

Corporate Peer Challenge Follow up day Torbay Council

27 September 2016

Summary Report

1. Background

Torbay Council's Corporate Peer Challenge (CPC) took place in November 2015. Following that challenge the LGA team produced a report of findings which was delivered to the council. In response to this the council produced an action plan which, having been taken through its political and managerial governance arrangements, was approved in April 2016.

Since 2005 the council has had a mayoral governance model. The current Directly Elected Mayor has been in office since 2011, having been re-elected in 2015. Since the original CPC there has been a mayoral referendum in Torbay. This took place in May of this year and the outcome will result in the council moving to a leader and cabinet model of political governance in May 2019. The Council has also made further financial savings equivalent to 12% of its net budget and recruited a replacement DCS.

The LGA's Principal Advisor and Challenge Manager have, along with several members of the original peer team visited the council on a number of occasions since the action plan was produced to help, advise and review progress directly with the council. As part of this process it was agreed that a follow up day 6-12 months following the original peer challenge would be arranged.

That follow up day took place on 27 September 2016. The aim of the day was:

- Jointly, with the council undertake a progress review (1.5 hour session)-this was essentially to check progress to date since the original CPC and establish the current position-this was done through a led discussion between the peer team and five officers of the council's Senior Leadership Team (SLT). The Chief Executive and one of his Directors were unable to attend due to an important international civic engagement.
- To delve deeper into key efficiency plan/transformation challenge areas which the council chose to confirm specific progress and use these themes below to also help provide an overall gauge of progress-this was done via four workshops held between members of the team and senior officers and members from Torbay Council, including the Directly Elected Mayor and chief executive (4 x 1.5 hour sessions). Those themes were
 - Children and adults; Housing Company; Council tax and , TOR2

- For the team to feedback summary findings and recommendations at the end of that day-this was done through a PowerPoint presentation undertaken by some members of the team with an audience of most of the senior members and officers we met with on the day.

The day and process was also informed by a desk review of the council's efficiency plan undertaken by Chris West, Director of Resources for Coventry Council, who was part of the original CPC team. Chris West was unable to attend on the day, but in addition to the desk top review he had a telephone conference call with the Mayor and Chief Executive in respect of the council's Efficiency Plan and budget the day prior to the follow up day.

This summary report captures the essence of all of the above. It provides:

- The details of the team which undertook the follow up day
- Headline messages from the team
- A summary of the team's views from the respective sessions i.e. the progress review and four workshops
- A summary of the Efficiency Plan desk-top review
- Recommendations from the team
- Two appendices:
 - a summary of areas of focus and recommendations from the original corporate peer challenge
 - the full desk-top review of the council's DRAFT Efficiency Plan

2. Peer challenge follow up day team

The team was as follows:

- Trevor Holden, Chief Executive - Luton Borough Council
- Stuart Drummond, ex-Mayor - Hartlepool Borough Council

- Andy Felton, Acting Head of Transformation (Assistant Director) - Staffordshire County Council
- Sheila Smith, Director of People and Communities – North Somerset Council
- Paul Clarke, LGA Challenge Manager

Team members who have also contributed to the process and this report are:

- Cllr Alan Jarrett, Leader - Medway Council
- Chris West, Executive Director Resources - Coventry City Council
- Andy Bates-Principal Advisor-LGA
- Vicki Goddard, LGA Improvement Support Advisor

3. Headline feedback from follow up visit

The council engaged positively in the original peer challenge process. In response to the findings from the CPC it developed a detailed action plan covering all 27 recommendations arising from it. Progress against the action plan has been reported to both Audit Committee and Full Council. As such the council is to be commended for its engagement with and response to the CPC. Now it is time for that action plan to be reviewed and prioritised in the light of the experience of the council and in conjunction with this summary report.

