

Health and Wellbeing Scrutiny Panel

Agenda
Item:
A.5

Meeting Date: 08 October 2020
Portfolio: Cross-cutting
Key Decision: No
Within Policy and Budget Framework
Private/Public Public

Title: Corporate Peer Challenge – Focus on Scrutiny
Report of: Overview and Scrutiny Officer
Report Number: OS.21/20

Purpose / Summary:

The Panel requested a report to consider the Scrutiny specific implications of the corporate Peer Challenge at their meeting of 11 June 2020.
This report highlights the key findings from the Corporate Peer Challenge with regard to scrutiny activity and outlines the steps that have been taken so far to respond to these findings.

Recommendations:

Members are asked to:

- Consider and agree a list of strategic priorities for Health and Wellbeing Scrutiny Panel.
- Consider initial steps taken, in the context of comments in the Corporate Peer Challenge and comment or make further recommendations.

Tracking

Executive:	Not applicable
Scrutiny:	HWSP 08/10/20
Council:	Not applicable

1. Background

- 1.1 A Corporate Peer Challenge (CPC) is designed to complement and add value to a council's performance and improvement through a Local Government Association (LGA) sector-led improvement review. The Peer Challenge's core components focus on leadership, governance, corporate capacity and financial resilience, in addition to specific requirements tailored to the local needs of an authority.
- 1.2 The Council's previous CPC was undertaken in September 2014. The Leader and Chief Executive agreed that it was a good time to undertake the challenge following the move to revised ward boundaries and new administration in May 2019. It was envisaged that the CPC findings would inform the future planning for the authority and afford the opportunity to set out a new agenda for the 2020/21 financial year. In addition to the standard lines of inquiry, the CPC were asked to provide observations and feedback on the Council's approach to commercialisation and the effectiveness of the performance management arrangements.
- 1.3 The CPC report was published in April 2020 and included a series of recommendations for improvement. It is acknowledged within the report that, "the peer challenge on which this report is based took place before the Coronavirus pandemic was declared..... and does not anticipate or reflect on the significant additional challenges and demands this is placing on Carlisle City Council". The Council aims to develop an action plan to pick up on the issues identified in the report within the context of the priorities, timescales and resources of the ongoing response and recovery phases. This should also assist the Council in strengthening its capacity to respond in the longer term.

2. Recommendations

- 2.1 It is requested that:
 - The Panel consider and agree a list of strategic priorities for Health and Wellbeing Scrutiny Panel.
 - The Panel consider initial steps taken, in the context of comments in the Corporate Peer Challenge and comment or make further recommendations.

3. Summary of Corporate Peer Challenge findings on scrutiny

- 3.1 The main recommendation from the Corporate Peer Challenge with regard to scrutiny was:

"Review current arrangements for scrutiny and consider alternative options. This should enable more focused scrutiny of performance, implementation of decisions and contribution to the development of policy in priority areas. It

should consider how to support more timely decision making and take account of the reduction in the number of councillors since the 2018 boundary review.” (page 3, CPC)

3.2 Further detail from within the report suggested that:
“Scrutiny activity should be re-focused on major issues and areas where input into policy development is being particularly sought or where scrutiny can make a positive difference to communities and the delivery of Council priorities.” (page 10, CPC)

3.3 Scrutiny of budget proposals and performance were both highlighted as areas where scrutiny had the potential to add greater value. There were also comments around process driven consideration of reports leading to missed opportunities for influence and added value.

4. Scrutiny Chairs Group view

4.1 Scrutiny Chairs Group held a special meeting to focus on the findings of the Corporate Peer Challenge. Key points were:

- Work to strengthen Scrutiny activity in Carlisle will focus on developing strong, Member led work programmes.
- The Panels will not discuss the number of Panels, the make-up of Panels or meeting start times as these are all issues that have been subject to significant scrutiny discussion and consideration without a mutually satisfactory resolution in recent years.

Scrutiny Chairs Group are due to meet in October and will discuss feedback from the Panels on this issue and to review progress so far.

4.2 The Health and Wellbeing Chair and Vice Chair have proposed a list of priorities that impact the local community, which could benefit from Scrutiny from this Panel:

