

# Corporate Peer Challenge **Derby City Council**

13<sup>th</sup> – 16<sup>th</sup> June 2017

Feedback Report

## 1. Executive Summary

There is clear pride in being associated with Derby at all levels of the council, across the city and its communities. Councillors and staff are clearly committed to the organisation and to the city, and want to do the best for residents and service users. At operational and strategic levels there are many examples of good partnership working where the council and its partners can point to results and some outcomes that local people recognise.

During the week of our visit the most recent Ofsted inspection results for the council's Children's Services, for children in need of help and protection, looked after children and care leavers ("the SIF"), were announced and the overall effectiveness of services was judged to be good. The leadership of the People Directorate is widely cited as being strong by a wide range of stakeholders.

However, there are many priorities in play and these are not yet clear enough for either staff or partners. There is a lack of ownership of the priorities and there are differing views about which are most important, and how they relate to each other. It is difficult to see what the council has stopped doing on a large scale or is doing substantially differently as a result of financial constraints. Going forward, clarification is needed on how the six 'super pledges' launched by the Cabinet in April 2017 will be resourced and delivered, and how these relate to other priorities.

The council faces ongoing serious governance and accountability issues, following the previous external auditor's Public Interest Report (PIR) issued during 2016 which related to concerns about the management of a number of major projects and to member conduct during 2013/14 and 2014/15. A Section 24 recommendation was issued by the current external auditor in June 2017 relating to concerns of slow progress in dealing with fundamental issues on the council's internal control environment. This included the auditor's concerns about "the council's ability to effectively demonstrate it has proper arrangements to safeguard and make informed decisions in respect of public funds and assets". Whilst progress has been made since the PIR was published, the council was slow to respond to the external auditor's concerns on financial management particularly relating to the council's financial processes and to property and asset valuations. Urgent and ongoing attention is needed to ensure that the council makes progress on the issues raised about its financial systems and control environment.

Like all other councils Derby has faced widespread budget cuts. This has amounted to a loss of £135m since 2010 with more needed by 2019/20. The challenge to meet the level of savings required is compounded by a low council tax base following historically low council tax increases, alongside increasing demand for children's and adults' social care. An attempt was made during late 2016 to move the election cycle to a 4 year term away from the current cycle of elections by thirds, but this failed to secure a majority vote by Full Council. It also has an electoral history of administrations with small majorities, resulting in a degree of political instability for over a decade.

The council can evidence a significant amount of achievement which it is rightly proud of including Infinity Park, the development of Community Led Support in Adult Services and creating new jobs.

However there are also a number of perceptions in circulation which have developed and are in danger of diverting attention away from progress and becoming self-fulfilling if they persist. These relate to the lack of resources at the council's disposal; the size of the council and the city; political instability; and insufficient resources. Attention instead needs to shift to the resources still at its disposal, the opportunities available to it and what the council can do together with its partners.

Capacity and capability across departments is variable and there are signs of the organisation being under pressure. There are clearly issues to be addressed in the council's finance function to ensure that the accounts are compiled competently and on time, but there are capacity issues across the council which need further consideration. This includes the functions of HR and legal within the Organisation and Governance Directorate, and there is some evidence of limited resource and capacity in some frontline services too.

Although the vision 2030 is established it may not be specific enough for people to understand what Derby City Council is trying to achieve. Partners are keen to work with the council in the best interests of the city but they need conversations and clarification in the short and medium term so they can work more closely with the council, and be clearer about what Derby stands for. They don't understand what the council is aiming to achieve and struggle to engage to have high level conversations, in health but more widely too. This is particularly important in the health arena so that steps towards health integration are clearer and can be achieved. Moving forwards it will be important to pay closer attention to developing strategic relationships in the common interests of the city, both within the confines of the city's boundaries but more widely across the region.

There is room for improvement in the political culture of the council. The external auditor's PIR during 2016 made reference to inappropriate councillor behaviour, specifically relating to taxi licensing and steps have been taken to address these concerns and a new taxi licensing policy has been adopted.

Whilst we heard some positive views about the majority of councillors this does not apply to all elected members of the council, and we heard of concerns of poor behaviours from a small number of councillors. Councillors need to ensure that they act with the highest levels of integrity and statesmanship at all times, irrespective of role, seniority or political party. More effort also needs to be made in improving working relationships across the membership of the council.

