

Huw Bowen
Chief Executive
Chesterfield Borough Council
Town Hall
Rose Hill
Chesterfield
Derbyshire
S40 1LP

31st January 2013

Dear Huw

**Chesterfield Borough Council
Corporate Peer Challenge – 13-15 November 2013**

On behalf of the peer team, I would like to say what a pleasure and privilege it was to be invited into Chesterfield Borough Council to deliver the recent corporate peer challenge as part of the LGA offer to support sector led improvement.

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 Chesterfield were:

- Lead Peer: Julian Wain, Chief Executive - Gloucester City Council.
- Member Peer: Cllr Ric Metcalfe, Leader of Lincoln City Council
- Senior Officer Peer: Russell O'Keefe, Executive Head of Strategy, People and Democracy - Norwich City Council
- Peer Challenge Manager: Darienne Law, Local Government Association.

Scope and focus of the peer challenge

You asked the peer team to provide an external 'health-check' of the organisation by considering the core components looked at by all corporate peer challenges:

1. Understanding of the local context and priority setting: Does the council understand its local context and has it established a clear set of priorities?
2. 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?

3. Political and managerial leadership: Does the council have effective political and managerial leadership and is it a constructive partnership?
4. Governance and decision-making: Are effective governance and decision-making arrangements in place to respond to key challenges and manage change, transformation and disinvestment?
5. Organisational capacity: Are organisational capacity and resources focused in the right areas in order to deliver the agreed priorities?

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

- ❖ Constructively test, challenge and inform the transformation programme “Great Place Great Service”: Does it have the right focus and is it moving at the pace required?
- ❖ Look at the current back office contract/partnering arrangements: Are these delivering what is needed? and how they can be taken to the next stage of development to contribute to the transformation programme?
- ❖ Examine the council’s organisational capacity: Do you have the leadership, resilience and capacity to deliver the transformation programme?

Within this framework you asked us to comment on the on-going fitness for purpose and longer term sustainability of the organisation. We have endeavoured to do this.

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 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 3 days onsite at Chesterfield, during which they:

- Spoke to more than 60 people including a range of council staff together with councillors and external partners and stakeholders.
- Gathered information and views from more than 20 meetings, visits to key sites in the area and additional research and reading.

This letter 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. 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.

Summary of feedback: overall observations and messages

- There is a huge commitment to the borough and the council from both members & employees.
- The council is ambitious has done great things for the area, is performing well and is rightly proud of the impressive work on regeneration and economic development.
- You need to reflect on whether your financial challenges are greater than you thought.
- There is recognition of the need to invest to save, develop capacity and transform the way you work and some of the key elements for this are in place.
- There seems to be too many priorities given your financial challenges.
- You need a single comprehensive transformation programme focused at meeting your financial challenges.
- Skills capacity and changes in approach will be needed if you are to achieve the pace that you now need.
- The back office partnership is delivering against the original business requirements and it is vital that discussions are held about the nature of your future commercial relationship with them, including opportunities for future savings, levels of support and asset disposal and investment.

Summary of feedback: current performance, ability and capacity to deliver future ambitions

Understanding of local context and priority setting

The council has wide ranging ambitions for the borough, has an impressive set of recent achievements, is seen as a good partner and is influential in the region.

There is a detailed understanding of the people and place supported by a well-documented evidence base resulting in a good analysis of the needs of the borough.

The council has clear and ambitious plans for regeneration and economic development of the Borough, by investing in its teams and marketing of the area, facilitating local businesses and seeking innovative partnerships it has achieved an impressive scale of external funding, inward investment and development. This has resulted in local businesses securing £952k of Regional Growth Fund monies, creating 163 new jobs; and separately, 13 new businesses have established themselves in Chesterfield, creating 711 new jobs. In addition £100m Enhanced Capital Allowances have been secured to attract new investment to the Markham Vale Enterprise Zone.

There is a strong philosophy, through the council's vision, "putting our communities first", to meet the needs of the people of Chesterfield.

The reputation of the council and its satisfaction levels are currently improving and in many cases is good e.g. satisfaction with the way the council run things is 73.8% and with refuse collection 89%. Performance is generally at a high level with 73% of corporate plan performance measures being achieved in 2012/13 and 86% of significant projects delivered on time. The council has recently completed a £4.3 million refurbishment of the town's market hall and completed the £1.1 million restoration project at Eastwood Park.

The corporate plan was approved by the new administration in March 2012 and sets out 6 aims for the community and the council. Despite innovative partnership working, the financial challenges for the council mean that the current corporate plan is overambitious given the resources and human capacity available.

It is understood that the Corporate Plan will be reviewed during December 2013 for 2014/15. This will require difficult decisions to be made about priorities and key projects due to the challenging financial position.