The council has produced and adopted at full council, just the week prior to the peer follow-up day, an Efficiency Plan. Prior to this a desk top exercise was undertaken by Chris West in August 2016 to review at that stage the council's draft plan. Subsequent to this a telephone conversation was arranged the day prior to the follow up peer challenge with Chris West and Paul Clarke from the peer team with the Directly Elected Mayor, Chief Executive and Monitoring Officer from Torbay Council. The full report Chris completed is at Appendix 2 to this report and a summary of the review is outlined in section 6 below. It was useful to have Chris undertake the original review and it is positive that the council has now approved an Efficiency Plan. Nevertheless the savings required for next year alone i.e. 2017/18 to balance the budget in year currently are £9.8m. We understand that since Chris undertook his original review just a month ago the financial forecasts the council has undertaken have again worsened. As such it would be wise to have a further assessment undertaken between now and when the council sets

its budget for 2017/18. We are pleased to report that the council has already responded very positively to this recommendation and work is scheduled for November 2016, to be undertaken by the LGA, to test the robustness of the proposals to achieve a balanced budget for 2017/18 and to provide challenge and test the realism of the council's medium terms financial plans i.e. 2018 -20 and beyond. Additionally, and again positively, the council has commissioned via CIPFA a review of its financial resilience.

During the follow-up day we met at various times with leading members and senior officers from Torbay. It was very clear from our discussions with members that since the original peer challenge they felt more empowered, engaged and informed. This has been a strength of the engagement between members and officers over the last 10 months as they collectively galvanised around the findings of the report and the actions with the council's own action plan as a consequence. In terms of progress there was a range of positive outcomes and in our feedback we drew particular attention to the recent changes in the way the governance arrangements for Policy Development Groups (PDGs) had changed, where these were now meetings where executive decisions could be and were now being made. Previously, these had largely been taken by the Directly Elected Mayor following discussion and recommendations from full council. In our view this change will provide clarity as to process, speed up and help the council make more effective decisions.

In addition the council has attended to many of the 27 actions arising from the CPC. It has established a Transformation Board, appointed a director to lead this and now is starting to generate momentum with some 'big ticket' areas, including the establishment of a Housing Company. This shows that when there is a council wide priority, when there is focus and capacity and where there is ambition and all of this is coordinated Torbay Council can, does and will make progress.

However against a number of issues we reported back a lack of significant progress or concerns, that if not successfully addressed will continue to hold the council back.

There has clearly been a lot of endeavour and this progress report will highlight some of that, but in overall terms some of the original issues remain. Delivery against scheduled actions is often slow, so there is a whole issue of pace and prioritisation and in part this stems from the way the council prioritises actions and how it makes decisions. This begs questions of both leadership and capacity.

Whilst we found some positive member and officer relationships, including those between individual directors and their respective executive leads, we also found tensions at a senior level both politically and managerially which have real implications for the leadership of the

council and its ability to successfully manage change. These tensions, in the view of the team derive from the lack of a consistent political purpose which officers can then put their collective energy into delivering, and a continuing misunderstanding of roles and responsibilities.

The consequences of this inevitably lead to a lack of a collective joint sense of purpose between senior politicians and officers which in turn negatively impact upon the capacity of the council to:

- lead change and develop the organisation to meet its significant challenges
- develop and enable effective partnerships and external relationships
- maintain focus on strategic and long-term issues
- work effectively within and across the political dimension of the council especially creating effective connections/enabling appropriate working across the boundary of politics and management

This is not serving the interests of Torbay nor the council well and we urge the Directly Elected Mayor, Chief Executive and leading politicians within the council to address these matters otherwise we do not believe that sufficient progress will be made at the pace that is now required.

The absence of a strategic vision for Torbay and clarity of purpose in respect of working towards it, is in the view of the team, again holding back both Torbay and the council. Its absence means that the council is generally making short term decisions without the benefit of a longer term strategic framework. It is positive that the council has begun more effective engagement with its public and private sector partners and intends to develop a stronger and more cohesive strategic partnership. The council is now making progress here and it will be important that this positive endeavour now moves on at pace so that such a vision is established and all partners rally around the priorities that arise from it. This will help drive action and with a collective will enhance the capacity of the partnership to deliver too.