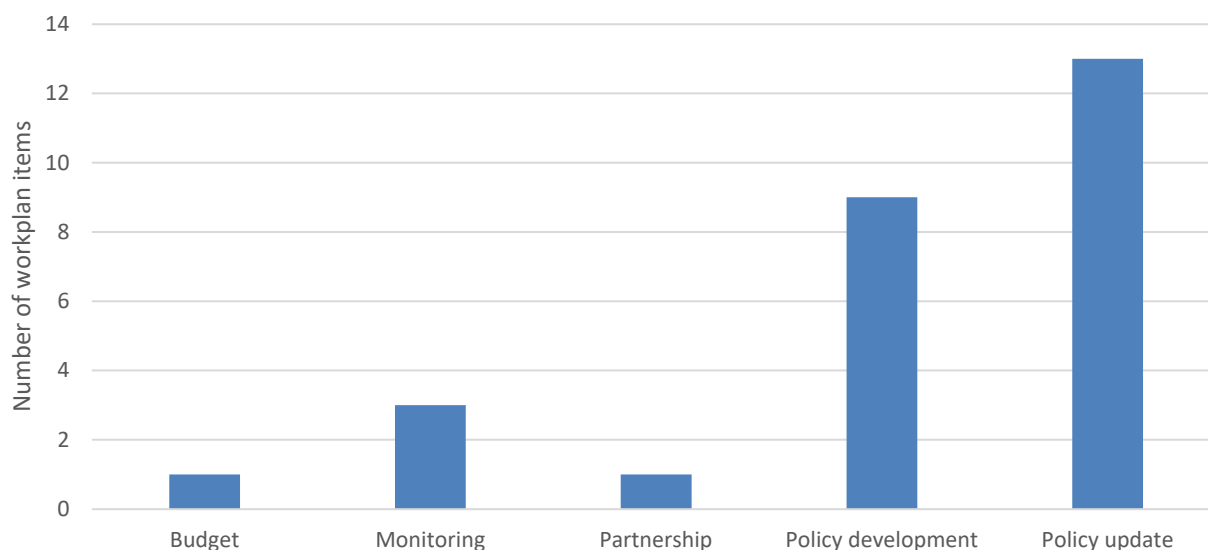
- Community Support
- Homelessness/Hostels/Homeless Prevention
- Disabled Access
- Environmental Health
- Sport & Leisure (including Development)
- Outdoor Recreation
- Neighbourhoods and Rural Support

4.3 The Panel are asked to consider these priorities and provide recommendations that will help to shape their work programme to reflect strategic priorities and the priorities of local communities.

5. Initial steps taken

- 5.1 The way that workplans are presented to the Panel has been adapted to show the type of scrutiny that each item will entail. This will help Chairs and Panel Members to focus Scrutiny on items where it can have a greater impact.
- 5.2 Scrutiny Chairs are undertaking more pre-meeting planning with the Overview and Scrutiny Officer and report writers to ensure that reports support the aims of scrutiny. Chairs pre-meeting planning also involves identifying any advice for the Panel to ensure that they operate as a team to focus scrutiny on key points and issues where scrutiny can have the greatest impact.
- 5.3 Work planning activity by the Panel will take place in their pre-meeting briefings. This will avoid taking up meeting time that could be spent on scrutiny and will allow a less formal discussion in order to produce an effective workplan.
- 5.4 The Panel are asked to consider initial steps taken, in the context of comments in the Peer Review and comment or make further recommendations.

Graph to show current HWSP workplan by broad type of scrutiny



Key to scrutiny types

Budget – scrutiny of budget proposals

Monitoring – monitoring performance

Partnership – information and discussion with external partner (Carlisle Partnership etc)

Policy development – scrutiny with potential to influence/ develop policy (includes Scrutiny Annual Report and this report)

Policy update – receiving information about existing policy or ongoing work

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Appendices Corporate Peer Challenge Report

attached to report:

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS:

LEGAL -

FINANCE –

EQUALITY –

INFORMATION GOVERNANCE –

Corporate Peer Challenge **Carlisle City Council**

28th to 30th January 2020

Feedback Report

1. Executive Summary

In Carlisle there is a clear sense of pride of place, both for the city and wider district. Staff are proud to work for the Council and of its work for the area. The Council's ambition to be a regional centre and focus for investment is exciting and dynamic, and has the potential to be truly transformative for Carlisle and the region as a whole. The Council wants all its residents to be able to share the benefits of this, through increased opportunities - a greater choice of jobs, better housing and an enhanced environment through the Carlisle Plan. Delivery of that ambition is being enabled by excellent partnership working and relationships. One of the key partnerships is that for the Borderlands Inclusive Growth Deal, a unique deal including both the UK and Scottish Governments and councils on both sides of the border. Through this and other work, a wide range of partners consider that Carlisle is being "put on the map".

The Council benefits from a stable and experienced management and workforce, with both the political and managerial leadership being well regarded within the council and externally. There are good working relationships between officers and councillors – and strong cross party working. This has been valuable during a period of no overall control, with a Conservative minority administration. This followed all-out elections in May 2019 following a major Boundary review and a significant reduction in the number of councillors from 52 to 39.

The Council currently enjoys a relatively healthy financial position. A strong property asset base has also served the Council well, generating an income stream contributing around £4.3 million per annum to the net revenue account. Among the principal sources of rental income are The Lanes shopping centre and industrial estates, generating £1.1 million and £2.8 million respectively in 2018-19. Prudent financial management has led to underspends over a number of years, but the next step is to realign existing funding to a clear set of priorities to ensure the best use is made of the Council's resources.