Derby City Council has and continues to face significant challenges which must be addressed comprehensively if the council is to make progress. If these issues are not addressed then the council's reputation will be put at risk, stakeholders will lose confidence in the council's ability to be the leader of place for the city, key staff will leave to work elsewhere and it will become much harder to deliver on behalf of residents, communities and businesses.

## 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, in addition to the conversations onsite, many of which provided ideas and examples of practice from other organisations. The following are the peer team's key recommendations to the Council:

- Close the 2015/16 and 2016/17 accounts. Progress is needed urgently in closing off the financial accounts. This should then enable the finance function to pay closer attention to in-year financial processes and management
- Review the capability of the finance function. The appointment of a new interim Director of Finance has boosted capability and consideration needs to be given to ensuring the right skills and capabilities exist within the finance function, so that issues highlighted by the external auditors in 2016 and 2017 are addressed promptly and to the standards expected and required
- Review and strengthen corporate capacity and capability within the Organisation and Governance Directorate to ensure that governance is appropriately resourced to deal with current and future challenges. Given the past and ongoing challenges the council faces further consideration should be given to increasing and strengthening resources in the council's corporate functions including finance, human resources and governance
- Seek external support to improve member-member relationships and member-officer roles and responsibilities. Some relationships across the council's membership are strained and may benefit from external support and facilitation in order to support some improvement, and clarity about respective member-member and member-officer roles and responsibilities would help to improve relationships. The LGA can assist with this.
- Re-establish the Derby Plan as the single plan for Derby which incorporates the 2030 vision. This needs to be developed with and shared by partners, and backed by shared resources to deliver it. The absence of an overarching plan means that it is difficult to see what Derby is aiming to achieve. Developing a shared strategy will help to align the collective passion and ambition for the city, backed by clearer commitments from partners about what is expected of and with them
- Focus on a smaller number of key priorities. There are many priorities in circulation and it can be difficult for staff and partners to see which are the most important and how they will be financed and delivered
- Consistently engage with key partnerships and provide clarity to partners about the council's overall priorities. Prioritise which partnerships are most important to the council, decide who will lead and manage the interaction with them and communicate this to partners
- Strengthen your approach to community engagement, building on initiatives such as the Big Conversation and Citizens on Patrol, to help enable and support communities to engage better with the council
- Commit to a workforce development plan to embed behaviours and culture, and build managerial and leadership capacity. More attention is needed to the council's stated values, ensuring these play a higher role in all activities undertaken by members and officers

- Develop a robust financial strategy urgently and explore other financing options e.g., using the Housing Revenue Account on a more creative basis but within acceptable norms, to provide more flexibility for service deliver
- Develop a clear approach to commercialism backed by a plan understood and owned by managers across the council.

### **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 Derby City Council were:

- Kersten England, Chief Executive, Bradford City Council
- Cllr Phil Davies, Leader of the Council (Labour), Wirral Council
- Cllr Chris Read, Leader of the Council (Labour), Rotherham Council
- Cllr Elaine Atkinson, Poole Borough Council (Conservative)
- Paul McKeivitt, Deputy Chief Executive, Wigan Borough Council
- Sally Rowe, Corporate Director: People, Luton Borough Council
- Helen Isaacs, Director of Governance, Democracy and Community Engagement, North East Lincolnshire Council
- LGA peer challenge manager: Judith Hurcombe

#### **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 these questions, you asked the peer team to consider/review/provide feedback on:

6. Delivering achievements under the council's ambition.

### **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. 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 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 4 days onsite at Derby, during which they:

- Spoke to more than 160 people including a range of council staff together with councillors and external partners and stakeholders.
- Gathered information and views from more than 40 meetings, participated in a regeneration tour of the area, and undertook additional research and reading.
- Collectively spent more than 400 hours to determine their findings – the equivalent of one person spending more than 9 weeks in Derby.

