

Corporate Peer Challenge **Southampton City Council**

11th-14th September 2017

Feedback Report

1. Executive Summary

The Council commissioned a Local Government Association (LGA) Corporate Peer Challenge in July 2013 to provide an external view of performance and inform improvement priorities. It requested a second Corporate Peer Challenge in September 2017. The feedback from the original peer challenge set out a number of characteristics which described the organisation at that time. It also suggested the features and principles to which the organisation should aspire to. Notable progress towards realising those has occurred over the last four years. The improvement has been recognised by a range of internal and external stakeholders. The Council should be proud of the journey it has been on, and be confident about responding to the current and future challenges it faces.

The Council has become a credible and respected 'leader of place'. It has been proactive in the sub-regional discussions about devolution, played a key role in the integration of health and social care in the City, and sought to influence regional and national thinking. There is a widespread recognition of the leadership provided, particularly by the Leader of the Council and Chief Executive, which has helped to develop positive and constructive relationships, and an enhanced reputation with many external partners. They increasingly see the Council as a reliable organisation that they respect and trust, and have confidence in its ability to deliver. Those relationships and a good track record of working with partners are key strengths for the Council.

Many of the recommendations made by the peer team in 2013 have been followed through and have helped improve the performance and culture of the organisation. There has, for example, been good progress in getting to grips with the financial challenge. The delivery of significant savings (£79.6m since the last peer challenge), the development of a medium term financial strategy and the recent introduction of a four year budget have helped put the Council on a more stable financial footing. It is providing the basis on which to plan further ahead, and is giving assurance to senior officers and councillors about the Council's ability to meet the ongoing financial challenge. While an innate confidence is understandable, there is also a need for more discipline and robustness to ensure planned savings are delivered, the issue of overspends by approximately £5m is addressed, and aspirations regarding commercial activity and income generation are realistic.

Progress has also been made on addressing and responding to other key challenges. There has been tangible delivery against stated priorities such as health and social care integration, place shaping and physical regeneration. The latter in particular is noticeable as significant new developments and impressive public realm improvements across the city are completed. The City Centre Masterplan, developed with businesses and stakeholders, has helped to enable significant investment in the renaissance of the city, and there is an ambitious programme moving forward comprising a range of 'very important projects'. To sustain progress and drive growth faster there may be a need to focus and target a smaller number of high impact developments to maximise the economic benefit and deliver the City vision. This is against a background of the city being fourth in the table of the Good Cities Growth Index at the time of the review.

The Council is clearly committed to engaging communities and stakeholders as a means by which to inform priority setting, decision making and service improvements. There has been an obvious shift since 2013 in how the Council does that. There is a recognition of

the importance of seeking views and collating intelligence which is demonstrated by an array of consultation and engagement initiatives and approaches - both formal and informal. The Council has also invested to develop its analysis and needs assessment capability, business intelligence and customer insight as it has sought to become more evidence-led in its decision-making and policy development. It now needs to utilise the data in a more strategic and targeted way.

The progress made since 2013 means the Council has a number of strengths and assets which will help it respond to the challenges ahead. There is an improved level of confidence and leadership in articulating a vision and priorities for both Council and City. There is an increased clarity about what the organisation is striving to achieve, and a stated ambition to be more outcome based and evidence led. The Council benefits from competent and committed councillors, and an evolving 'one council' culture and mindset. There is an obvious commitment to strong governance and improved performance management. And there is generally a good awareness of key areas for further development, such as the need to develop and implement digital transformation – albeit a need to get a better grip on some of that.

All of these provide a good basis on which to make further headway with the organisational development and increased effectiveness that is required to deliver the ambitious vision and priorities. In doing that it will be important for the Council to continue to not to lose sight and focus on the basics – both in terms of service delivery and the systems, processes and operating procedures that support managers, staff and councillors to get their job done. While at present the Council appears quite consumed with budget savings and restructuring, the drive for the transformation journey is about delivering outcomes and becoming an organisation that is commercially aware and savvy. Redesigning the organisation with different behaviours and expectations is therefore important. However it is one part of the transformation journey, and not the only aspect which sets the culture of the organisation.