The Council is therefore well placed to meet future challenges, including uncertainty around local government funding. But the Council should also look to change a number of elements of how it does business to best meet these challenges and take advantages of the opportunities which arise. The outward facing partnership work of the organisation is impressive and forward thinking, however aspects of governance, support services and the service delivery organisation require modernisation.

The Carlisle Plan 2015-18 needs to be updated. Agreeing the new Carlisle Plan will give a real opportunity to provide clarity on the priorities for the Council, as well as the desired outcomes for the district and to make sure resources follow these in the form of an aligned Medium Term Financial Plan (MTFP). Currently the approach to performance management appears process heavy and impact light. This should be streamlined and refocused around the priorities of the new Carlisle Plan at the corporate level and consideration given to how increase ownership of performance management at service and Directorate level.

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Governance and decision making arrangements across the Council need to be reviewed so that these are timely and provide the necessary transparency and accountability. Such a review would also provide the opportunity to take account of the significant reduction in the number of Councillors following the Boundary review. There is a growing recognition that decision making in Carlisle is in some respects cumbersome. For example, scrutiny is not as well targeted as it could be. Overview & Scrutiny panels request reports on a range of matters under consideration by the Executive beyond those which form part of the Policy & Budget framework. Scrutiny activity should be re-focused on major issues and areas where input into policy development is being particularly sought or where scrutiny can make a positive difference to communities and the delivery of Council priorities. These refreshed arrangements should enable the organisation to be 'fleet of foot' and not tied down in process. In the member domain this should include consideration of the relationship between the Executive and scrutiny and how scrutiny can most effectively add value to decision making. In the officer domain this should include the value added by the Transformation Board and other boards. The Council's constitution should also be reviewed as part of this updating of governance arrangements. Simplifying decision making and other processes has the potential to make significant efficiency gains and release capacity that can be directed towards Council priorities.

To ensure the continuing health of the Council's finances, in the face of future uncertainties and to enable more resource to be directed towards priority areas, there is need for a clear and robust corporate savings plan which is implemented. Previously there has been a lack of urgency in actioning financial contingency plans, which if continued could lead to further pressure on reserves and missed opportunities to re-direct resources towards agreed priorities.

The Council has made progress in developing a more commercial approach to income generation and raising awareness of this aim. A clear definition and common understanding of what commercialisation means for Carlisle is required to take this agenda forward, underpinned by a strategy that establishes the organisation's risk appetite and the parameters for such commercial activity.

The Council's last corporate peer challenge in 2014 identified that the Council needed to better position itself as a partner. This would enable the Council to exert greater influence in delivering its priority of economic growth. The previous peer challenge also made a number of more internally focused recommendations to increase capacity to deliver the Carlisle Plan, including around performance management, delivering savings and more effective scrutiny. It is much to the Council's credit that it has made so much progress in its priority area of economic growth and regeneration and has significantly strengthened its partnership working. Continuing progress in this area needs to be balanced with some additional attention to modernising the Council's internal working arrangements to support this and sustain the standards of service delivery into the future.

It should be noted that the peer challenge on which this report is based took place before the Coronavirus pandemic was declared and councils became involved in the

emergency response to Covid-19. This report therefore does not anticipate or reflect on the significant additional challenges and demands this is placing on Carlisle City Council. However, the findings and recommendation presented here should assist the Council in strengthening its capacity to respond to the impacts of Covid-19 in the longer term.

2. Key recommendations

There are a range of suggestions and observations within the main section of the report that will inform some 'quick wins' and practical actions. The following are the peer team's key recommendations to the Council:

- a) **Develop and agree a new Carlisle Plan** to provide the Council's long term vision for the district and establish clear priorities to deliver this and give the framework for other strategic plans. Agreement on what is a priority or not a priority for the next three years and beyond will be important, underpinned by an aligned MTFP.
- b) **Undertake a comprehensive review of decision making processes, at both councillor and officer levels.** This should streamline decision-making, ensuring that all steps add value in terms of accountability and the quality of decision making. This should include the role and purpose of internal Boards and enable more timely decision making and release resources to be redirected at priority areas
- c) **Review current arrangements for scrutiny and consider alternative options.** This should enable more focused scrutiny of performance, implementation of decisions and contribution to the development of policy in priority areas. It should consider how to support more timely decision making and take account of the reduction in the number of councillors since the 2018 boundary review
- d) **Refresh and modernise the Council's Constitution, policies and procedures,** taking account of b) and c) above.
- e) **Develop and implement a robust savings and additional income plan** to close the funding gap. The gap is currently £1 million per annum and expected to rise. The plan should be supported by wider understanding of the financial challenges and enable resources to be better targeted at priorities and future investment plans
- f) **Undertake and implement the planned zero-based budget review** to enable resources to be better targeted at the priorities established by the new Carlisle Plan
- g) **Ensure that the review of IT service and development of the new IT strategy are completed and implemented.** ICT has been identified as a key capacity constraint and a capable and appropriately resourced IT function is required