In line with our comments above in respect of relationships, at our feedback session we reported that in the view of the team there still exists what we described as 'deficit language' and blame. For example, we saw some of the council's leaders, politically and managerially, blaming each other for the situation in which the council currently finds itself. This does not instil confidence and should be addressed as given the range of challenges the council has it is crucial that the senior leaders of the organisation are jointly working with purpose in the best interests of Torbay's residents.

Whilst it is positive that the council has adopted an Efficiency Plan, we saw again people within the council already questioning the credibility of

the projections, and we heard them described on more than one occasion as 'heroic'. Indeed we have already made reference to the reported in-year savings requirements for 2017/18 of £9.8m and overall for the next 3 years of £21.5m. The Peer team are aware that Council has successfully delivered £60m of savings over the last 6 years, however both demand pressures and performance, particularly in Children's Services, has resulted in further and significant budgetary challenges. However a planned use of reserves to invest in Children's Services has not resulted in delivering the savings envisaged. Achieving a stabilised and sustainable budget within Children's Services has to remain a key priority for the Council.

The achievement of the Efficiency Plan will require a strong and purposeful political will to make the very tough decisions that are required, and astute and steadfast managerial leadership and expertise to see it through and achieve unprecedented levels of savings and efficiencies.

In the view of the team elements of the plan need to be reviewed, rescheduled and brought forward. The Council needs to be sure that its budget proposals can and will be delivered upon. We would recommend a further review to be undertaken prior to the council setting its budget for 2017/18. As referred to earlier we are very pleased the council is already addressing this recommendation.

We can see that the council has sought to reinvest capacity at a senior level and this has been important but the scale of change required needs greater capacity with more integration, focus and pace. Within the senior officer team the Director of Children Services, whose introduction to the council is to be very welcomed is understandably focused on children's improvement and those significant challenges that quite rightly he and the council are prioritising; as such he has not had the capacity to make his refreshing outlook as a new leader influence more deeply.

The Director of Adults is leading a service which has had a national reputation for health and social care integration but this is a service with immense pressures and demands and she is also leading on a part-time basis (2 days per week) the council's transformation plan, which is 'mission critical' to its medium term sustainability. The financial issues addressing Torbay Council are very significant and we felt this area would benefit from greater political and managerial leadership and capacity, at both member and officer level. The Chief Executive is also undertaking two challenging roles, one for the council (four days per week) and one for Torbay Development Agency (a wholly owned and controlled company of the Council - delivering council functions, whilst also seeking external work to support regeneration activities within Torbay).

Our overwhelming view is the senior officer capacity within Torbay

Council, throughout its Senior Leadership Team, but particularly in relation to its commercially based financial expertise and capacity to deliver its transformation plans, needs to be increased. The council would be wise to address this and at pace with its transformation plans now. Equally, the capacity of members will also merit further consideration and review.

4. Progress Review

It is important to record some real progress with the issues identified from the original peer challenge. The council has established an action plan and has shown real intent and we can see progress has been made against all 27 of our recommendations. Understandably some have progressed further than others and given the comments we have made about capacity this in part explains why.

The focus on transformation, the appointment of a lead director, a board to oversee this and the development of a range of projects to help deliver real change and improvement is to be applauded.

We have recorded the fact that a strategic partnership forum is being developed, it now needs pace and purpose driving it as well as the evident good will of both the council and its partners. Nevertheless this is a positive step in the right direction.

We have encouraged the council to invest in development in respect of its members, its constitution and governance. Again we have seen progress, specifically highlighted the progress within the PDDGs. We have also seen some members, including Executive Leads really embracing the challenges laid down in our original peer challenge and being both determined and brave despite political opposition. The progress towards setting up a housing company is a good example of this. It was also very clear from our discussions with members that since the original peer challenge they felt more empowered, engaged and informed.

