesale review of this approach, there is a need for the council to explore ways to provide a more seamless approach between services and improve the routing of resident service enquiries.

The council's IT systems have proved a challenge for the organisation. Although there have been recent improvements, IT needs to be better enabling and support the delivery of the council's ambitions. This should continue to be focused on the ongoing improvement to ensure a seamless approach to customer service.

Overall, the council has made great strides since 2009. To deal with the anticipated future challenges the council will need to maintain pace and momentum to its improvement. CMT will need to continue to manage change effectively in the future and take steps to ensure that middle managers and frontline staff continue to understand the purpose of and the pace of change.

Finally, much has been achieved in Durham despite the obvious limitations of its headquarters. The County Hall site, layout and quality of the building does not support the council's ambitions to be a dynamic, vibrant and innovative organisation. The council has long-term plans for the site and until this is resolved, the working environment in County Hall will not best support the council's way of working.

Economic development

The council asked the peer team to address some specific questions and these have been used to frame the team's findings.

To what extent has the council developed a strong strategic vision for economic development across the county?

The council has ambitious plans for local growth across the County captured in its 'Altogether Wealthier' theme in the sustainable community strategy and its own Council

Plan. The council is the first in the country to have a Local Development Scheme approved which sets out the timescales for the production of the County Durham Plan. The overarching priority of this plan is to improve economic performance in the county. There is strong political and senior officer commitment to the 'Altogether Wealthier' aspiration.

Feedback from partner agencies indicates that the council's approach to economic development in recent years, is much improved, including some positive feedback for the council's Economic Development Team. An overarching structure for economic development exists, supported by trackers and project managers for each stream.

However, although the 'Altogether Wealthier' vision is bold, it is important to ensure that delivery of the vision is sustainable and partner agencies continue to be engaged and on board.

How effective is the council's work with the private sector to improve growth and employment outcomes?

The council has been successful in recent years in promoting growth and employment opportunities, including:

- attracting major employers such as Hitachi, to Newton Aycliffe creating an initial 200 construction jobs and an estimated 500 manufacturing jobs when the plant opens and more jobs in the local supply chain
- completing development frameworks/masterplans for Stanley, Consett, Barnard Castle, Crook, Bishop Auckland and Seaham
- using high profile events like Lumiere to draw in spend to the local economy and enhance the tourism offer for Durham
- establishing the £100m DurhamGate development at Spennymoor
- £5.25m Durham city centre regeneration

To make further progress, the council will need to tackle some notable challenges. The council's economic partners captured this sense of challenge by expressing a wish to continue working in partnership with the council and for the authority to 'be ruthlessly committed to delivery on the economic vision'.

How effective is our relationship working beyond the county boundaries at a regional, national and European level?

Durham is brokering stronger relationships within the Local Enterprise Partnership, developing firmer links with Tyne and Wear to enhance regeneration capacity beyond the Durham boundaries. Ties with the Tees Valley remain strong. The council must continue to play a positive role in the LEP.

The council is also improving the county's profile on a national stage through its cultural work. For example the Lumiere festival attracted national media coverage and in 2013, Durham will host an Ashes Test and the Lindisfarne Gospels.

The council is working on the biggest stock options appraisal in the country and is collaborating with the Homes and Communities Agency on the development of national guidance.

Comment on approach to delivering of vision in practice, focusing on Durham city as an exemplar of our changing approach

As already outlined, the council has had success in the significant Durham city centre regeneration and using high profile events like Lumiere and its key tourist draws like the cathedral to drive local growth. The council needs to continue its positive work with the cathedral and university to ensure they play a strong role in stimulating the local economy.

Although partner agencies indicated that the council's approach had improved in recent years, the peer team felt concern over both delivery and capacity in economic development. The council has recognised issues with slippage in the capital programme and with some partner agencies who have had problems releasing assets which are being tackled. There was a consistent view from partner agencies that the council needs to develop its capacity to deliver the vision lower down the organisation. There is a need to review capacity and specialist skills set below the leadership level in areas like Estates, to ensure that they are fit for purpose in the future.

Tourism is a major strand in the council's aspirations to grow its economy and some good work has been done in Durham City. The council needs to capitalise on this work by ensuring that there is a clear offer which is consistently managed across the county.

Community engagement

Again, the council asked the peer team to address some specific questions and these have been used to frame the team's findings.

To what extent has the council achieved its key local government reorganisation objectives of connecting and working with localities?

The council made a major commitment at the time of local government reorganisation, to stay in close touch with its local communities. In 2009, it established 14 Area Action Partnerships (AAPs) with boundaries locally agreed as the foundation of this commitment.

There are also a plethora of existing public agency engagement mechanisms across the county, including 104 town and parish councils, 5 Health Networks, Local Involvement Network Groups and CCGs, police zonal and PACT meetings, a Citizens Panel and a wide range of service user groups e.g. Disability Forum, Children in Care Council. The council is in the process of developing a comprehensive network of local Access Points to provide face-to-face contact between local people and the council.

This complex network of engagement and contact mechanisms under the leadership of the council and other agencies provides a strong network for local communities to be engaged in and influence the work of the council. This is broadly reflected in the recent increase in residents who feel that they can influence decisions affecting their local area.