- h) **Assess skills and capacity gaps and invest in corporate change and delivery capacity**, to ensure the delivery of key projects and corporate modernisation. Areas where additional investment may be required include digital, asset management, workforce development and project management
- i) **Develop a commercialisation strategy** which defines what commercialisation means in Carlisle, risk appetite and potential scope of commercial activity.
- j) **Refresh and streamline the approach to performance reporting and management** to give a clearer focus on Council priorities at corporate level and strengthen ownership of performance at service level, making more use of exception reporting.

3. Summary of the Peer Challenge approach

The peer team

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

- **Patricia Hughes**, Joint Chief Executive - Hart DC (lead peer)
- **Duncan McGinty**, Leader - Sedgemoor DC (Conservative member peer)
- **Alyson Barnes**, Leader – Rossendale BC (Labour member peer)
- **James Howse**, Corporate Director of Resources - South Staffordshire DC
- **David Crowe**, Strategic Director - Local Partnerships
- **Olivia Lancaster**, Project Support Officer, LGA Productivity Team (shadow peer)
- **David Armin**, challenge manager, Local Government Association

Scope and focus

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

1. **Understanding of the local place and priority setting:** Does the council understand its local context and place and use that to inform a clear vision and set of priorities?
2. **Leadership of Place:** Does the council provide effective leadership of place through its elected members, officers and constructive relationships and partnerships with external stakeholders?
3. **Organisational leadership and governance:** Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented?
4. **Financial planning and viability:** Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
5. **Capacity to deliver:** Is organisational capacity aligned with priorities and does the council influence, enable and leverage external capacity to focus on agreed outcomes?

In addition to the core components, you asked the peer team to provide observations and feedback on the following:

- the council's approach to commercialisation
- the effectiveness of the council's performance management arrangements.

The peer challenge process

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

The current LGA sector-led improvement support offer includes an expectation that all councils will have a corporate peer challenge every 4 to 5 years. Carlisle City Council last had a corporate peer challenge in September 2014. Where relevant to do so, findings from that previous peer challenge have been referenced in this report.

The peer team prepared for the peer challenge by reviewing a 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 three days onsite at Carlisle, during which they:

- Spoke to around 100 people including a range of council staff together with councillors and external partners and stakeholders.
- Gathered information and views from more than 30 meetings and additional research and reading.
- Collectively spent more than 240 hours to determine their findings – the equivalent of one person spending more than six weeks in Carlisle.

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 (28th – 30th January 2020). In presenting feedback to you, they have done so as fellow local government officers and members, not professional consultants or inspectors. By its nature, the peer challenge is a snapshot in time. We appreciate that some of the feedback may be about things you are already addressing and progressing.

4. Feedback

4.1 Understanding of the local place and priority setting

The Council has a good understanding of Carlisle's location and the opportunities and challenges this presents. Carlisle has good national transport links by road and rail and is located close to both the Lake District National Park and the Scottish border. The Council has supported the development of Carlisle Airport for passenger flights. But it is also remote from major centres of population. At the time of the last peer challenge in 2014 this challenge was characterised as becoming 'a destination as well as a gateway'. It is evident that the Council, working with a number of partners, has made significant effort and progress towards that goal since then.

The Council is clear that its top priority is its place making role. This is underpinned by its understanding of the importance of the economy, skills and health agendas for Carlisle and the strategic role of the city as a regional centre for Cumbria and beyond. There is also recognition of the need to provide more housing as a driver for economic growth and attracting new residents, but also to ensure that vulnerable people can access safe, warm and affordable housing. This understanding of place is informed by good working relations with a range of other partners through the Carlisle Partnership.

The Council's leadership are clear about the three key projects to deliver on the place agenda, with widespread recognition of these among staff and partners. These 'Big 3' projects are as follows: Borderlands Inclusive Growth Deal (involving both the UK and Scottish governments and other major councils on both sides of the border); the Sands leisure centre redevelopment in Carlisle and development of the St Cuthbert's Garden Village (as part of the Government's Garden Village programme).

Carlisle remains vulnerable to flooding, although there are a number of schemes underway to reduce this risk. The last major flood event in the city was in 2015, and the impacts of this are still evident including to the ground floor of the Civic Centre which is still not available for use. In view of this, the Council has a specific financial reserve identified to reinstate Council owned flood affected assets (unfortunately there was further flooding in February 2020, shortly after this peer challenge took place).