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 (13<sup>th</sup> – 16<sup>th</sup> June 2017). 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**

There is a good awareness of the challenges and opportunities facing the city, for example levels of deprivation and the increasing gaps in life expectancy across the city's communities, the demands arising from an ageing population and increasing numbers of children with complex needs. The need to develop the economy further is widely understood and is evidenced well, and is readily articulated by members and officers. The Local Plan was adopted earlier in 2017, setting out the spatial development of the city. The strategic housing opportunities and challenges facing the city, including development opportunities being restricted due to geography, are understood at strategic level.

The survey of residents undertaken in early 2017 shows some very positive results about the city including a 90% satisfaction score with their area as a place to live, however satisfaction with the council at 59% is below the national average.

The high inspection ratings from Ofsted under the Single Inspection Framework (SIF) is a reflection of the council's good understanding of the needs of children and young people in the city, and related to that, plans are in place to support the delivery of positive outcomes.

The Derbyshire Sustainability and Transformation Plan (STP) is rated by NHS England as "advanced with established system wide leadership", however the STP at the time of our onsite work had become stalled. This risks Derby being left behind as others take the lead. Closer working with health and social care partners is needed if the city is to achieve better health and social care integration for its residents. The plan for integration is under-developed and needs to be agreed and articulated if improvement is to be achieved; this is particularly important for Derby due to the financial pressures it faces.

The absence of a clear plan for community safety and the disbandment of the Community Safety Partnership, at a time when community cohesion is particularly important, is a retrograde step for partnership working and the city. There are tensions about the integration of new communities in the city, both from those individual groups and wider communities, and it is not clear what the plan is to address those concerns.

### **4.2 Leadership of Place**

The Leader of the Council is passionate about the city and he understands the needs and challenges it faces. Following his appointment as Leader, he played a key role in helping secure the HS2 station at Toton. On the whole, the relationships between the council and its partners are positive. Relationships between the council and neighbouring authorities are good and can be evidenced in working with other councils and the D2N2 Local Enterprise Partnership to unlock monies for local growth. The working relationship between Derby and Nottingham is leading to a

number of opportunities for collaboration, including a new Metro Strategy agreed in April 2017.

There are some notable examples of the council and its partners' ambition to improve the city, e.g., regeneration schemes such as Infinity Park and the creation of a Business Improvement District. There are also examples of good partnership working which have led to positive outcomes e.g., Ofsted SIF Inspection which included the work of Derby Safeguarding Children Board, which was judged to be outstanding; the council played a key part in bringing Women's World Cup Cricket to the city; and the Leader is actively involved in forging links with Hefei in China.

However there is a lack of a joined up approach to leadership across the place by the council. Although there is an agreed vision called Derby 2030, it does not appear to be widely referenced by internal and external stakeholders, and the council accepts that developing a long term vision is challenging. Partners and communities are not clear about what the council stands for and what it is trying to achieve and this gap means that some opportunities may not be maximised.

The Core Strategy does set out the vision for the city in terms of spatial planning, but a clearer vision for the city overall is needed, to translate the broad 2030 headlines into a more distinctive USP for Derby. It should be underpinned by a delivery plan. Sharing views about what the city is for, and its role in the region and beyond would help the council to work more closely with its partners and potentially gain more for the city through the pooling of common interests, facilities and resources and some budgets. This could be through shared staff or premises, pooling IT arrangements or developing a strategic approach on how best to utilise the strengths of the city's active community and voluntary sector.

Commitment to partnership working can be variable to the extent that partners can struggle to see if the council is treating some partnerships as important. This is because there are widely held perceptions that the council is not following through in its approach, either in backing with resources or through investing in continued and ongoing dialogue.

In April 2017 the Cabinet made a commitment to the delivery of 50 pledges, including the Super Six pledges of:

- The introduction of a Derby energy tariff
- The creation of 2,000 jobs and apprenticeships by March 2019
- Investment in the Assembly Rooms, Debenhams and Duckworth Square sites to increase city centre footfall by 10% by 2025
- Making Derby the cleanest English city within 4 years
- Delivery of 500 affordable homes to rent or buy by March 2020
- The council will start building a new swimming pool by the end of 2017.

The 50 pledges are monitored on the council's internal performance management system DORIS.

