

Corporate Peer Challenge
**South Hams District Council and
West Devon Borough Council**

27th to 30th November 2018

Feedback report – 24th January 2019

1. Executive Summary

South Hams and West Devon councils have been characterised by their energy and creativity, promoted by the political commitment to drive change. The decision to work together, beginning in 2007 with a shared Chief Executive, is one of the earliest examples in local government and was consolidated by the move to a shared management team and services in place by 2012. The record of shared working and services provides annual savings of more than £6m across both councils.

The councils' transformation programme T18 – transformation 2018 – was bold and required firm political leadership. It has secured the councils' immediate financial future with essential savings of £1.5m at West Devon and £2.93m per year at South Hams. The programme of change, running from 2013 to 2018, involved huge upheaval and, as expected, a dip in performance in some areas as new approaches were implemented, but now performance in key areas has recovered and continues on an upward trend.

In addition to the savings achieved, T18 has led to a more agile organisation, with morale having turned the corner – the latter confirmed by improving staff survey trends over the last 3 years. It has contributed towards improving service performance through re-mapping business processes. It is to the credit of the head of paid service and the senior leadership team (SLT) that they have steered this organisational transformation, during a difficult period, to achieve the original objectives set, and to create the springboard for the future.

Both councils recognise they need to plan for the next phase of change but, at the moment, this is proving difficult to progress. Senior members need to take the initiative, working with the advice and support of SLT, to develop a future vision. This will need to be ready shortly after May 2019, when all-out elections at both councils will produce new council administrations for the four years to 2023. The vision will set the direction for the next phase of the councils' shared working.

Bringing members from both councils together, to start laying the groundworks for the new vision, is vital and the best vehicle for this would be a version of the former Joint Steering Group. In 2017 the councils worked up outline proposals to join together as one council. In October 2017 South Hams voted for the proposal and West Devon against. This led to, what is acknowledged to be, a period of strained relations between members of the two councils and the end to meetings of the Joint Steering Group. As a result joint working has stalled at a senior member level as illustrated by work on the revised corporate strategy which failed to gain full member commitment and support. Reconvening a version of the Joint Steering Group, with senior officer support, will be essential to begin work on a proposed vision, in readiness for the May 2019 elections, so that the new administrations can move with confidence and assurance in the new direction set.

In common with many other local authorities, both councils continue to have financial pressures with South Hams facing a cumulative gap of £1.8m and West Devon £724k by 2023-24¹. Although this is challenging, and will require sustained focus, it certainly is not parlous and the councils have a number of options available that should guide them to a more secure and sustainable financial future. These include the savings projected from

¹ This was the position at September 2018 are set out in the councils' Medium Term Financial Strategies.

the recent leisure contract, proposals for the waste and recycling contract and income generation from investment in property. Members will have an important role to play to ensure that the councils' savings programme delivers a sustainable future.

The councils need to review the senior management structure to ensure it is fit for the future and to fill gaps in capacity in priority areas. The current structure reflects previous plans to develop a hard client/ contractor split, which were not pursued. This will need to be looked at again to provide clarity and ensure the councils have the leadership and skills they need to deliver against their new corporate strategy priorities.

In reviewing the senior structure the councils need to consider whether to re-establish the position of chief executive. T18 and the commissioning model proposed two executive directors, one of whom left in early 2018. The councils have continued to operate effectively with the remaining executive director acting as head of paid service. The intention is that this be reviewed, along with the senior management structure, in 2019. The peer team recommend that the councils consider the option of reverting back to the chief executive model.

There is a strengthened relationship with Plymouth City Council (PCC). The success of the two councils, with PCC, to produce the Plymouth and South West Devon Joint Local Plan (JLP), in less than 3 years is a remarkable achievement. It provides a powerful demonstration of the benefits of effective partnership working. The relationship with PCC provides an important platform for future growth that can also be built on for mutual benefit. Other external partners are encouraging the councils to work more with them to lever and harness resources for mutual benefit and to deliver shared priorities.

Ensuring that residents are able to easily access the services they need, including through streamlined on-line processes, is important. The councils have recently undertaken a benchmarking exercise to test the customer experience and are committed to ensuring a stronger customer focus in the next phase of transformation.