Notwithstanding the clarity around the three key projects identified above, the Council's other priorities (and indeed non-priorities) are less clear. The Carlisle Plan 2015-18 sets out the previous administration's priorities for the place and Council and is yet to be updated. In part this is due to the change to a minority Conservative administration in May 2019 following the all-out elections after a major Boundary Review. The Council has a Corporate Plan 2018-21, which links together the key strategies and continues work on priorities from the old Carlisle Plan, but does not substitute for a refreshed vision for the area.

The development of the new Carlisle Plan provides a real opportunity to be clear about the Council's wider priorities and its long term vision. There has been some uncertainty about that vision for Carlisle in the context of Cumbria more generally, given the diminishing prospects for nuclear re-development in the west of the county. This would have had significant impact on the economy of Carlisle. It is now timely to review that vision, with the new Carlisle Plan providing the building blocks for a long term strategy.

The Council is beginning to consider the balance of focus between the urban and rural areas. Particular attention has been given to the City of Carlisle to date, given that it is the key economic driver. But it is now recognised that further attention should be given to the needs and potential of the rural areas of the district.

4.2 Leadership of Place

The Council is clearly now a strong leader of place and is driving a challenging and ambitious economic development agenda for Carlisle as a regional capital and for the wider Borderlands area. It has played a leading role in establishing a unique partnership – the Borderlands Inclusive Growth Deal. This has involved developing partnerships with UK and Scottish Governments and building on its relationships with Cumbria and Northumberland County Councils and with Dumfries and Galloway Council.

In this role it is well regarded by a number of external stakeholders across both the public and private sectors. The Council is seen as 'punching well above its weight', having developed significant influence and leverage for a district council. One person remarked 'over the last five years Carlisle has started acting like a city, not just a large town'. At the time of the last peer challenge one of the key themes emerging was for the Council to better position itself as a partner and exert greater influence over the economic growth agenda. It is evident that the Council and its leadership have made great strides in this area and Carlisle could well be regarded as an exemplar in this sphere.

This work as a leader of place is underpinned by strong and effective partnership working locally and across the region. This includes work with the local colleges including the University of Cumbria, public health and the CCG. The Carlisle Partnership, the district's Local Strategic Partnership, remains active. The Carlisle Ambassadors are noteworthy. They are people from business or other organisations with a stake in the area and who are interested in making a difference for the future growth and development of the City of Carlisle. They are seen as providing a strong and influential network for Carlisle.

The Council needs to ensure that it has sufficient capacity, including effective project management, for the delivery of major growth projects. Currently there is a reliance on a limited number of people to support the political and managerial leadership in the delivery of key projects. This gives rise to some risk around the resilience of project delivery. Effective partnership working to tap into specialist skills and

experience from other agencies for particular projects will continue to be part of the mix, but the Council needs to ensure that it has sufficient core project and financial management skills for project delivery.

With the Council's exceptional experience of building partnerships, there may now also be opportunities to use this to broker, unlock or explore improvements to joint working for the benefit of economic development across Cumbria, in conjunction with other districts and the County Council. This would provide a broadening of the Council's leadership role beyond the north of Cumbria and the borders area.

At the time of the peer challenge, local government re-organisation was becoming an active conversation again following the General Election in December 2019. In early February, a Government minister held discussions with councils across Cumbria about possible options for a unitary / combined authority structure. Carlisle should aim to be an influential but pragmatic participant in this debate, whilst not being distracted from its priority of delivering for the place and the provision of services to local residents.

4.3 Organisational leadership and governance

Carlisle had a major boundary review in 2018, leading to a significant reduction in the number of councillors (from 52 to 39). An all-out election was held in May 2019 on the new ward boundaries this created. This led to the establishment of a minority Conservative administration, in place of the previous Labour majority. Elections by thirds will again be held from May 2020 onwards. This tight political balance, with elections also happening again within 12 months has led to some uncertainty about the future longer term direction of the Council and on agreement to the next set of priorities for the Council in the medium term. The continuity in delivery of the major projects and the priorities for the area despite this is noteworthy. This is a tribute to the managerial and political leadership across the Council as noted below.

The Leader and Chief Executive are well regarded and respected within the Council and externally. They both have great credibility. There are good relationships between the different political groups, which is helpful to continuity in delivering key projects and is a real asset for an authority with no overall control. There are also strong and effective member-officer relationships, with councillors having confidence in senior officers and in turn being respected by officers. There is a clear understanding of the respective roles of councillors and officers.

The senior management team is well established, experienced and knowledgeable – all have been in their current role for a number of years. This gives deep organisational memory and the opportunity to develop good working relationships. But there is always a risk with this that an organisation can become less open to new ideas or different ways of doing things. The Council recognises this and should continue to give attention to opportunities to learn from experience elsewhere and encourage innovation from within.