At the time of our visit, the pledges were relatively new and so as in all councils will take some time to bed in, but some stakeholders felt there are too many priorities, others are unclear which are most important and how the Super Six relate to the 8 priorities in the Council Plan 2016-19. The council needs to consider how it communicates its priorities to provide clarity and assurance to stakeholders that they are deliverable and affordable, and how the Super Six pledges fit with day-to-day service delivery.

Despite the council publishing its 21 areas to protect from cuts as part of its pledges, staff and members struggle to articulate what the council has stopped doing to date and what it will stop doing in order to meet the budget gap by 2019-20. Some of this confusion may relate to a need to communicate the priorities better to stakeholders, but this applies both internally and externally of the council. Clarification is needed therefore about which priorities are the most important, how they will be delivered and by whom.

More investment should be considered in partnership working with the voluntary and community sector. This is not about providing grants for individual organisations, but working with the sector so that it can develop, support and build capacity in communities across the city. We heard that the removal of some grants had enhanced community development because it reduced ongoing dependency on the council to provide everything. However, capacity of the sector still needs consideration. There are some examples of where the council has taken steps to support the community doing things for themselves, Community Led Support and Local Area Coordination within Adult Social Care, and the 'Love Your Neighbourhood' Initiative. Despite this there is a perception that the council is still quite paternalistic.

Competition for funding is seen by some stakeholders as a barrier to effective partnership working, for example the competition for resources in education through institutions such as Academies, and also across the health economy. The council can play a pivotal role as leader of place in bringing together partners to act in the common interests of the city and overcome individual organisational interests.

The Derby Newsroom, which is the council's own media team, is well regarded within the organisation. However there are still ongoing concerns about the organisation's overall approach to communication and whether it does enough deliberate and planned strategic communication to promote its reputation. A new Strategic Communications Plan was introduced in early 2017 to address these issues. Opportunities are not maximised to promote either good news stories or what the council is trying to achieve, both at a headline level as well as in services. An example of this is the restriction on the use of social media by staff, which is a missed opportunity to utilise an increasingly important means of communicating with young people. Reputation management and good communication is made more difficult because of the need to constantly refer back to members before issuing any media releases.

### 4.3 Organisational leadership and governance

Staff widely cite a significant improvement in the managerial leadership of the organisation since the appointment of the current Chief Executive and the Chief Officer Group. The People Directorate was particularly flagged by both councillors and managers for its good leadership and performance and this is reflected in the results of the 2017 employee survey too.

Significant and serious concerns about a number of internal controls were flagged by the external auditor in July 2016 through a Public Interest Report. In June 2017 the external auditor issued a Section 24 Schedule 7 (2) of the Local Audit and Accountability Act 2014 notice about the council's inability to produce timely and accurate accounts. The council has action plans in place to address the issues raised in these reports.

Some progress has been made during the past 11 months. The council's approach to taxi licensing has been overhauled and a robust approach with much greater and appropriate officer influence has been developed to the awarding of licences. The profile of good governance has been raised and a Governance Working Group was re-created in March 2015 to focus on addressing organisational weaknesses in governance and statutory compliance. It undertook a review of the council's progress in January 2017, but in doing so it did not appear to anticipate further qualification from the external auditors in the summer of 2017.

However overall progress has not been fast enough, deadlines have been missed and there is still much to do in order to show that proper arrangements are in place. Within the council we were also told of concerns that some councillors do not accept or understand the gravity of the situation that the external auditor has flagged up. A strong and ongoing focus on good governance from everyone will be needed for some time if the council is to improve.

At the time of the onsite element of the peer challenge Derby was only one of two councils in England that had not finalised its 2015/16 financial accounts. Not doing so has also had an impact on the finalising of the 2016/17 accounts due to uncertainties relating to opening year balances and the balance sheet. Finalising both years' accounts must be undertaken as a matter of urgency, and the lateness of both will inevitably have an impact on capacity as the council catches up with its statutory obligations.

At the most fundamental level the weak control environment needs to be addressed urgently and a more obvious and overt corporate grip exerted. The new appointment of the interim Director of Finance in May 2017 is an important step in bringing leadership to the council's financial staff and systems. His role is vital in turning around the situation, and providing clear guidance and management oversight to staff so that they are clear about what they should and should not be doing.

