

Corporate Peer Challenge: Follow Up Visit **South Somerset District Council**

Date October 2018

Feedback Report

Key messages

A short Peer Challenge was undertaken on 23 and 24 October 2018. This was a follow up to the full Corporate Peer Challenge undertaken in March 2017 and designed to examine progress since that time. The key points from the follow up Peer Challenge are summarised below and are discussed in more detail in section 3.

The Peer Team found that the Council has taken decisive action and made good progress on the first stages of its internal transformation programme - although it recognises it still has much work ahead of it to complete its desired transformation. It has been successful in maintaining overall performance and staff morale during this difficult period. Its commercialisation strategy is progressing with a good property investment approach, although, outside of the Commercial Services which have approved business plans, it is still in the early stages of implementation across most service areas and needs greater prioritisation and the Council need to see through the planned business development processes.

The Council's finances are managed prudently and with good self-awareness of the financial position. The result of its good financial management (and the effects of the transformation and commercialisation programmes) is that the Council has a short-term revenue financial position which is relatively positive compared to many other councils. In addition it has significant reserves. These include a £24.6million capital receipts reserve of which £13.4m is available to invest in commercial investment and/or new schemes. Financial targets are being achieved to timescale (or slightly ahead) although not all the necessary savings/ income in the Medium Term Financial Plan are 'in the bag'.

The good progress that has been made in transformation and financial management is also allowing the Council to give greater emphasis to its desired economic and community regeneration activities. It has put in place plans and governance to give added momentum to its desired projects.

Whilst the Council has dealt with some challenging issues so far, notably around staffing, some of the hardest parts of the transformation are to come and significant challenges still to be overcome on its transformation journey. The introduction of new working practices and channel shift in customer facing services will place considerable strains on staff and members alike. A significant factor is that some members have not 'bought into' the transformation programme.

The Council does have a good awareness of what still has to be done and a committed leadership to do this. It has a settled senior management structure, has invested in transformation skills, and has truly remarkable staff commitment and enthusiasm to see it through the challenges ahead.

1. Introduction and background

South Somerset District Council (SSDC) received an LGA Corporate Peer Challenge in March 2017. The Peer Team concluded at that time that the Council had in previous years been regarded as being at the leading edge of local government. The Council had good self-awareness, acknowledging that it has been through some difficult times and that it has in recent years lost that edge. In view of this the Council had started an ambitious transformation programme. Financial pressures were part of the reason for this, but the main driver is accessible customer focussed services and support to local communities.

The Council had a good understanding of the diverse communities it serves. This understanding is significantly assisted through the Council's area based committee system and locality working.

There had been prudent financial management over many years and this had enabled SSDC to manage past financial challenges. The Council was in a relatively strong financial position in comparison to many other councils, was debt free and had significant financial reserves and capital receipts.

Despite this comparatively good financial position there were still significant financial challenges that needed to be tackled. There was a heavy reliance on transformation/ greater commercialisation being achieved and producing the anticipated savings/ income generation. As some income generation will take time, this financial shortfall, therefore, was a risk and the Council was aware of this.

The transformation programme was ambitious and the Council was placing great emphasis on this to preserve and improve services as well as meeting its financial challenges. The Council had taken external advice on the transformation programme and set aside significant financial resources to fund its implementation. There were, however, two main issues that needed to be addressed swiftly if the programme is to be successful:

- There was not a consistent understanding throughout the organisation of what the transformation programme is intended to achieve.
- The Council was lacking capacity in key areas which are necessary to implement the transformation programme.

The Council planned to create a more commercial culture. This intention needed a clear council wide commercialisation strategy which is realistic regarding the areas in which commercialisation is most likely to be successful and where commercialisation would not be pursued. There was a good focus on property, but it was not clear how other opportunities will be analysed and grown. The Council would require new and different roles and skills to those currently within the organisation to be successful commercially.

Good progress had been made on resolving the senior officer structure, but the Council still had a long way to go on its transformation journey. This journey will require considerable resolve, some difficult decisions and willingness at all levels to embrace the changes that the Council has identified as required. At that time the Council had shown considerable political and financial commitment to making the transformation happen.

The purpose of the follow up visit on 23rd and 24th October 2018 was to help the Council take stock of progress made against the areas of improvement identified in March 2017. This report provides a written summary of the key observations made by the peer team during their visit to South Somerset District Council

Peer review and challenge

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 focus. 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 process is not designed to provide a technical assessment or due diligence on specific proposals. Neither is it intended to provide prescriptive recommendations. The peer challenge process provides feedback, observations and insights from experienced practitioners that will help validate, reality check and further develop the Council's current plans, proposals and evolving thinking about the future.