We saw clear political and managerial alignment now around the children's agenda and given the issues that the council is facing this is of fundamental importance and we were very encouraged to see this development. It is essential that senior members and officers know, understand and work together in facing the challenges the council has.

The action plan has been very well led by the council's Monitoring Officer who has shown drive, purpose and real leadership in making sure it was agreed and is being progressed. Now is a good time to think again about that plan and refocus attention and priorities. There were 27 actions from the original plan and many overlap. It will be an important

next step to now rationalise and prioritise these and to focus on what is most important.

In our original report we recommended that the council implement more effective working practices in relation to decision making. Despite the good work undertaken since our original visit, some members remain unclear as to the role of Policy Framework and the difference between Council and Executive decision making. Work on this understanding should continue.

The issue we constantly came back to on the day was a feature of the original peer challenge and that is both senior politicians and senior officers need to work more effectively together. This matter is dealt with in the Headline Feedback section above and a specific recommendation has been assigned to this. In the view of the team it is essential that this is addressed by the Directly Elected Mayor, the Chief Executive and by leading politicians and we believe they will need support, guidance and possibly even further mediation to do so.

5. Summary Headlines from the four workshops

5.1 Adults and Children

The integration of adult social care with health in Torbay was an early national exemplar of good practice and it is well documented in relation to the establishment of the Integrated Care Organisation (ICO). As such in terms of transformation and efficiency the council has shown it can and will continue to make difficult decisions in an environment of significant demand pressures and is therefore planning for the medium to longer term. The Director of Adult Social Care has led the service well throughout this significant period of change. Given that this service was at the forefront of the council's approach to transformation and as much of the resource now resides within the ICO, it is plainly clear that it will be unlikely that any further significant financial efficiencies will be gleaned from this area and as already said the demand pressures in this service area are placing a significant strain on the council's finances.

Torbay's children's services are in intervention. In terms of driving things forward we should report here that the appointment of the fairly new Director of Children's services has not only been very positive for the understandable focus required to improve the services and outcomes for young people in Torbay but his insights and experience will also have the potential for real benefit for the council as a whole, if and when he is able to offer time beyond his current core focus.

It is true to say that previous approaches to gaining efficiencies from children's services have been less than successful and with the

knowledge of this the council has made adjustments to its Efficiency Plan accordingly. It is also directing its efforts to both achieve improved outcomes for its Looked after Children and ease those financial burdens. Nevertheless, in the short to medium term the service failures and demand pressures are such that there are real risks in terms of achieving a sustainable budget in children's services.

We had concerns in the original peer challenge in Torbay about plans at that stage to transfer arrangements to the ICO when the service and the finances underpinning it were so frail. We are pleased to note that the council has commissioned a short focused piece of work to undertake an options appraisal in relation to this and will be considering a wider range of options in doing so.

5.2 Housing Company

The week before our follow up visit full council agreed in principle to establish a housing company with an investment of £60m and to undertake due diligence and commission work accordingly at a cost of £75k. Subject to that due diligence this is a very positive step, it will create new homes for Torbay's residents and a revenue stream for the council.

In terms of transformation, innovation and showing the council's potential appetite for risk this is a very positive step. It is also a great example of members working together on a contentious issue, where despite some political resistance, the Executive Lead has shown leadership and supported by others across the breadth of the political spectrum has achieved full council endorsement for this proposal.

The initial approach was very financially focused and lacked a wider perspective including the other potential benefits for residents and place. We believe this is also a good example of how a proper lack of vision for place allowed a proposal to be fostered in isolation. Through wider political engagement the benefits that could be realised, in addition to the obvious capital and revenue ones, in terms of social benefits including affordable housing are now coming to the fore.