2. Key recommendations

There are some observations and suggestions within the main section of the report that will inform further improvement and development. In addition, many of the conversations onsite provided ideas and examples of practice from other organisations. The following are the peer team's key recommendations to the Council. They are focussed on supporting the continued development of the Council, having acknowledged the progress and achievements since the last LGA Corporate Peer Challenge in July 2013:

- 1) **Continue to move from a short term internal focus to a longer term ambition as leaders of place.** The Council should be confident about its future and continue to focus increasingly on the longer term outcomes, and less on shorter term budget challenges and restructuring of services. These need to be done but not be the cultural driver. More alignment with, and reinforcement of, medium to longer term strategic and longer term planning might be achieved by **a move to four yearly all out elections.**

- 2) **Develop a single set of political, organisational and vision based priorities that are unique to Southampton.** Consider including the 'Executive Commitments' within the Council Strategy so it is seen to be informed by political priorities as well as data and analysis of need. Ensure the City Strategy, developed with partners, better capitalises on the strengths and assets of the city including the Port.
- 3) **Match the ambition of those priorities to the Council's capacity and capability to deliver.** Be clearer about the top things that need to be delivered, and what areas will be de-prioritised or de-commissioned. There is a set of priorities about what the Council wants to achieve which are then reflected in core behaviours and performance contracts, thus aiming to embed the 'golden thread'. But less of a cohesive narrative about how the Council as an organisation will change and transform over the medium term to deliver that. Consider further explicit alignment and linkage between Council Strategy, Medium Term Financial Strategy, Workforce Development Strategy and the Digital Strategy.
- 4) **Continue to proactively drive growth faster by refocusing on high impact developments to maximise the economic benefit and deliver the City vision.** Ensure the sequencing, inter-dependencies and linkage between the high number of 'very important projects' is clearly communicated so that the wider 'masterplan' is better understood by all stakeholders and communities, and helps ensure effective co-ordination and resource allocation. Continue to deliver on the high impact developments as the masterplan is refreshed for the next long term period.
- 5) **Work with partners, staff and residents to better promote the City of Southampton.** The City has a wealth of fantastic assets and much to offer investors and visitors. Consider how opportunities for staff and citizens to be ambassadors for the city can be maximised. Review and renew the Council and City branding to reflect your ambition. Make more and better use of social media (including video and photography) as a key part of your messaging.
- 6) **Prioritise and focus on digital and ICT transformation and investment as this is key to unlocking the Council's transformational goals:**
 - These need to be seen as whole council projects not just corporate
 - Ensure there are sufficient resources (e.g. the right team in place and appropriate levels of investment)
 - Continue to prioritise the Agresso upgrade and HR integration
 - Ensure master data management and give consideration to following the 'vanilla' Agresso as much as possible
 - Agree a defined approach to a Customer Relationship management system (This is critical and will need to be supported by substantial business analysis)
 - Ensure that social care systems are kept up to date and there is capability for systems to be inter-connected
 - Ensure behavioural change runs concurrently with the Digital and ICT transformation

- 7) **Continue to develop ‘financial discipline’ throughout the Council to better support the delivery of the Medium Term Financial Strategy.** Remember that finance is everyone’s business. Continue to robustly and regularly monitor in-year budget performance, and ensure that more of the planned savings are achieved. Ensure that proposals to increase income generation/collection remain realistic and proportionate whilst recognising that the council needs to take managed risks and not everything will be within its control.
- 8) **Continue to improve organisational effectiveness** by:
- Further embedding empowerment of managers and staff across the council
 - Ensuring clear accountability and responsibility (single owner)
 - Investing more in staff wellbeing activities
 - Ensuring appropriate arrangements are in place to support training and development
 - Reviewing all paper based systems to make them more productive whilst implementing the digital transformation programme.
 - Smarter use of data to inform decision making (ensure it doesn’t become an industry)
 - Getting smarter at restructuring so that the organisation is not consumed by the process.

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 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 delivered the peer challenge at Southampton City Council were:

- Keith Ireland – Managing Director, City of Wolverhampton Council
- Councillor Jon Collins – Leader, Nottingham City Council
- Robin Porter – Deputy Chief Executive, Luton Council
- Sarah Reed – Director of Strategy, Partnerships and Transformation, Sunderland City Council
- Julia Veall - Transformation Director, Gateshead Council
- Paul Clarke – Programme Manager, Local Government Association (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. 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?
4. 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?
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?