In reviewing the corporate plan it will be important to:

- revisit what sort of council you want to be – how the council's role will need to change and adapt e.g. will you be a council who does a smaller number of things really well and what type of operating model will you have to deliver that
- set out a clear and unambiguous set of priorities, reduced in number,
- align your reducing resources to the resulting priorities, and determine an exit strategy for the non-priority areas,
- ensure direct linkages between the evidence of need and demand and the reduced corporate priorities,
- plan for reengagement with the people of Chesterfield in the light of the new financial circumstances and the council's changing role.

Financial planning and viability

Alongside all local authorities Chesterfield faces increased financial pressure due to the economic downturn and reduction in central government funding. Financial resilience will be essential for local authorities so that they can continue to deliver cost-effective services. This is particularly acute for Chesterfield; the council was one of just a few authorities that were eligible for Transition Grant which was designed to limit the reduction in an authority's 'spending power' from one year to the next.

The council has a good track record of delivering its financial savings targets, receiving from your external auditors an unqualified VFM conclusion and a judgement of having proper arrangements in place to secure financial resilience in 2012/13.

The economic downturn has put pressure on the Council's budgets, particularly income budgets such as investment returns, property rents, car parking, leisure facilities charges, etc. Recent budget monitoring identified that there remains an in-year budget deficit in 2013/14 of £556k, and deficit forecasts of £1.6m and £2.4m in 2014/15 and 2015/16.

The council has already delivered savings in the region of £1.6M in 2013/14 through restructures; procurement savings and value for money reviews, but not all of these savings are recurring. The scale of the savings required, in future years, means that delivering further savings must become the focus and priority for the Council.

There are a number of key risks and uncertainties which you have identified that could have an impact on your financial resilience e.g. delivery of in-year savings target, localisation of business rates and the treatment of outstanding appeals, treasury management returns and the changes to the new homes bonus allocation system. In addition, there are financial implications to consider for national changes to pensions, actuarial reviews and changes to employer national insurance. Regular review of your Medium Term Financial Strategy (MTFS) assumptions will be necessary to ensure that your savings targets are not understated.

There is some recognition of the gravity of the financial situation, and the council has put in place a number of processes to seek to achieve consensus on and address this challenge. There is an ongoing process through the financial planning group (FPG) which is aimed at addressing the projected annual deficits and providing the opportunity for further savings throughout the coming years. Regular budget challenge sessions between the Chief Executive and Heads of Service take place to review emerging budget variances and revisit the need for growth commitments from reserves. Vacancy control is in force, along with a freeze on non-essential spending and a renewed focus on income generation

Budget workshops, and more recently regular monthly meetings, are held with portfolio holders and CMT to review a list of potential options for savings and

income generation required to achieve financial stability in the short and medium term.

Staff and members are aware of the scale of the financial challenge but are uncertain as to how this challenge is going to be met. The transformation programme is due to deliver £600K of savings next year. From the information provided to us, the current plans for delivering the other £1M of recurring savings required in 2014/15 don't seem to be very well developed, tested or risk assessed.

Meeting the significant financial challenges does not seem to be the main focus of the council and all your transformation work and capacity. You have identified a lot of opportunities from which to draw options to consider balancing your financial position e.g. the asset portfolio, the large range of discretionary services you provide and the high standard to which you currently provide them. However, there does not appear, to be a clear set of agreed priorities to guide the financial planning.

The leadership challenge is to gain political consensus on a reduced number of priorities align these to the reducing resources and look to commence implementation and move quickly to realise the savings. A single programme incorporating transformation activities as well as all income and savings proposals should ensure all change activity is sighted and successfully managed.

In reviewing future priorities and in order to address the anticipated budget deficit it will be important to:

- continue to test resource allocations against your priority areas. It may be worth considering one of the resource prioritisation tools that are available to help you with this.
- explore the opportunity for transformation programmes being accelerated including asset rationalisation, customer service channel shift, agile working etc.
- revisit and reinvigorate shared service opportunities with neighbouring authorities and agencies,
- ensure appropriate consultation, risk assessment and mitigations are undertaken to ensure safe decision making.

Financial management and commercial skills need to be further developed focused on financial business case modelling, benefits realisation, programme and project management skills, process redesign facilitation, channel shift and contract management.

Political and Managerial Leadership

Political vision and values are very clear and include plenty of ambition and aspiration for Chesterfield. There is a detailed corporate plan to give expression to these. The political view is of a council with a 'Public Sector Delivery First', approach delivering services in the most efficient manner, primarily using your own staff.

The council is well regarded by external partner agencies with the Leader and Chief Executive having high visibility on several influential regional and local partnerships.

The peer team received considerable positive feedback on both senior members and senior officers. The administration is supported by an effective Corporate Management Team (CMT) and a strong and cooperative relationship between senior members and senior officers is demonstrated. Corporate management team is considered to work well as a team.