Scope and focus

The peer team were asked to consider the progress made since March 2017 and provide observations about whether the Council is still on track to deliver its transformation, commercialisation and financial strategies. The team were also asked to examine the Council's renewed emphasis on economic and community regeneration. In doing so peers considered the areas for improvement identified by the original peer challenge and the key recommendations made at that time i.e.:

- 1) **Articulate the transformation vision simply and clearly.** It is essential that all levels within the Council appreciate what you are trying to achieve and why. Create an approach to engagement that builds on written communications and emphasises face-to-face messages from the top.
- 2) **Invest in further capacity as soon as possible.** The scale of the transformation and commercialisation programmes is large and complex. You should invest in additional specialist resources now especially strategic programme management, commercialisation, strategic human resources, communications and marketing.
- 3) **Develop a detailed implementation plan for your transformation programme as soon as possible.** This will require detailed workstream outputs. Dependencies and integrations between these workstreams must also be identified and communicated. These should dictate the Council's timescales.

- 4) **Ensure the Chief Executive and SLT have appropriate personal authority and visibility to see through the changes required.** It is important that members understand their strategic role and allow the Chief Executive and his Senior Leadership Team (SLT) personal authority to implement the culture change and system issues which are part of the transformation programme.
- 5) **Make sure your Transformation Implementation Plan is adaptable, and explicitly includes how you will undertake strategic workforce development and your desired cultural change.** The plan must be adaptable to your own needs and capable of being adapted further as it proceeds. It needs to have a clear statement as to the development needs that will be required of the workforce and a definition of the cultural changes the Council requires.
- 6) **Create a co-ordinated commercialisation approach that has a clear focus on what areas you will and will not pursue.** The Council needs to back up its commercial intentions with a clear council wide commercialisation strategy. This strategy must be realistic regarding which areas of commercialisation are most likely to be successful in and be clear where commercialisation will not be pursued. There is also a need to establish clear governance arrangements around this programme including the creation of new trading operations.
- 7) **Ensure a more structured, rigorous and timely process to the assessment of capital investments.** The Council should ensure that a clear criteria and process for determining capital allocations within its overall strategy is in place. This should support as far as possible its commercialisation/ income generation ambitions.
- 8) **Take action to see if there are any 'quick wins' to help the Council's financial position by:**
 - **Reviewing reserves and capital allocations to see if all are required.** The Council has significant reserves and capital allocations in addition to its unallocated capital receipts. The scale of these justify review, as there may be scope for re-allocation or further support to revenue pressures.
 - **Reviewing charging for services and car parking.** There is scope for a financial 'quick win' as regarding charging for existing services including adding premium charges when the service is 'gold standard'.

Peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected the Council's requirements and the focus of the peer challenge. Peers were selected on the basis of their relevant experience and expertise and agreed with the Council. The peers who undertook the follow up visit to South Somerset were:

- **Colin Carmichael**, Chief Executive, Canterbury City Council
- **Caroline Adlem**, Head of Traded and Commercial Development at Essex County Council
- **Councillor Peter Fleming**, Leader Sevenoaks District Council
- **Steve Jordan**, Director of Communities and Housing, Swindon Borough Council
- **Councillor Steven Lambert**, Aylesbury Vale District Council and Buckinghamshire County Council
- **Bob Ross**, LGA Peer Challenge Manager

All of the team had been involved in the original Peer Challenge in March 2017. The team spent two days onsite at South Somerset on 23rd and 24 October during which time they spoke to more than 50 stakeholders including councillors, senior managers, members of staff and external partners. Peers prepared for their visit by reviewing a range of documents and information in order to ensure they were familiar with the Council, the challenges it is facing and the recent progress and developments made.

2. Specific findings and observations

The sub-sections below set out the observations of the Peer Team during the October follow up peer challenge against the areas they were asked to explore.

Transformation Programme

At the time of the Peer Challenge in March 2017 the Council was in the planning stage of its transformation programme. Since that time the Council has taken decisive action and made good progress on the first stages of the implementation phase. This has been supported by the elected member leadership keeping its focus and resolve to implement the transformation, the senior officer structure settling in well and being well regarded by members and staff and the Council having invested in a range of specialist transformation skills. An expected drop in performance during the implementation period did occur in some service areas (not surprisingly) but this was not as great as anticipated.