The peer team used the 2013 LGA Corporate Peer Challenge report as a benchmark as well as draw on knowledge of current practice and progress in other councils.

The peer challenge process

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 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 current LGA sector-led improvement support offer includes an expectation that councils will have a Corporate Peer Challenge or Finance Peer Review every 4 to 5 years. Southampton City Council had a Corporate Peer Challenge in July 2013. Where relevant to do so, findings from the previous peer challenge have been referenced in this report.

The peer team prepared for the 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 90 people including a range of council staff together with councillors and external partners and stakeholders.
- Gathered information and views from nearly 40 meetings, visits and additional research and reading.
- Collectively spent more than 220 hours to determine their findings – the equivalent of one person spending more than 6 weeks in Southampton City Council.

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 (11th-14th September 2017). In presenting feedback to the Council, 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 the Council is already addressing and progressing.

4. Feedback

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?

The Council has a good understanding of the place it serves and represents. It recognises the importance of data, insight and analysis to ensure a sophisticated analytical appreciation of the needs of the city and its communities. It has invested to increase the capability to do that. The establishment of the Intelligence, Insight and Communications service in 2015 has provided dedicated capacity and expertise for analysis and strategic needs assessments to inform key strategies – such as the Council Strategy and Safe City Strategy. Additional bespoke needs assessments and analysis are produced to support decision-making at both a citywide and council wide level. Modelling work is undertaken to support commissioning strategies and decisions – e.g. the future demand for extra care housing. The data now needs to be targeted to that required for each decision (analysis and fewer performance measures rather than lots of data and lots of PIs) as this function develops.

The understanding of place is also informed by community and stakeholder engagement. The Council recognises the importance of this as a means by which to inform priority setting, decision making and positive action. It engages through an array of formal and informal consultation and engagement initiatives and approaches – such as the People's Panel. Operated by the Council with some work by the University of Southampton, the Panel is used to undertake regular engagement with more than 1,000 residents. Engagement with council house tenants seems comprehensive and provides the basis of a good two-way relationship between council and tenant – enabling swift communication and action post-Grenfell. There is a comprehensive Children and Young People's Participation and Engagement Strategy, and we were impressed with the engagement with the youth forum champions we observed, which was both vibrant and meaningful.

The priorities set out in the Council Strategy 2016-2020 and Southampton City Strategy 2015-2025 appear relevant given the local context and the challenges facing the local area and wider sector. They have been shaped by needs analysis and a citywide survey in 2015. A focus on sustainable economic growth, children and young people, promoting health & independence, and protecting and enhancing the environment makes sense. The peer challenge in 2013 identified a need for priorities to be focussed more on outcomes in terms of impact on quality of life, rather than just service delivery outputs. The Council is clearly committed to doing this and has made some headway. Many of the priorities have clearer outcomes, and there is a push more generally to become a more outcome-based organisation. This is positive but will not be fully recognised until the digital transformation and the practice of using evidence and analysis is fully embedded.

There is scope for the vision, priorities and outcomes to be more specific about Southampton in order to maximise the opportunities of the City. Our observation was that in terms of the City Strategy the distinctive strategic strengths, assets and characteristics of the city – such as the port – don't come through particularly strongly. The separation of Council Strategy priorities and 'Executive Commitments' is causing confusion amongst staff and potentially challenging officer capacity. The 'Commitments' are aligned with the four priority outcomes in the Council Strategy, and provide a visible and easily digestible way of demonstrating progress and achievements. That would provide a single set of priorities that better blend the evidence-led and politically driven priorities. One suggestion is to incorporate them in the Strategy at the Council Meeting following the election.

Notwithstanding this, there has been some notable progress and delivery against some of the stated Council priorities. Through direct investment, partnerships, and influencing others the city has seen demonstrable economic growth and physical regeneration. The City Masterplan and various programmes have helped create jobs (around 3,000 created in the city per year), significantly reduce levels of unemployment and enabled key developments and public realm improvements in the city centre (e.g. Westquay). There has been progress in terms of reducing numbers of Looked after Children (LAC) - down from a high of 637 to 516 at the time of the peer challenge. These are impressive achievements. The Council knows there is more to be done to deliver on other priorities (e.g. adult social care) and address current issues and challenges (e.g. air quality).