The Council has made real progress in delivering its ambitious external agenda, which is its top priority. But in contrast it has more work to do on the internal modernisation agenda which, in turn, should strengthen its capacity to deliver on that growth agenda.

The Council's decision making processes, at councillor level and also at officer level too, appear complex and may lead to loss of pace, momentum and potential opportunities such as grant funding bids which are subject to tight timescales. Scrutiny is not as well targeted as it could be. Overview & Scrutiny panels request reports on a range of matters under consideration by the Executive beyond those which form part of the Policy & Budget framework. Scrutiny activity should be re-focused on major issues and areas where input into policy development is being particularly sought or where scrutiny can make a positive difference to communities and the delivery of Council priorities. There are some instances of scrutiny adding value and influencing decisions of the Executive, but in the main it appears to be process-driven and focused around the consideration of reports. Extensive consideration of budget proposals at the three Scrutiny Panels has not led to changes to address the savings gap identified and similarly consideration of performance reports does not appear to be helping to drive action to address under-performance.

Effective oversight and scrutiny can make a real contribution to both policy development and implementation and good decision making. Scrutiny in Carlisle should continue to be active, but it needs to be well targeted at the Council's priorities and major decisions. Currently Carlisle has three Scrutiny Panels (Business & Transformation; Community; Economic Growth). An alternative arrangement which the Council may wish to consider would be a single scrutiny Committee which could then set up task and finish groups to look at the development of new policy or the performance of particular aspects of the Council's business, drawing on the relevant skills, experience and interests of different councillors.

Following the reduction in the number of members of the Council, there is apparently now some difficulty in getting councillors to serve on Scrutiny Panels and other committees. In the light of this, and the questions raised above regarding the effectiveness of aspects of decision making and scrutiny, a review of member governance arrangements would be timely. This should include scrutiny and help to establish greater clarity of purpose. A refresh of the Council's constitution, policies and procedures is also required, to bring these up to date and more streamlined. Examples of constitutions which take a more modern approach include Winchester (a District council) and Herfordshire, Maidstone and Rochdale among unitary and metropolitan authorities. More efficient decision-making and other processes would not only increase pace for the organisation but also release capacity that could be directed towards the Council's priorities. It would also mean that the Council is better placed to respond to opportunities that arise as it moves to adopt a more commercial approach. Carlisle may need to adopt streamlined decision making arrangements for matters which fall within the scope of its commercialisation strategy, when agreed.

The Council appears to be a benevolent organisation that can struggle to make difficult choices. The relatively healthy financial position to date, underpinned by a good asset base, may have made such decisions less pressing but there may well also be a cultural element. Examples of where the Council has not made difficult choices include charging for services (such as garden waste collection) and making cost savings (where undelivered savings targets have been carried forward into subsequent years – the MTFP reports a cumulative total of £1.24 million savings not yet delivered over the three years to 2018-19). It has also not fully and consistently embedded HR policies such as managing individual performance. There is an opportunity to provide clarity around accountability for delivering key agendas across the Council, underpinned by more focused performance reporting and management arrangements, to gain real traction so that priorities are delivered across the organisation. Performance management is discussed further in section 4.7 of this report.

4.4 Financial planning and viability

The Council benefits from a relatively sound financial position. It had a net revenue budget of £13.6m and useable general fund reserves of £10.2m in 2019-20. This position is assisted by a track record of spend within budget and strong asset base which has provided additional income of around £4.3m per annum that makes the Council less dependent on Council Tax and central government funding. It has also been very successful in accessing a range of external funding streams. The Director of Finance (sec 151 officer) and her colleagues are well respected across the Council. External audit has a positive view about the Council, its control environment and finance team.

Leaders have a good understanding of the risks and uncertainties around future local government funding. As noted above, additional income streams and scope to take further advantage of commercial opportunities may mitigate against some of the potential risks of the Government's Fair Funding Review. However, there is no room for complacency.

The savings gap of circa £1 million and rising (estimated to be £2.4m in 2024-5) is identified and well known, but in previous years this has been met through a combination of underspends on other budgets and use of reserves. A proportion of the underspending is due to spend slipping into subsequent years. A Strategic Finance Group (consisting of the Senior Management Team, the Leader and Finance portfolio holder) has been set-up to work through options and to prepare for tough choices. However, these will need to be seen through to implementation with more rigour than has been the case previously. Of the targeted £5m of efficiency savings over the three years from 2016-17 to 2018-19, £1.2m remain outstanding. There has been a lack of urgency in actioning financial contingency plans. A clear and robust savings plan is needed. This should be linked to internal modernisation which has the scope to release efficiency savings.