This resolve and capacity has allowed the Council to create a detailed, fully costed four-phase transformation plan. A major stage in identifying and recruiting to the new officer structure across the Council has been completed successfully. This has been a large, complex and difficult process for all concerned. It is a credit to the Council that morale across the organisation has remained so high and many people spoke highly of the support they had received during the process. However, probably some of the hardest stages of transformation are yet to come with the embedding of the new delivery model into customer facing services. This will require new ways of working for staff and for managers in the way they manage staff and this will 'stretch' people considerably. It is also when the transformation process will actually reach the 'customer' which will add a new dimension to the process. The Council acknowledges that channel shift in particular will be a major challenge.

There are a few key points that will influence the success or otherwise of the next stages of implementation and these are discussed in the paragraphs below.

Firstly, it is apparent that some members have not 'bought into' the transformation programme. The new ways of working for customers and staff will also require new ways of working for members. It is important that there is not a situation whereby there is a 'divide' where some members are working to the new methods but others have found a 'way around' to maintain traditional practices. Whilst the Council has to ensure that this does not happen, it also has to ensure that members do have the tools and access channels that are vital for them to fulfil their specific role as the elected representatives of the district. Specific consideration should be given to this and it is understood that plans are well advanced in their development through the Member Working Group. However, it also means that individual members should not place pressure on officers to undermine the transformation process and there were a few pieces of anecdotal evidence to suggest that this may be occurring, although the team did not have time to investigate this in full.

Secondly, although the Council is well aware of this, the peer team did want to stress that it is crucial that the IT deployment to support new ways of working is timely and effective in supporting the new workflows etc. This was probably the main concern arising from staff, many of whom did not seem to know 'what will happen when' as regards IT. Whilst the peer team were informed that the plans are in place for the deployment of IT, and they are well advanced in their implementation, it is important that this ambiguity is removed as soon as possible and that the plans are communicated. Any misunderstanding or failure to deploy IT effectively to support the new ways of working is a significant risk to benefit realisation of the programme.

Thirdly, the Council will shortly be starting on its Area+ transformation which it intends will enhance area and locality working. This is still at an early stage and is one area where there did not seem to be a consistent or widespread understanding as to how it will operate. This requires greater clarification and communication.

Fourthly, The Council has deliberately undertaken its staffing changes before the new working practices are in place. The peer team understand this as a way of ensuring that the financial savings are achieved and that real change does take place and that the Council is prepared to have some decrease in performance whilst the process is underway (although, as stated above, the decrease to date is not as great as anticipated). This approach does mean that, whilst there is a clear methodology behind the planned staffing numbers, only time will tell if the staff numbers are truly correct and cannot be judged until staff have had a chance to adapt to the new working practices and have access to the IT systems mentioned above.

The peer team would also like to stress some points regarding staff. The main point is that the peer team found the enthusiasm and commitment of the staff to be truly remarkable given the level of change occurring and as high as any seen in most authorities. Most adverse feedback from staff was not about having to undertake the transformation process but more a strong desire to 'get on with it' faster. This applies to staff at all levels. It was also noticeable that staff felt that there had been a real change in management culture in most areas (it was already good in some) during the last two years and that support and openness had improved significantly. Middle management was also very enthusiastic and were able to express clearly how they are operating as one mutually supportive team. Some concerns however were raised over the challenge of maintaining staff morale and

resilience whilst changing working practises, implementing a new IT system, maintaining 'business as usual' and delivering on community priorities all at the same time.

This enthusiasm and commitment will be tested during the difficult stages ahead. It was noticeable that most staff felt far more directly involved with the transformation process which is greatly helping morale and speed of implementation. Many people, however, will require new skills and approaches and the Council needs to make up time lost in delays in its workforce development/ People Strategy. This is crucial to transformation success and maintaining the pace of change and the resilience of the organisation.

Commercialisation Programme

The Council has made significant progress with its commercial strategy and activity. During the first Peer Challenge, the Director for Commercial had recently been appointed, but no commercial strategy was in place. The new commercial function now comprises commercial property expertise, income generation capacity, and serves as a home and focus for the authority's traded activity including leisure, tourism, the arts, environmental health, MOTs, grounds maintenance and house clearance. A Commercial Strategy has been published and undergone an update.

The peer team found that the commercial leadership had embedded well into the authority, and was well regarded. A sense of excitement, positivity and teamwork was also noted. While steps have been taken to increase commercial acumen generally, these should be continued and reflected in the people plan.