There is much to do:

- A need to strengthen the Audit Committee, which needs to have more members with broader experience of audit matters and who are able to provide oversight and challenge
- Significantly improving the capability of the Internal Audit function in identifying problems and enabling the council to act on them in good time. The Internal Audit, risk management and finance functions must be reviewed and capacity and capability issues addressed urgently if the council is to improve
- Ensure the asset register and how assets are valued is in line with national guidance and practice
- Although the Human Resources function was significantly restructured in 2016, consideration should be given to whether it has sufficient capacity. There are also doubts about the accuracy of sickness absence data
- The approach to health and safety across the council is fragmented and is variable, potentially placing both employees and the council at risk
- The absence of an established feedback loop on complaints means that the council is not using this information to learn about where service improvements can be made, based on the evidence readily available to it
- An overall lack of understanding about roles, responsibilities and boundaries both between members, and between members and officers. Many councillors and officers understand where the boundaries lie and there are some positive working relationships based on trust and mutual respect. However some relationships do not appear to benefit from this positivity and this is manifested as inappropriate interference in decision making.

In many instances there are examples of positive and good member-officer working relationships, based on trust and mutual understanding of roles and responsibilities; we not only heard of this during our onsite work but we witnessed some of this too.

However there are a minority which do not follow this maxim and we heard a number of examples of poor behaviour and being disrespectful to officers by some councillors. This includes poor attitudes to women by some councillors, including some female councillors, with a disinclination to listen to and heed the professional advice provided by some female members of staff. The behaviour of a minority of councillors has also included shouting, banging of tables and threatening dismissal of some members of staff (irrespective of their gender) if they fail to comply with members' demands.

We also heard of some members concerns about some officers being unresponsive and resistant to their requests.

Councillor's attitudes towards staff was also an issue reported by staff in the most recent employee survey. We were not onsite long enough to see these behaviours being exhibited, but we heard enough people talk about them to suggest that these behaviours do take place and on a sufficient scale to merit further urgent action being taken. If they are not addressed then the already fragile levels of staff morale will be affected further.

Relationships between councillors from the administration and the opposition are fraught and are not cordial. Some of this might be expected given the electoral cycle and the slight majority of the majority group. But even allowing for these factors there is still room for improvement.

There are concerns that decision making appears to be inconsistent and not inclusive, and that some decisions are often not made in light of the best evidence available but in order to score political points. At times there appears to be a tendency to disregard professional officer advice. This applies across all of the political groups, not just the current administration, and has applied in recent years to a number of decisions, for example on the implementation of bus lanes.

Performance data and what is collected, how and where it is scrutinised is reviewed annually to ensure that the council's performance measures, as reflected in the Council Scorecard, are relevant. Underperforming measures are referred to scrutiny for challenge and the Executive Scrutiny Board has an active forward plan.

#### **4.4 Financial planning and viability**

The council's net revenue budget for 2017/18 is £215m. The 3 year Medium Term Financial Strategy for 2016/17-2018/19 is in place, and steps have been taken to improve the multi-year financial planning process including a modelling and a strategic approach to multi-year savings programmes.

In common with other councils across the country, there are significant budget pressures, including a loss of £135m of revenue funding since 2010/11, with a further £28m reduction over the next 3 years. The proposed savings for 2017/18 savings have been reviewed and appear to be mostly deliverable, but towards the end of the term of the MTFs in 2019/20 stakeholders are less clear where and how the savings will be achieved. There is a need for senior managers at the council to be clear about the savings plans for their directorates.

The council completed its Big Conversation budget consultation exercise during 2016/17: despite this there is a need for sustained and ongoing dialogue with communities to explain what the forthcoming budget situation is and what they can and cannot expect the council to do for them in the future. This dialogue is also needed with partners.

The setting of the current year's budget utilised £5.98m of reserves, which is not a sustainable practice in the medium to long term. There is increasing pressure in both adults and children's services due to demographic change and increased demand. Historic low council tax increases have also contributed to ongoing budget pressures.

Service savings/budget reductions need to be made in the right places, and consistent with the long term ambition of the council. We were told of a degree of 'salami-slicing' relating to budget reductions rather than longer term strategic planning.