Whilst key members and officers understand the scale of future financial challenges, this is not yet widely understood. General fund balances are adequate, although the Council has been drawing on these in recent years. The five year MTFP to 2024-25 envisages that the level of general fund reserves will reduce, but remain above what the Council considers the minimum prudent level. The budget forecast 2020-21 assumes that use of reserves will contribute about £1m to the budget requirement. Given the scale of Carlisle's ambition, this may bring some additional risks which lead to an increased need to draw on reserves. Such risk could arise from major projects such as the Sands Centre redevelopment; the possibility of further investment to yield a return (in terms of both financial and social value) and more commercialisation, The Council has plans that will lead to a substantial increase in long term borrowing to finance capital investment. The Council's reserves need to be maintained at a level commensurate with this. More vigorously pursuing savings will provide greater scope to do this.

The Council should progress its planned zero base-budget review to ensure that the budget is challenged across all services, linked to the need to re-prioritise and align resources to priorities. Agreeing and adopting a new Carlisle Plan will provide the framework of priorities for this. The pattern of consistent underspends against budget suggests that there is scope to make better use of existing resources in delivering the Council's priorities.

There is scope to further strengthen financial management of major projects, which given the scale of investment involved have the potential to present a risk to the Council's finances. The Council is considering opportunities to take a more commercial approach to generate additional income. This will need to be linked to its financial strategy. An agreed approach to drive commercialisation needs to be reflected in the Capital Investment Strategy and the Asset Management Plan. Further discussion of potential approaches to commercialisation can be found in section 4.6 of this report.

4.5 Capacity to deliver

The Council benefits from a committed, experienced and stable workforce, which is proud to work for Carlisle. It is able to resource key projects by pragmatic and effective use of capable people from across the service Directorates. It may now be timely for senior managers to re-engage with the workforce more generally to tap further into that commitment and experience. This could be used to give a clear indication of the future direction of the organisation (as determined by the new Carlisle Plan now in development) and the Council's priorities. There would also be scope to gain insight from staff on opportunities to modernise how the Council does business.

The Council's services are generally well performing. But they may be at risk in the future if the organisation does not modernise its approach to both the back office and service delivery.

The Council has recognised that it needs to strengthen its capacity to develop ICT systems and make better use of these to enable service delivery and customer access. It has bought in some consultancy support from another local authority to develop a new IT strategy and a new structure for the service. The draft IT Strategy is aligned to approaches being taken at other authorities and the organisation is eager to be part of this change. However, many people see ICT systems and the lack of capacity to develop them further as a significant constraint. The review of arrangements for the service and new IT strategy need to deliver a solution.

To be confident in delivering its ambitious growth agenda and sustain service performance more generally, the Council needs to assess skills and capacity gaps and invest in corporate change and delivery capacity. Areas where more capacity could well be required include ICT, digital, asset management, workforce development and project management. This will be required around both the 'Big 3' projects (ie. Borderlands Inclusive Growth Deal; Sands Centre re-development and St Cuthbert's Garden Village) and corporate transformation more generally.

Internally, the Council operates in quite a traditional, process-heavy way that can soak up capacity, through decision making and similar processes. Viewed positively, this should give rise to opportunities to make efficiency gains relatively easily without impacting on front-line service delivery. When the new Carlisle Plan is agreed, there will be further scope to identify areas to de-prioritise and modernise through service reviews with an 'invest to save' approach.

A number of cross-cutting forums such as in respect of transformation and commercialisation have been established to help take forward a council-wide approach. However, views on the effectiveness of these groups are mixed, with a number of people thinking they are not as effective as they need to be. They should now be re-set with a clear remit and accountability to make sure they deliver the outcomes desired by the Council.

4.6 Commercialisation

The Council has a strong track record in exploiting its asset base to generate a revenue stream of £4.3 million per annum. There is a clear intention from the Senior Management Team to drive commercialisation further. This is empowering staff to consider relevant opportunities and to have more confidence to propose and implement these. Clearly there are opportunities to think creatively in relation to a long term commercial strategy.

However, there is currently no clear or consistent view of what the organisation means by commercialisation. This needs to be documented in a clear commercial position statement / strategy document. This documentation needs to describe risk appetite; and the scale and type of ventures in which the Council is prepared to invest. Carlisle will wish to consider the geographical area in which investments can be made. This may not be unlimited, but could be within the Cumbria LEP or Borderlands Inclusive Growth Deal area to contribute to wider economic and social

development objectives. Examples of councils which have developed published commercialisation strategies include West Lindsay and South Somerset. The process of developing the strategy is as important as the document itself, as this gives the opportunity to develop thinking and reach agreement around the purpose, criteria and priorities for commercialisation.