The Council has enhanced the governance arrangements of its commercial activities, including the creation of the Investment Assessment Group. It was noted that the Finance Portfolio Holder is not a member of this group and it is suggested that he be 'better sighted' on investment decisions and how they may affect overall council finances at an early a stage as possible. The Council has a clear due diligence process regarding investments but would benefit from greater clarity around investment policy to provide clarity of decision making and avoid any suggestion of undue influence by any members outside of agreed policy. The Council is about to undergo its first audit of the Commercial Strategy and should utilise this to refine policy and governance to ensure clarity around decisions - making now that it has been operational for the first year.

Allied to the point regarding clarity of decision making it would be helpful to clarify, in order to maintain focus, why different commercial activities are being progressed. As an example the Council informed the team of commercial activity "to support our communities", but the authority is also investing in an out of area housing development. Whilst we are aware the profits from this investment are earmarked to support the delivery of the Council's regeneration ambitions, this would benefit from being more clearly articulated in the investment decision-making process. To be clear, there is no particular problem with out of area investments as such but clarity of purpose is important and may be achieved through a sliding scale similar to the below

Policy----->----->----->----->----->----->----->----->----->----->----->----->----->**Return**

Work which is being done purely to contribute towards outcomes	Work which is being done to contribute towards outcomes and generate financial return	Work which is being done purely for financial return
e.g. non-commercial activity	e.g. Battery storage	e.g. investment out of area

Commercialisation is currently primarily property focused. The commercial property function has strong capability and governance procedures, working well with the Monitoring Officer to make robust, timely purchasing decisions. The peer team noted that, while considerable expertise is held in-house, it is important to continue to seek external validation given current market conditions.

As part of its property based approach the Council has been reviewing its own offices and property assets. This office review and disposal is welcomed but should include making a decision on the central civic offices as the council continues to have an excess of office accommodation.

Outside of property and the commercial services, which have approved commercial business plans, commercialisation in other service areas is generally less well advanced. The peer team feel that there are three key points that would assist the Council in developing its commercial approach to other areas and these are outlined below:

Firstly, prioritisation of what commercial opportunities will be developed. Whilst this is now being commenced through the Commercial Services Director and LMT group with the Income and Opportunities Development Manager leading, greater prioritisation is now needed to ensure a focussed and deliverable programme that meets the Council’s income targets. The previous Peer Challenge stated that the Council ‘must be realistic regarding the areas in which commercialisation is most likely to be successful and be clear where commercialisation will not be pursued. There is a need to distinguish innovation from distraction i.e. do not pursue ideas that will take up financial and time resources with only a limited chance of return’. It was not apparent to the team that this approach is embedded in the Council with officers and especially Members. Care must be taken to ensure that all commercial decisions are in line with an approved council approach. An opportunity prioritisation matrix would assist the Council in this regard.

Secondly, where an opportunity has been identified and agreed the Council should have a clear business development process to take this forward. This should be backed by the structured creation of enhanced commercial acumen and continued commercialisation training across the Council.

Thirdly, the last Peer Challenge also stated that ‘clear commercial targets must be set and these must be understood’. There is an understanding by many staff across the Council that there is a 5% increase in yield target for all services. This is not actually the policy of the Council as the target of 5% is for the Council overall rather than each service. The Council should ensure that there is a clear and consistent understanding of the commercial targets.

The Peer Team also felt that there would be merit in a 'root and branch' fees and charges review, to consider:

- What are our current services?
- What do we charge?
- Does this recover cost?
- Could we stop doing it?
- Is there market failure?
- What could we charge?
- What are our charging abilities?
- Could we deliver it more efficiently?
- What would the market stand?
- Could we charge more through an alternative vehicle?
- Could we increase volume?
- Could we introduce variable pricing

2. What additional services could we provide?

Financial Management

The Council has a clear financial strategy and associated targets. There is also a high degree of self-awareness regarding the financial situation across the Council. The Peer Team was keen to ensure that it was satisfied that the Council has a prudent and realistic approach to the management of its finances and was satisfied that this is the case. The Council only builds factors into its Financial Strategy where there is a high degree of confidence that they will actually take place.

Through its prudent financial management the Council has achieved a short-term revenue financial position which is relatively positive compared to many other councils. It has a 'clean bill of health' from its auditors as regards its status as a 'going concern' and was able to have a balanced budget for 2018/19, without reducing services and is heading for this in 2019/20.