There is an ambitious Capital Programme in place to the value of £213m between 2017/18 – 2019/20, with a number of large projects being funded from borrowing. There is also some slippage in the programme, some of which relates to the £25m jointly funded waste disposal plan with Derbyshire County Council. The decision to close an existing swimming pool and invest in a new £35m leisure facility will need to be carefully planned and managed to avoid unwanted financial pressures or exposure to high levels of risk.

There is an awareness of the need to bring in income streams to support the council's budget in future years and this is reflected in a new sponsorship arrangement encouraging local businesses to pay towards holding the concert in the park event and the funding of Derby's Christmas lights. There is an aspiration for the council to be more commercially minded and targets for income generation have been set across departments. Some services have secured contracts to trade with other organisations in the city and county, for example the council is providing HR services to Amber Valley DC.

However the approach needs to be much wider and more strategic if it is to make a meaningful contribution to the council's budget. Managers raise concerns about income targets being artificial, and blurred by recharging practices within the council. A sharper focus on commercialism backed by a clear plan that is understood by managers is needed if it is to be successful.

Key capital projects, e.g., the proposed new swimming pool at Moorways, need to have robust business cases and plans if they are to succeed. The scope of the transformation programme needs to be more clearly defined and cleansed of low value/low benefit business as usual activity. In addition, savings targets need to have clear plans so that assumptions about substitute funding are underpinned by achievable actions.

Members have multiple roles to play in ensuring the budget is fit for purpose, including following through on supporting the implementation of the savings agreed each year when the council's budget is finalised; being prepared to make some difficult decisions about what the council can no longer afford to deliver; and being prepared to challenge and be challenged about effective budget scrutiny.

The approach to the budget needs to be less fragmented and become more strategic, linked with service priorities. This needs to start with resolving the fundamental issues of the council's financial processes and systems failures to both the council's and external auditor's satisfaction. It then needs to move to becoming more strategic to accommodate what is needed in the medium to long term, and include a sharper dose of realism about what is and is not achievable.

#### **4.5 Capacity to deliver**

The council benefits from loyal and committed staff, and there is pride in working for the council and for the city. Staff who engaged with the peer challenge were largely positive about working for the council, particularly citing their peers, managers and the overall workforce as being good reasons to work for the council. Elsewhere in

this report we make reference to the leadership of the Chief Executive and Chief Officer Group and employees recognise the stability they have brought to the council. The flexible working policy is also liked by staff.

Despite some positive views about working for the council, there were some contradictions, for example, staff views in the most recent employee survey suggest that morale is beginning to wane. Concerns were flagged about the council's reputation and culture, leadership and communications, for example only just over a third agreed that the council has an open and honest culture, and 34% disagreed.

The employee survey also reflects concerns about the courtesy and respect to employees from councillors. This is consistent with views expressed to the peer challenge team and referenced earlier in this report. Those staff who spoke out were keen to emphasise that it is a small number of councillors who are involved.

In all councils the Monitoring Officer is crucial in ensuring that political and managerial leaders understand their roles and responsibilities. In Derby we saw and heard evidence of unusual but significant governance pressures and tensions over the past three to four years. During this time and in the face of considerable pressure, the Chief Officer Group including the Monitoring Officer have strived to uphold the highest of standards. Nonetheless continued and ongoing attention needs to be paid by everyone at a senior level, both managerially and politically, to ensure roles and responsibilities are clear, member-officer relationships are professional, and unacceptable behaviours are challenged.

There are high levels of sickness absence of which over a fifth of are stress related, although it should also be noted there is an overall lack of confidence in the accuracy of the sickness absence data. The council introduced a new triage system in June 2017, the sickness policy has been revised and a review of sickness was undertaken by the Scrutiny Board in February 2017. There are also concerns from the trade unions about high numbers of staff grievances, and these appear to have increased over the last 2 years.

There is a widespread view that the poor performance of individual staff is not tackled consistently. There is a perception that some officers are not held to account for their performance: this perception is shared by some members and officers. The council is looking at options for dealing with the lowest performing staff across the organisation.

There are mixed views from staff about their working environments, with most who work in The Council House feeling it provides a good work location, but others describe some other workplaces including the depot as being less well-resourced and operating under a "Dunkirk" spirit.