Without endorsing or otherwise the particular investments and criteria for investment adopted by the [South Somerset commercial investment strategy](#), it does illustrate some of the key points which need to be resolved through the development of a strategy:

- A target rate of return for commercial investments
- A streamlined decision-making process for commercial investments
- Whether or not investments can go beyond property assets (e.g. renewable energy, housing developments for sale?)
- Projects which do not meet income generation criteria, but which do achieve a financial return along with other community benefits, should be considered under other appropriate strategy and policy (i.e. they are not treated as a commercial investment).

Mendip District Council developed its approach to commercialisation with support from the LGA's productivity experts programme. More information about this work is available at <https://www.local.gov.uk/commercialism-mendip-district-council> .

Bureaucracy is a barrier and the process of 'sign off' is putting the Council at a disadvantage when it comes to the market and wider commercial and funding opportunities. The wider review of the Council's decision making processes suggested elsewhere in this report should address this aspect of governance too, whilst ensuring that the relevant accountabilities and checks and balances concerning decision-making for potentially significant expenditure and / or long-term assets and liabilities are in place. Details of Sedgemoor District Council's approach to commercialisation can be found [here](#) including governance and decision-making arrangements.

There may be a need to establish a new Council-wide cross cutting commercialisation group to identify and prioritise opportunities, with clear leadership and accountability. This should have clear terms of reference (including contributing to the development of the commercialisation strategy) and have a higher profile than the previous group. This could provide the forum for staff to suggest commercialisation opportunities and enable guidelines around the Council's risk appetite and parameters for investment to be worked up on the basis of practical examples. It could also provide another forum for greater engagement between senior managers and the wider staff group.

4.7 Performance management

The Council's corporate policy team is making use of the Sharepoint suite of on-line tools to collate performance information. This gives the potential to share performance information more widely. Some data is uploaded automatically to the system, but most still needs to be provided by services and then keyed-in by the corporate team. Comprehensive guidance has been produced to help services in the development of performance indicators (PIs) and data quality. There is awareness of the potential of the system to make performance information more widely available and to engage people more in its use, and for further analysis of data including predictive analytics. However, it is acknowledged that this potential is largely unexploited at the moment. The recent appointment of a data analyst apprentice will provide additional capacity to do this.

A large volume of PIs are produced. These include Service Standards (first introduced in 2012) which relate to measures judged important to the public and likely to impact on satisfaction with the Council. There are also 'KPIs' which relate to service plans and updates on delivery of key corporate projects under the Carlisle Plan. Efforts are made to ensure that these are 'SMART' measures. A quarterly performance report is presented to SMT, the Scrutiny Panels and then the Executive. This includes some commentary and a brief covering report highlighting exceptions.

The approach to performance reporting and management is comprehensive and in many respects systematic, but it is not as effective or impactful as the Council would wish. It is also not fully owned by Directorates and services. The large volume of PIs mainly relate to 'business as usual' or are derived from the former national PI set, rather than priority projects and change agenda. This can make it difficult 'to see the wood for the trees'. The centrally driven process of collating and reporting performance is giving rise to a sense that services are feeding the 'corporate machine'. The cycle for reporting performance leads to delays, particularly for the Executive which receives reports after the three Scrutiny Panels (and so formally receive quarterly reports over two months after the quarter end). There is not a clear process for improvement actions in response to adverse performance and the peer team found limited evidence of service improvement being driven by reported performance. Individual performance management appears to be underdeveloped too.

The Council should take stock of its current approach to question if it is adding real value rather than simply following a process. Development of the new Carlisle Plan provides the opportunity to refocus corporate performance reporting around priority areas. The bulk of the existing PI set could be reported and managed at service / Directorate level, with exception only reporting at corporate level for PIs impacting on key service standards. The sharepoint application could be developed to enable inputting and reporting at service level to foster greater ownership of performance management across the organisation.

5. Next steps

Immediate next steps

We appreciate the senior managerial and political leadership will want to reflect on the findings within this report in order to determine how the organisation wishes to take things forward.

To support you in your improvement journey, the Peer Team have identified a number of key recommendations, some of which you may already have in hand. We welcome your response to these recommendations within the next three months through the development of an action plan.

Your Principal Adviser, Claire Hogan, claire.hogan@local.gov.uk, will be in contact to assist the council going forward and to provide additional support, advice and guidance on any areas for development and improvement and she will be happy to discuss this.

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 signposting to examples of practice and further information and guidance about the issues we have raised in this report to help inform ongoing consideration.

Follow up visit

The LGA Corporate 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 demonstrate the progress it has made against the areas of improvement and development identified by the peer team. It is a lighter-touch version of the original visit and does not necessarily involve all members of the original peer team. The timing of the visit is determined by the Council. Our expectation is that it will occur within the next 2 years.

Next Corporate Peer Challenge

The current LGA sector-led improvement support offer includes an expectation that all councils will have a Corporate Peer Challenge or Finance Peer Review every 4 to 5 years. It is therefore anticipated that the Council will commission their next peer challenge before February 2025.