The council is enhancing its capacity on an interim basis to ensure it has the resource to drive this now, and again this is positive. However in developing the business case for the future it would be useful to present the spectrum of potential benefits and options as the current one relies on a 'worst case' scenario.

5.3 TOR2

This is a company in which the council has a circa 20% stake. The services include waste and recycling collections; the maintenance of highways,

grounds, parks, car parks, buildings and the council's vehicle fleet; street and beach cleansing; and out of hours call centre support. As such it is clearly significant financially to the council and is in the second five year period of a rolling contract of up to 15 years having started in 2010.

We identified this contract as a prime area where the council could look to gain efficiencies. The council acknowledges it was not as robust at the first five year break point as it might have been and is seeking to play 'catch up'. We had a sense that officers are doing the right things now in escalating matters to the parent company for TOR2 and exploring strategic opportunities for future efficiencies. The concern we have, and officers have too, is the time taken to get this far and oiling the drivers for pace.

In our view the council needs to drive the leverage Torbay has tactically at this time and reposition the contract so that it is fit for purpose and flexible. As said the officers now leading this have credibility and they are developing capacity to help them tackle this but it will be crucial that within the next twelve months they make real progress and find ways to gain efficiencies from this area. The council has highlighted this as a core area for efficiencies in its plan and as such it must attend to this.

5.4 Council Tax

The workshop focused primarily on the approach the council is and can plan for in terms of its local taxing decisions, which is a key element but just one from the Efficiency Plan. That Efficiency Plan has currently a requirement for savings of £21.5m in the three year period 2017/18 (£9.8m) 2018/19 (£6.5m) and 2019/20 (£5.1m).

The Efficiency Plan has been agreed by full council now and within that there are clear assumptions made by officers that the maximum increases for both council tax and adult social care precept will be taken throughout the next four years. At this stage politically this is acceptable for 2017/18 and the Executive has indicated a desire that smaller tax increases will be applied in the subsequent years of the plan. However, it is plain to us that if such decisions are taken it will require either further service efficiencies or income to be found elsewhere.

The desk review of the Efficiency Plan is summarised below and our view is that the officers have been wise to assume increases of 4% per annum for the duration of the plan and the members have been sensible to endorse it. Beyond this it will be crucial that Torbay finds ways to bridge its significant budget gap and this will require difficult decisions to be made and at pace. This will require the council membership to be exposed to the very stark choices that will be needed to keep Torbay viable. The Council cannot delay making decisions in this respect, very many of these difficult decisions will take some time to implement and need to be progressed

now. The Council should not look to use its limited reserves without having clear, robust and deliverable plans for how savings will ultimately be achieved.

6. Summary feedback on desk review

As a written plan our observation is that the Efficiency Plan is a good document, well presented and it covers the bases. At the stage when we reviewed the plan in late August 2016 the forecast budget gap for 17/18-19/20 was £18.5m.

Over the last few weeks the council has revised its efficiency plan and the total required to be identified has now increased by £3m to £21.5m. This is the plan which was agreed at full council just the week before our follow up visit.

However, as we understand currently the additional savings required has actually increased to £5m, as the original plan included a £2m reduction from the Children's budget, which at this point we are told the council cannot rely upon.

The commentary that follows relates to our desk review of the draft efficiency plan (when the savings required were £18.5m) and given the latest situation (estimated savings of £21.5m) it only serves to reinforce the points we make below.

- By 2021/22 even at the maximum end of the range the savings do not balance the budget (93%) and the minimum end of the range falls well short (65%). By then, additional grant reductions in 2021 and 2022 are likely to have moved the goalposts back still further.
- The savings that do materialise are back loaded
- There is a relatively low percentage of green rated, easier to deliver proposals, and a significant reliance on red rated issues that are back loaded
- The plan shows too little action and too late in the plan period, meaning that more action and greater urgency is required.