The City has a diverse population (22.3% of are from a non-White British ethnic group). The current makeup of the Council's workforce does not reflect this, and we identified the potential to consider and address this. Some councils aspire to have a workforce which is representative of the community that it serves, seeing it as important to their understanding of the place and context so that they can deliver appropriate services.

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

The Council understands and values the importance of a regular dialogue with key stakeholders about city wide issues and shared challenges. It has actively sought to enable and facilitate this through strategic partnerships such as Southampton Connect, Health and Wellbeing Board, Safe City Partnership and the Employment, Skills and Learning Partnership. There are evidently good relationships, joint working, reputation and trust with a range of partners – across the public, private and voluntary sectors - which are helping to deliver on key agendas for the city – including economic growth. Well established relationships (with the Clinical Commissioning Group and other health partners) and arrangements such as the 'System Chiefs Group' and Integrated Commissioning Unit (ICU) are enabling the further integration of health and social care. They are providing the basis for collaboration which is enabling key challenges (e.g. Delayed Transfer of Care) to be tackled in partnership, and joint commissioning to occur.

The Leader of the Council and Chief Executive are well regarded and respected, locally and regionally. Both rightly appreciate their leadership roles must extend well beyond the confines of the civic centre and city boundaries. They have been proactive in sub-regional

activity – for example playing a key role in developing a proposal for a devolution deal. Their personal involvement and positive contribution to a range of partnerships, forums and networks was cited regularly during our time in Southampton. Other senior officers and councillors are making notable contributions to partnerships too, which is helping to ensure the Council is seen as a reliable organisation that delivery partners can have confidence in.

The Council has become a credible and respected ‘leader of place’. There is clearly an excellent track record of the Council with its partners delivering an ambitious place shaping agenda. Southampton is a thriving city and has demonstrated over the last few years its ambition and capacity to realise its enormous growth potential – something that is externally recognised through a variety of measures (e.g. PwC Good Growth of Cities index), awards (e.g. LGC highly commended for Driving Growth Award) and external funding/investment (£1.9bn delivered/committed since 2012, £61m City Deal).

There may be scope for the Council and City to be bolder in its aspirations, and more focussed in its delivery of them. We were struck with the high number and diverse array of ‘very important projects’ currently in the pipeline. This is a positive illustration of the level of ambition. But a re-focus on a small number of high impact developments might better and more proactively drive growth. Ensuring the sequencing and inter-dependencies and linkage between projects is clearly communicated will help ensure the wider ‘masterplan’ is understood by all stakeholders and communities, and support more effective co-ordination and resource allocation.

We posed a question of whether there is scope to further develop partnerships and relationships to deliver the aspirations set out in the Southampton City Strategy 2015-2025. For example, are all of the partners required to deliver on the focus of ‘maximising Southampton’s port status and waterfront potential’ currently involved in the Connect partnership? There is also potential, we think, to better promote the city and its unique assets and characteristics – such as doing more to realise the economic benefits of the port to the city. The potential to increase spend from cruise liner passengers in the local economy and enabling and supporting that by a better physical link between port and city seem obvious areas to focus on. We know the Council and partners recognise that and are determined to improve further on this.

More generally, leaders and senior officers should continue to promote the successes and improved outcomes being achieved by the Council. Be proud of your achievements. There is a need to continue to improve reputation and perception. Staff and citizens can, and should, be ambassadors for the city too. Overall resident satisfaction with the Council looks to have plateaued (55% satisfied). While this is not significantly out of kilter with other councils (recent LGA research suggests overall satisfaction is falling), it is nonetheless lower than the sector average (66%). There is always scope to shout more about the good things the Council is doing and what a great place the City is.

In doing this the focus needs to be on the improved outcome changes and new developments will bring about. There is still a tendency by many to revert to the budget constraints and financial challenge as the main rationale for change. We encourage you not to be ‘budget obsessive’ or consumed by restructuring. There is also an opportunity to

review council and city branding, and make more and better use of social media (including more use of video and photography). Celebrate success and be proud.