There is a growing acceptance now of the need to change, and moderate ambitions to refocus and address the financial challenges. There are some strands of a strategy for change, focused through the work on the business transformation plan "Great Place, Great Services".

It was not entirely clear who has overall leadership of the transformation programme to ensure its effective delivery to fully meet the financial challenges. We could not easily understand the vision that will be articulated to employees on how the council will be in the future and what will be expected of employees.

Successfully delivering the transformational change you have identified will require considerable change in the way things are done, this will provide an opportunity to reconsider styles of leadership across the organisation in the context of improving staff empowerment and autonomy.

There is a need to unify the change effort; currently it is branded in many ways "Great Place Great Service"/ business transformation/ service reviews/ savings and other activity – leading to confusion on scope and purpose, leadership roles and to internal contradictions.

The question for the council is:- Has sufficient consensus yet been achieved about the need for early action on the savings and how these will be delivered? This will then require the clarification of who is leading and responsible for driving the delivery of the single comprehensive programme of change that you will need to fully meet your financial challenges.

Governance and decision-making

Overall the governance arrangements for the council are seen to be working satisfactorily with decisions taken in the right place and by the right people. Member involvement in the business of the council is generally seen as appropriate by service managers. The council is aware of the need to and is reviewing the constitution and procurement (contract standing orders) rules.

It maybe that policy has to pass through too many groups and stages before decisions are made and this slows down the pace of change. As such, consideration should be given to the best forum for member involvement in the process. There is also some evidence that officer delegations may be restrictive and give insufficient empowerment to support the necessary pace and culture change.

The job evaluation process is widely seen as a major brake on swift and effective implementation of change. Consideration should be given to the nature and involvement of the trade unions in this and other processes to determine whether this is appropriate.

Organisational capacity

There is a very strong commitment from members and staff to the organisation and its future. Considerable change has already been successfully delivered and significant capital projects and investments achieved.

Employee morale is generally very positive, they are committed to Chesterfield and there is a strong 'can do' culture. The internal communication channels are generally good and employees understand the key issues within the organisation through bulletins, team briefings, and Leader and Chief Executive feedback sessions.

The award winning project academy approach has provided extra capacity and supports talent management and succession planning. Housing seems to have responded very positively to new management arrangements based on collaborative and empowered working.

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

The current organisational culture will need to change and develop to meet future challenges. There is a need to manage change effectively in the context of a more

strategic approach to corporate workforce planning, widening the current approach to look at, for example,

- organisational design, and a clarity of what will need to be done differently, how behaviours will need to change at all levels, to support the new ways of working,
- new leadership, management and employee skills to support new ways of working
- approaches to managerial and supervision layers,
- the merits of centralised administrative support,
- workforce development including a skills audit in order to identify possible key capacity and skills gaps across the organisation,
- developing business acumen skills and contract management skills.

There appears to be a need to refocus and reprioritise to create the capacity to drive and support the change effort in key areas such as strategy and policy, transformation, and capacity issues in other support areas such as human resources and legal. These will all need to be addressed if the new ways of working are to be developed and successfully embedded.

The technology infrastructure is not considered fit for purpose and IT is a real frustration impacting adversely on capacity as seen by many staff. This will require discussions and negotiations with your provider partners.

It is recognised that the town hall building is not conducive to the transformation to modern ways of working, and there is a plan to address some of the major issues to enable agile and flexible working such as Wi-Fi and co- location with third sector providers as part of the transformation work.

Great Place Great service

- ❖ Constructively test, challenge and inform the transformation programme “Great Place Great Service”: Does it have the right focus and is it moving at the pace required?

There seems to be recognition from members, trade unions, employees and major contractors of the need for significant change and also some recognition of the need to increase the pace of change. Currently your approach to transformation seems very improvement focused and doesn't focus on addressing your key financial challenges.

Whilst there are some very good ideas in regards to proposed projects as part of “Great Place Great Service”, that can play part of the approach needed for the future,

there does not seem to be a detailed set of guiding principles (target operating model) that has been agreed with the Cabinet on what type of organisation you intend to be, which will guide all your transformation work and those carrying it out.

There is a need for strong and unremitting leadership at both political and executive level to drive this through.

There does not seem to be an overall transformation programme to deliver savings and improvements, with realistic income and savings options for the medium term (ideally at least three years preferably five), which have been risk assessed, that will fully address the financial challenges you face.

There was limited evidence of utilising appropriate tools e.g. resource optimisation/prioritisation type methodologies to support a full opportunity assessment to identify all the income and savings opportunities across the whole of the council's operations that can then be prioritised with the Cabinet to form an ongoing programme for the medium term.