Across the council, including at the most senior officer levels, there is insufficient corporate capacity. There is a legacy relating to earlier voluntary redundancies which has resulted in people leaving and not being replaced, and also includes officers moving to progress their careers elsewhere. Investment is needed to bolster the corporate functioning of the council, not only in the finance, audit/risk and HR

areas mentioned previously, but also in developing staff for current and future roles. There is a need to develop a fully resourced workforce development plan which addresses leadership, management development, change management, behaviours and cultural change.

Another factor affecting corporate capacity is that everything appears to be a priority, officers are stretched, and this contributes towards a tendency of some individuals to fire-fight issues rather than think about them strategically and for the longer term. The PIR has also had a detrimental impact on the confidence of the council overall, and in common with other councils which have experienced significant governance failings, the scale of the issues involved tends to result in an inward looking focus rather than being external facing. Despite this, more attention needs to be paid to the external face of the council, as well as to delivering services.

Priorities need revisiting, and although there is some evidence of the council stopping doing things, for example funding of external events, reducing grants to community groups and youth services, there is a need to be clearer with communities about what the council will stop doing on a bigger and more extensive scale, or do differently as it tackles its future budget pressures. Some critical thinking is needed to improve capacity and this needs to include some political acceptance that the council needs to stop doing things in some areas.

Councillors would also benefit from greater levels of support to enable them to develop further into their roles, including training, signposting for new councillors, and addressing their frustrations about feedback on service requests they have made and what has happened to those requests. Seeking good practice and support from across the local government family and beyond Derby's existing partners is needed to ensure the council keeps up to date with issues across local government and beyond those affecting the East Midlands region.

#### **4.6 Delivering achievements under the council's ambition**

The council can show it has delivered some significant achievements for Derby, including:

- The overall effectiveness of Children's Services is judged to be good by Ofsted
- Improving educational attainment at NVQ level 4 and improving the achievement of qualifications for adults
- High levels of gross value added at a rate of 23% over the past 5 years
- Investment in Extra Care provision through the £10m Parklands View scheme to deliver 82 homes for vulnerable people
- Major regeneration projects have been delivered, for example, the working with the University of Derby and Rolls Royce to create the iHub innovation centre at Infinity Park Hub; a new bus station, improved railway station and completion of the Inner Ring Road; and the new shopping centre in central Derby
- The successful refurbishment of The Council House into a modern workplace
- There is a multi-agency safeguarding hub for Children's and Adults, which to work well.

Locality teams in Adults are creating a culture of self-help and resilience. Service managers are clear that the council needs to do more to embrace demand management and tackle calls on services earlier, so that more money can be saved. One such initiative is 'Home First' where the council works with health partners to reduce admissions to hospital.

However there are a large number of ambitious capital projects being proposed and the council should be careful that it has the capacity and means to deliver on them, as there is a danger that it runs the risk of overpromising and under delivering against them. The lack of certainty in the financial strategy and concerns about overall financial management including capability means it's not possible to know if resources match those ambitions, and therefore whether plans can be realised. Large scale capital projects also have the potential to be unsustainable unless carefully thought through, becoming an additional burden on the council's revenue budget in the long term.

An example of this is that there is a clear ambition for Derby city centre set out in the masterplan but this ambition does not appear to be matched by a resource plan showing how and where the funds will come from to achieve it. Another example is the ambition to be the cleanest English city within 4 years, but it does not appear that resources follow this priority, and so it is difficult to show how this ambition will be achieved in the timescale proposed.

Good governance will be an essential factor in future achievement. The council must ensure that it maintains a strong focus on addressing the issues raised by the external auditor, and further develop its own systems of assurance so that it is able to identify failings and take rapid action as and when failings or potential risk of failing occurs.

## **5 Next steps**

### **Immediate next steps**

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

As part of the peer challenge process, there is an offer of further activity to support this. The LGA is well placed to provide additional support, advice and guidance on a number of the areas for development and improvement and we would be happy to discuss this. Mark Edgell, Principal Adviser is the main contact between your authority and the Local Government Association (LGA). His contact details are: 07747 636910 and [mark.edgell@local.gov.uk](mailto:mark.edgell@local.gov.uk).

In the meantime we are keen to continue the relationship we have formed with the Council throughout the peer challenge. We will endeavour to provide 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 2022.