There are a number of good examples of consultation across the county which the council and other agencies can learn from on an ongoing basis, such as the community buildings review and local budget consultations.

The ability of the council to meet this commitment is explored in more detail in response to the questions, below.

How effectively are area action partnerships working?

The AAPs are a powerful demonstration of the determination and ability of the new council to deliver a fresh approach to involving its communities. The AAPs have moved rapidly from 'idea' to 'implementation', they have a strong focus on action and proportionate local partnerships. They are well resourced and provide funding for local innovation. They have an impressive record of action - having engaged over 5,000 local people and approved over 1,000 projects. This includes a wide range of exciting events and projects, such as the 'It's up 2 U' participatory budget project in Stanley and the mobile cinema (to name only two).

AAPs have been seen by many as the main route for consultation and involvement in council issues. They have a clear partnership governance structure. Partner agencies are generally involved and supportive.

The partnerships have had early success in levels of leverage of matched funding and there is scope to increase this further.

The peer team's broad conclusion is that AAPs are sound, valued and have exceeded early expectations.

The key challenge will now be to refine and evolve the approach. This includes keeping the approach fresh, flexible and action-oriented while ensuring that they do not become swamped by growing demands and unrealistic expectations.

They must manage local spend transparently, flexibly and responsibly. Local funding mechanisms are a clear attraction to local people and partners. However, it was interesting that a number of representatives on AAPs identified that 'money gets in the way and....is not the most important thing', recognising that some of the most innovative projects and effective partnership work has been at very low cost.

There is a need for support from the corporate funding team to encourage the development of more large-scale projects and for more structured sharing of practice between AAPs.

Getting to grips with the volume and formality of consultation is important. The number of consultations must continue to be managed and any consultations must be undertaken in an engaging way and made relevant to local circumstances. Council services need to be made aware of the full range of county-wide consultation mechanisms available rather than trying to run everything through the AAP network.

**How can changing partner engagement approaches be better coordinated/
integrated to improve efficiency and effectiveness through a time of austerity?**

The plethora of existing public agency engagement mechanisms across the county have all been set up at different times or have grown organically over a period of time, so the overall picture is complex.

A number of the mechanisms overlap in their purpose (whilst others serve distinct functional needs, such as service user specific groups). The most straightforward potential overlap appears to be between AAPs and the Health Networks which are due to be reviewed in September 2012 and there is likely to be a case for the rationalisation of these structures then or in Spring 2013 when the council takes on the public health role.

The police's approach to zonal and PACT meetings appear to serve a much more specific purpose and often meet at a very local level and/or more frequently than AAPs. Rationalisation of these two structures would be complex and is likely to result in the loss of focus on very local community safety issues. However, the police are likely to experience a challenge in sustaining its commitment to all the different engagement structures and a case may develop in the future for sensible rationalisation of the approach.

Both the council and other agencies need to further improve their ability to feed back and address local issues rapidly and consistently through the engagement structures.

Finally, we would like to thank colleagues and members at Durham County Council for their support in the lead up to the peer challenge and during the challenge itself. The council embraced the challenge positively, transparently and openly.

We have discussed the benefit of a follow up visit from members of the peer team. This is aimed at building on the outcomes from the peer challenge and enabling the council to reflect on the outcomes from the challenge. The council is still in the process of determining the need or focus of the follow up visit and we will explore this over the coming months.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Deborah Cadman', with a long horizontal flourish extending to the right.

Deborah Cadman

Chief Executive, Suffolk County Council

Lead Peer

Appendix 3 – Draft High Level Action Plan

Existing Council Plan actions linked to peer challenge areas for development

Peer challenge development area	Current Council Plan Action	Timescale
Council's apprenticeship scheme	Support young people aged 18-24 into employment, education or training - Develop an apprenticeship strategy action plan	March 2016
Customer Services	Develop and implement a consistent service delivery model for customer facing services across the authority to ensure that customers can access consistent levels of services at all access points and contact centres. Deliver the telephony strategy implementation plan in line with the project plan.	March 2014 Throughout 2012/13
Information Technology	Provide ICT solutions to support customer sites through the development of connectivity and service delivery tools to support the council's accommodation strategy.	2012/13
County Hall Site	Deliver the County Council accommodation strategy to meet the needs of the Council and residents/ businesses	March 2016
Transformation programmes, including: asset rationalisation,	Effective management of the Council's assets – completion of asset management plans	March 2016

customer service channel shift, agile working.	<p>Increase the availability of technology across the County by developing the Digital Durham programme for next generation broadband delivery to all areas of the county.</p> <p>Support the council's accommodation strategy through the deployment of mobile home working in line with service requirements.</p>	<p>March 2015</p> <p>2012/13</p>
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Proposed new action areas

Peer challenge development area	Proposed Action
Organisational development	Revise our Organisational Development Strategy to strengthen the approach to workforce planning, flexible working and cultural development, including scrutiny.
Innovative approaches to finance	Develop a response to peer challenge finance suggestions as part of MTFP planning.
Economic development	<p>Review economic development capacity and specialist skills</p> <p>Review consistency of the tourism approach across the County.</p>
Community Engagement	Review alignment of the full range of county-wide consultation and engagement mechanisms.