Current invest to save ideas don't seem to have been subject to a robust business appraisal to ensure they provide a sufficient return on investment for your limited resources or are absolutely essential to the effective operation of the organisation in the future. There seem to be a lot of 'nice to haves'.

Strategies for channel shift, are not suitably focused on cost reduction and do not recognise that there will be impacts e.g. the need to reduce or close down channels completely.

The "project academy" looks excellent and should help to provide some additional capacity, develop change champions and support ongoing talent management.

The overall project management methodology seems well thought through, however there is a need to for a programme management approach to set out the change efforts in one comprehensive programme which identifies a series of strands, to ensure delivery across the board and a corporate perspective on the capacity and timing of the interconnected work.

Current Contract/Partnering Arrangements

- ❖ Look at the current back office contract/partnering arrangements: Are these delivering what is needed? and how they can be taken to the next stage of development to contribute to the transformation programme?

The public private partners (PPP) Arvato and Kier are delivering against their key performance indicators and their contractual obligations, they have delivered a new Customer Service Centre – as part of the PPP contract there has been a £300,000 refurbishment of the former Revenues Hall to create a modern and welcoming one-stop shop for council services.

Some service levels are high and could offer potential for savings, whilst in others, notably human resources, there seems to be a dislocation between client demands and contractor resources. It seems that there is a need to examine the IT service strategy and contract, as it is not well regarded, and will need to be refocused given your transformation objectives are heavily reliant on this service.

While the partners are going to need consideration for making savings there is an urgent need to enter commercial discussions to arrive at solutions for the way forward to deliver second generation savings or refocus and redefine capacity in key areas.

A strategic level discussion is needed to reframe the relationship, revisit the strategic mutual interest that should drive the relationship, and move it from a client contractor relationship to a strategic partnership. Inviting a presence from your partner on the corporate management team may assist with this change of approach.

The partners are of the view that there are savings to be gained from operational property, from long term disposals and are open to discussions about vehicles. The capital receipts accelerator programme appears to offer potential for short and long term capital receipts and there is a pressing need for consideration of this.

There appears to be a lack of knowledge amongst service managers of how the contract works, which may be hampering the council in achieving value for money as managers do not know what level of service they can expect from the contract and which requests are off specification and will incur a charge.

Key suggestions and ideas for consideration

The peer team developed some key recommendations for you to consider. These are based on what we saw, heard and read. Drawing on our experience of the sector and knowledge of local government improvement, the following are things we think will help you to make best use of your skills and experience, deliver some quick wins, and develop the strengths you will need to see your change agenda through:

1. Revisit your financial assumptions and ensure that your medium term financial strategy has realistic targets for the next five years.
2. Fundamentally review your corporate plan and the type of council you want to be in line with your financial challenges. You may want to develop and agree a clear operating model to guide the organisational transformation you need to undertake.
3. In line with the above, develop a clear and simple vision that can be easily articulated to members, customers, partners and employees about what the

council will be like in the future, what is expected of them and what is in it for them to be part of that journey.

4. Create a single, comprehensive overall transformation programme, guided by the type of council you want to be, with realistic income and savings options for the medium term, which have been risk assessed and fully address the financial challenges you face.
5. Clarify leadership roles for delivery of the transformation programme and ensure that you have the right skills and capacity in the right places to enable its delivery e.g. HR, ICT, legal etc.
6. Reconsider current approaches that may hamper you delivering the change at the pace you need e.g. decision making and who is involved, the job evaluation process etc
7. Commence discussions with Arvato and Kier about the nature of your future commercial relationship with them including opportunities for future savings, levels of support and asset disposal and investment etc.

We have attached a set of slides that summarise the above feedback. The slides are the ones used by the peer team to present its feedback at the end of the onsite visit. We will provide signposting to examples of the above and other information that will help inform your thinking.

Next steps

You will undoubtedly wish to reflect on these findings and suggestions made with your senior managerial and political leadership before determining how the council wishes to take things forward. As part of the peer challenge process, there is an offer of continued activity to support this. In the meantime we are keen to continue the relationship we have formed with you and colleagues through the peer challenge to date. We will endeavour to signpost you to other sources of information and examples of practice and thinking.

I thought it helpful to provide contact details for Mark Edgell who, as you know, is our Principal Adviser for the East Midlands, Yorkshire and Humber. Mark can be contacted via email at mark.edgell@local.gov.uk or tel. 07747 636 910. He is the main contact between your authority and the Local Government Association. Hopefully this provides you with a convenient route of access to the Local Government Association, its resources and any further support.

All of us connected with the peer challenge would like to wish you every success going forward. Once again, many thanks to you and your colleagues for inviting the peer challenge and to everyone involved for their participation.

Darienne

Darienne Law
Peer Challenge Manager
On behalf of the peer challenge team