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

The Council is benefitting from the political and managerial leadership being provided – particularly from the Leader of the Council and Chief Executive whose personal involvement, energy and drive of were cited frequently by officers and councillors. A new senior management team is in place following some significant changes and recent restructure. Those new arrangements are still bedding in, but managers feel they provide a good basis for cross service working, greater empowerment and help foster a ‘one council’ ethos.

Political leadership is provided by competent and confident members who have constructive relationships with officers based on mutual respect and trust. There seems to be an appropriate balance of formal and informal engagement and involvement. Cabinet members appear to have a strong understanding of their portfolios. Non-executive members are committed to providing timely and appropriate scrutiny and challenge to key decision making and policy development. There are mature and constructive politics focussed on delivering for the city and its people.

The Overview & Scrutiny function is making a valued and timely contribution to the policy development and decision-making. The Council takes the function seriously and supports councillors accordingly. The work programme is informed by the Executive Forward Plan and includes a focus on strategic challenges and pertinent issues, e.g. Drug-related litter, clean air zones, and taxi licensing. There is also a focus on budget performance and progress of the transformation programme. It holds the Executive to account on important issues such as the Council’s response to the Grenfell tragedy. There are some good examples of scrutiny inquiries that have informed policy thinking over the last few years – such as the review of apprenticeships and Dementia.

The 2013 peer challenge identified performance management as a key area for improvement. It recommended a council wide performance management system and culture was needed. The Council has responded impressively to this. It has invested in systems and staff that together create robust arrangements for managing the Council’s performance. There is a comprehensive ‘regime’ of monitoring – including a Council Strategy Scorecard considered quarterly by Council Management Team (CMT). A Monthly Operational Performance dashboard is also considered, which contains key measures and metrics to provide a view of financial, workforce, compliance, customer performance, communications, consultation and engagement work.

The approach to performance reporting is being extended throughout the organisation, ensuring that councillors have the means by which to provide regular oversight and challenge. There are regular briefings to Cabinet, and performance reports are presented to the Scrutiny Committee and Panels, and Corporate Parenting Board. Monthly, weekly and daily performance reports are generated for officers in operational teams. These

support proactive monitoring and consideration of performance, and enable issues to be identified at an early stage, and corrective action to be taken. 'Intensive Care' meetings and 'service improvements boards' bring together key officers to address areas where there are issues or poor performance. The work to establish and develop a single data platform is helping to improve the quality and credibility of data. All of this makes for a comprehensive performance management framework. There is undoubtedly work to do to further embed arrangements - including reviewing the depth and breadth of information produced (don't let it become an industry in its own right). But the progress made to date is commendable.

The importance of good corporate governance as a keystone of a high-performing organisation is understood. The strengthened performance management and councillor-led scrutiny mentioned above form part of this. The Council is also committed to further strengthening and developing other elements of the governance arrangements. It is keen that governance 'enables' as well as 'safeguards'. The new internal audit arrangements (which commenced in April 2017) look to provide a more collaborative relationship with the audit function (e.g. new approach to investigations) and a work plan that focuses on key facets of corporate governance such as strategic contract arrangements and project governance. The approach to strategic risk management is being strengthened, and the Council is proactively planning for the requirements of General Data Protection Regulation (GDPR).

The importance of regular staff engagement and communication is clearly understood by the senior leadership. This is another area of notable progress since the peer challenge in 2013. There are regular bulletins, a new 'Staff Stuff' intranet, and annual staff awards have been introduced to recognise and celebrate success. The PULSE group provides opportunities for the Senior Leadership Team to engage with staff on a range of issues – including culture and core behaviours. It will be important to use those channels to check the impact of the transformation programme on the workforce – along with organisational health indicators including staff satisfaction and sickness absence (which is high compared to the sector average).

There is a perception of a 'stop-start' approach to transformation. We were told of a tendency to start brand new initiatives – some of which were similar to things tried and abandoned previously – rather than build on what is already good. We did not see or hear much about the longer term vision of the future council and its operating model, and a narrative about the organisational development (and phases of it) required to get there. Ensuring a clear connectivity between the Council Plan, medium term financial strategy and the transformation programme is something you have worked on since the last peer challenge. There is scope to push that further, such as a clearer alignment with the workforce strategy and digital. Notwithstanding the progress made (e.g. four year council plan and budget), longer term planning may potentially be compromised by the annual election cycle as political imperatives will make a shorter term focus inevitable.