Our concerns from our review of the draft was that Torbay Council must be doing more to bring proposals forward, and/or to accelerate progress and to de-risk them to ensure they are deliverable. The short term priority must be to balance the budget in 2017/18 and 2018/19. From the review we undertook we believed there was effectively a range of savings plans which cumulatively by 2018/19 cover only 41% to 68% of the predicted gap. This is highly concerning and in our view the Efficiency Plan and financial resilience of the Council needs to be urgently reviewed.

7. Summary Recommendations

Efficiency Plan

The council must urgently review the assumptions it has made in its Efficiency Plan and it would be wise to gain an external view of its revised plan and act upon those recommendations. At this stage we can already advise that the savings required will need to be brought forward and efficiencies driven at a much faster pace if the council is to be sustainable into the medium term.

Vision

The council must in conjunction with its partners, develop a vision and narrative for Torbay and the council that was outlined in the original peer challenge and again do this at pace.

Leadership and Capacity

This report has highlighted a number of existing inherent weaknesses. The capacity across senior politicians and officers should be reviewed as a matter of urgency. We specifically recommend:

- Enhancing the commercial/financial capacity within the senior officer structure (and further throughout officers and members) to further ensure the delivery of the council's Transformation Programme
- Addressing the council's leadership challenges through a revised Member Development Programme, including consideration of external support to facilitate this.

Decision making

The speed and nature of decision making currently both in terms of policy (delegation) nor speed is helping a council which is facing the issues that Torbay must tackle and this will require urgent review.

As part of this it will be important that all members have consistently clear line of sight and ownership of the council's strategic direction e.g. transformation plan.

The Council needs to develop a new prioritised plan to respond to these recommendations

8. Next steps

Immediate next steps

We appreciate you will want to reflect on these findings and suggestions with your senior managerial and political leadership in order to determine how the Council 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. Andy Bates, Principal Adviser and Paul Clarke, Programme Manager are the main contact between your authority and the Local Government Association (LGA).

Key areas considered and recommendations from the original peer challenge

The original Corporate Peer Challenge (CPC) covered the five core areas which every CPC addresses and in doing so sort to provide assurance and challenge on those key elements (in brackets) which the council asked us to specifically to explore. These were:

- Understanding of the local place and priority setting
- Leadership of Place
- Financial planning and viability (Financial Resilience)
- Organisational (leadership and governance)
- Capacity to deliver (Corporate Capacity)

The recommendations arising from the challenge were as follows:

Understanding and Leadership of Place

- Develop a clear long term, high level vision for Torbay that is agreed with key stakeholders
- Develop a clear communication and engagement strategy for the above to embed it with partners and the community
- Develop and understand Torbay's place in the national and regional context

Finance

- Develop a Medium Term Financial Plan which covers the period of your corporate plan and which demonstrates how Torbay will be viable and meet the budget challenges it faces
- Ensure the delivery of the Children's Services 5 Year Plan creates a stable financial platform for the future
- Ensure robust due diligence of the decision and timing of the transfer of Children's Services to the Integrated Care Organisation (ICO)

Leadership and Governance

- Implement more effective working practices in relation to governance and especially in respect of transparency and political decision making
- Engage with an external provider for training on the constitution, and the respective roles of officers and members
- Full Council to reconsider the recommendations and report of the Centre for Public Scrutiny

- Provide peer support and mentoring for chief officers and elected members to support their capacity and provide guidance as the key changes that are required are made
- Develop and deliver an organisational succession plan so that your leadership capability and capacity issues are addressed

Capacity

- The perceived spectre of “non-viability” needs to be exorcised
- Continue to develop and deliver an organisational development and workforce plan
- Review the capacity of your political and managerial leadership to help you meet most effectively the future challenges you are facing
- Review and invest in the training and development needs of senior members and officers
- Invest in or identify through reprioritisation appropriate capacity to deliver organisational and business transformation at pace
- Establish clear plans with key targets and milestones for the delivery of your Corporate Plan

Appendix 2 Efficiency Plan Review

Report attached