Its transformation programme is now fully costed and funded. This programme and the commercialisation programme have supported good progress in tackling budget pressures and the Council is slightly ahead of savings/ income target. The Council does have a savings target of £6m by 2023 and has already identified with at least a high degree of certainty £4m of this. However, whilst the financial strategy sets out how it envisages future savings will be made, the remaining savings/ income (circa £2m) are still not certain although the Council is very actively working on this.

The Council also has significant reserves. These include a £24.6million capital receipts reserve of which £13.4m is available to invest in commercial investment and/or new schemes. The Council has, rightly, been proud of its debt free status in past years. However, it is now willing to take advantage of its overall financial position and low interest

rates to consider borrowing to support its service and investment ambitions. The Peer Team supports this willingness within an appropriate governance structure.

The Council's overall strategy is to achieve a position of non-reliance on government grants. The Peer Team welcomes this as a prudent strategy.

Economic and Community Regeneration

The Peer Team only had limited time to examine the Council's economic and community regeneration activities. However, it was noted that the Council is keen to re-vitalise its economic and community regeneration now that it has its internal transformation programme well underway. Its willingness to borrow money and advantageous rates should support this strategy. It also intends its Area+ approach to support area and locality working.

Plans have been developed to provide tangible outcomes to this ambition backed with a significant investment commitment from the Council. These include completing the Yeovil Refresh for Yeovil Town Centre and progress implementation, regeneration of Chard and a town centre action plan for Wincanton. Revised Programme Board arrangements have been agreed for these programmes.

Although these projects are welcomed there was evidence of some degree of lack of belief as to when/ if they would happen and whilst current plans are relatively new, the ambition for some regeneration projects has existed for a considerable time. The new council needs to prioritise and ensure greater momentum in actual implementation, especially for projects located outside Yeovil. This should include mechanisms for maximizing the use of members locality based knowledge. Having said which, the projects which are under way are clearly being driven well, and are designed to make substantial improvements to the urban areas.

There is also evidence that the Council is investing in economic development and regeneration beyond the traditional public realm improvement projects.

The previous Peer Challenge report noted 'Local collaborative working is strong and district partners spoke highly of the Council. However, some broader partners (i.e. those outside just the immediate district area) reported that there was a perception that the Council could be too risk averse and, particularly at officer level, that the impression is sometimes given that it has to be 'South Somerset's way or not at all'. It should be noted that there were also reports that this reputation and perception is improving. The Peer Team found that district partners continued to speak highly of the Council as a partner and that many outside district partners also felt that relationships and the potential for partnership working had increased considerably.

The Peer Team found particularly strong support for the Council from the business and Further Education communities. Communication between the Council and the broader community was reported as much better; the Council was operating more strategically, with a clear plan, it is investing in imaginative Higher Education opportunities for workers in traditional industries. The Council

was described as having 'a budget, a plan, the drive, visionary leadership, and stakeholders prepared to work with them'. The Peer Team see this as being substantially different perception since the previous Peer Review.

3. Recommendations

Arising from the follow up Peer Challenge the team would make the following recommendations:

- 1) The next stage of your transformation will be the hardest - ensure your plan is realistic and appropriately resourced
- 2) Staff development should be a key strand within your next stage
- 3) The Council needs to ensure it remains focussed on the delivery of its Transformation Plans and that the resources directed towards this are maintained at appropriate levels with a view to ensuring swift implementation of redesigned service processes and the IT required to support new ways of working and the overall transformation.
- 4) Take advantage of the incoming council to embed the new working practices for all members
- 5) Commercialisation requires greater prioritisation, a clear business development process, and clearer policies to guide investment decisions and prioritisation
- 6) Be clearer in the decision making process as to purpose of investment projects – are they for profit or council service priorities
- 7) Office review and disposal is welcomed but should include making an early decision on the central civic offices
- 8) The Council has an ambitious programme around transformation, commercialisation and economic development & regeneration – it needs to ensure it remains focussed on its stated priorities and be mindful of the stretched capacity of the organisation in delivering the agreed priorities before considering additional priorities.

4. Next steps

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

As part of the peer review/challenge process, there is an offer of further activity to support this. The Local Government Association (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. Andy Bates, Principal Adviser is the main contact between your authority and the LGA. His contact details are: Tel. 07919 562849 and Email. Andy.Bates@local.gov.uk

In the meantime we are keen to continue the relationship we have formed with the Council throughout the peer challenge. We will endeavour to provide additional information and signposting about the issues we have raised in this report to help inform on-going consideration.