We questioned whether accountability and ownership is potentially blurred by the new management structure. We appreciate it is new, and still bedding in. The rationale of a structure based on a Strategy and Operational split makes some sense. But there appears to be lots of Service Directors and Service Leads with specific service and function based portfolios which looks at odds with the ambition to become outcome focussed as an

organisation. We found it difficult to determine who would be the single point of accountability for some of the outcomes in the Council Strategy.

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?

In common with many other local authorities, the Council is continuing to face the significant financial challenge of reduced central Government funding and increased demand for services. There has been good progress in getting to grips with the challenge. The Council has delivered substantial savings and efficiencies (£92.m) over the past five years. And since the last peer challenge a more medium term approach to the financial strategy has been adopted, which is predicated on growth as well as savings. The approval of a four year budget in February 2017 includes the identification of approximately £35m of the projected £42.9m gap by 2020/2021.

All of this has helped to put the Council on a more stable and sustainable financial footing. It is providing the basis on which to plan further ahead. It is giving confidence to senior officers and councillors about the Council's ability to meet the on-going financial challenge and, at some point, to introduce an outcome based budgeting approach. The innate confidence is understandable. But the challenge ahead remains significant and there is no room for complacency. We questioned whether there is currently an 'optimism bias' regarding the current budget challenge given factors such as:

- In year budget performance: monitoring suggests there is a predicted overspend for 2017/18, and that some of the savings proposals for the current financial year will not be delivered to their original timescale.
- Non-delivery of planned savings: outturn reports suggest that only about 80% of the planned savings have been achieved over the past couple of years. The use of reserves, treasury management, changes to the Minimum Revenue Provision (MRP) policy and significant 'slippage' in the capital programme have helped to balance the budget. These are, though, mainly one-off savings and there is a need to ensure more of the planned savings are realised if the financial strategy is to remain realistic and sustainable.
- Overspends: need to be a top priority in the budget setting process moving forward. There was over-spending in portfolio budgets of £3.7million in 2016/17 and £4.7million in 2015/16 which suggests there may some base budget adjustments needed.
- Additional in-year pressures: such as the demands for adult social care which are already exceeding the projected demand for 2017/18.
- Savings still to identify: The Council has put itself into a relatively strong position through prudent management and more medium term planning. Some councils would be envious of the position. However, there are still £8.5m of savings or income to identify. In light of the issues cited above the challenge of doing that should not be under-estimated. Given the scale of savings achieved to date,

future savings will inevitably get harder to identify and deliver and the council is expecting its developing Digital Strategy to make a significant contribution towards achieving efficiencies and cost reductions.

All of the above highlight a continuing focus on discipline and robustness to ensure a tight grip of the challenge. Finance needs to be everyone's business. There is a need to ensure planned savings are delivered, and that overspends are addressed. The basis for doing this is already there. There is clearly more robust performance management of the budget, with in-year monitoring much improved. The finance business partner model seems to be positively received, and allowing the finance function to better understand service pressures. We have mentioned the 'intensive care' approach put in place for services that are overspending or likely to do so. We understand that this was successfully applied to Children and Families services and is now being applied to adult social care services.

Like many other authorities, the Council is looking to an increase in 'commercialisation' as a means by which to grow income and contribute to the overall financial sustainability. To date, the Council has primarily viewed 'commercialisation' as the trading of some goods and services, often on an 'ad hoc' basis, but with some successful examples (commercial waste, bereavement services and Registration Services). It has also recognised the significant potential of prudential borrowing and property investment to deliver strong financial returns for the Council.

A Commercial Strategy is being developed to provide a more co-ordinated and strategic approach to maximising commercial potential. The aim is to develop and widen the portfolio of traded services further, but also ensure that non-traded services become more commercially savvy and cost effective. This intent and direction of travel makes sense. But the strategy is embryonic and the Council is at an early stage of the journey. Part of the strategy is the establishment of a Local Authority Trading Company (LATCo) – a proposal approved by Cabinet in August 2017. The LATCo model has been used successfully by some councils, but we urge caution and proportionality as plans are considered further. You have rightly acknowledged the amount of work involved in setting the Company up (establishing a brand, quality assessing products, understanding customer requirements, etc.) It may be that the scale of income generation you aspire to can be achieved from existing arrangements. This could potentially be a major distraction to the Council and its resources which ultimately does not lead to the outcomes desired.

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

The Council knows it cannot deliver its priorities without the support, co-operation and capacity of others. It has developed a range of joint delivery arrangements, shared services and partnership working that help increase capacity, expertise and resilience. The Integrated Commissioning Unit established with the CCG is a good demonstration of an arrangement enabling the delivery of joined up services to local residents. A range of partnerships enable a shared focus and collaborative working on key agendas (e.g. Employment Skills and Learning Partnership). There are a range of shared services with neighbouring councils (e.g. Internal Audit and Public Health shared with Portsmouth City

Council, Building Control shared with Eastleigh Borough Council) and several sub-regional procurement arrangements involving multiple councils. The Council has also shown a willingness to invest in external expertise and specific skills to develop and support transformation and commercialisation – e.g. consultancy support from PWC, Capita and KPMG.

The Council also recognises the importance of developing and empowering communities to build resilience, self-sufficiency and reduce the demand on public services. It has worked with the voluntary, community and faith sectors to increase the amount of community development activity. To support empowerment the Council has transferred a number of local assets to local communities, including community buildings. More recently the Council has extended the principle of community based service delivery to the management of five local libraries by local communities.

We met a range of loyal, experienced and enthusiastic managers and staff who understand that change is necessary. Many have a willingness and motivation to be part of that. But the seemingly constant and lengthy organisational restructures are also unsettling for some and distract from the very positive work being undertaken by the Council. The effect on morale should not be underestimated. The number of projects and priorities as part of the transformation programme in pursuit of the new operating model is causing some officers to feel stretched in terms of capacity. The staff survey results (albeit from 2015) suggest nearly half of staff don't think the Council introduces change effectively, and only 12% feel the Council is a better place to work than 12 months previously. That suggests there is still work to do to ensure the volume, range and pace of change does not compromise the organisation's current capacity and capability to deliver.

More generally, we questioned whether the Council could do more in terms of employee well-being. The Workforce Development Strategy aims to make the Council an employer of choice and to be recognised as 'a great place to work'. There is undoubtedly some good practice to support that. We have mentioned the staff engagement and awards scheme for example. There has been investment in management development (e.g. Southampton Business Academy). And the 'Service Excellence' programme is encouraging staff to identify service, process and procedure improvements. However, some of the key 'organisational health' indicators suggest more action is needed. In particular, staff absence levels are high and staff satisfaction is relatively low. We heard little about initiatives to support diversity, or initiatives to encourage staff health and well-being. There may be a need to consider the arrangements for staff training and development so there a better balance between online and face-to-face activity.

Slow progress on digital and ICT transformation is impacting on organisational effectiveness. The Council itself has identified a need to go much further to ensure councillors, staff and managers are supported through reliable and fit for purpose automation and technology. To date, the digital agenda has focused on the delivery of savings through automation and digitising a number of key customer journeys. The focus now needs to shift to enabling and supporting the wider organisational transformation and development. There is a need to develop a robust and strategic digital strategy and a willingness to invest accordingly in it. Work has already started to address this, but more pace is needed. Based on what we saw and heard, we think the Agresso upgrade and HR integration are elements that need prioritising in the first instance, and they need to be

seen as whole council projects not just corporate initiatives. Without the digital transformation investment and delivery, the council as a business will not achieve its aims and objectives in a cost effective manner.

The Council appreciates that managers and staff should expect enabling and support services that add to, rather than subtract from, their capacity and ability to perform their roles. Given the digital strategy will take time to be fully developed and implemented, there will almost certainly be a need to review paper-based systems to make them more streamlined, productive and consistent. There will also be a need to ensure stronger 'clienting' of support functions and back office services that are delivered by external providers and contractors. Again, this is already being recognised and responded to by the Council.

5. Next steps

Immediate 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 challenge process, there is an offer of further activity to support this. 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. Kate Herbert, Principal Adviser (South East) is currently the main contact between your authority and the Local Government Association (LGA). Her contact details are: Tel. 07867 632404 and Email. kate.herbert@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.

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 suggestion is that it occurs within the next 2 years.