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 councils:

- 1. Ensure there is both sufficient strategic capacity and direction to enable the councils to effectively plan for and deliver their aspirations into the medium-term. Specifically to:**
 - a. Initiate member/officer arrangements to agree the building blocks for a new councils' vision from May 2019.** Setting aside current member relationship issues will enable the councils to consider the next phase of shared work and to pass on proposals to the new councils' administrations after all-out elections in May 2019.
 - b. Link the work on the new vision to a refresh of corporate and business planning arrangements.** Corporate planning is essential to set out a vision and

a strategy and the means to achieve this. It enables resources to be aligned to objectives and provides clarity for members and staff on what the councils are working towards

- c. **Reconvene the Joint Steering Group** to provide strategic political direction and oversight for the two councils.
 - d. **Consider the appointment of a new post of Chief Executive**, instead of the current two Executive Directors model, to provide the managerial leadership to drive through the next phase of the councils' strategic plans and operating model.
2. **Strengthen the councils' political governance arrangements.** This report describes how current practices are adversely affecting decision-making, backbencher engagement, group management and relationships between members and officers.
 3. **Ensure a continued organisational focus on achieving financial sustainability.** The councils have a challenging financial two year period ahead in 2019-20 and 2020-21. Both councils - members and staff - will need to maintain focus and further define detailed savings plans and implement them effectively in order to achieve longer-term financial sustainability.
 4. **Prepare a viable future accommodation strategy.** In the short-term this should investigate the disposal and the alternative use value of both councils' headquarters and test with members the desire for greater use of shared accommodation and a reduction in member-only accommodation. In the longer-term consideration should be given to the councils moving to a new purpose-built shared accommodation. This could assist the councils' finances and make a powerful statement in terms of working together.
 5. **Clarify partnership priorities and seek to strengthen key sub-regional partnerships.** The councils have not surprisingly concentrated on the internal change programmes that have demanded attention. Now is the moment to re-engage with partnership working to leverage additional capacity to deliver on councils' and partners' shared objectives. A partner strategy would map out potential partnerships and evaluate those that have most to offer.
 6. **It will be essential to ensure clarity on what the new IT is expected to provide and confidence that it will deliver this.** It will be vital that a thorough assessment is undertaken as to what IT is retained and what new IT will be required to complement this. This will require a clear understanding of what the priorities are for the councils, for example case management, customer care, the extension of 'channel shift', mobile working and the needs of members etc.

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 South Hams and West Devon were:

- Alan Goodrum, former Chief Executive of Chiltern and South Bucks Councils
- Councillor Michelle Lowe, Deputy Leader, Sevenoaks District Council
- Councillor Paul Middlebrough, Wychavon District Council
- Sue Nelson, Service Director, Revenues, Benefits and Customer Services, Luton Borough Council
- Andy Wood, Projects Director, Exeter and East Devon Growth Point Team, East Devon District Council
- Clive Mason, Head of Resources (including Chief Financial Officer), Huntingdonshire District Council
- Emma Cooper, Senior Transformation Advisor, Cambridgeshire County Council and National Graduate Development Programme (NGDP)
- Andrew Winfield, Peer Challenge Manager, LGA.

Scope and focus

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

1. Understanding of the local place and priority setting: Does the council understand its local context and place and use that to inform a clear vision and set of priorities?
2. Leadership of Place: Does the council provide effective leadership of place through its elected members, officers and constructive relationships and partnerships with external stakeholders?
3. 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 the:

- various options to secure the financial sustainability of the two councils

- resource pressures for both councils and the implication for the delivery of non-statutory services and how the councils may manage this in the future?
- proposed plans for investment and commercial delivery across both councils
- extent that organisational change has embraced the use of e-technology across the two councils
- priority of both councils for economic growth and housing and their ability to deliver on this. In particular to consider the opportunities for West Devon which is constrained by 45 per cent of land in the area forms part of Dartmoor National Park.
- working arrangements of elected members across the two councils and how these may be improved.

The peer challenge process

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

The current LGA sector-led improvement support offer includes an expectation that all councils will have a Corporate Peer Challenge every 4 to 5 years. South Hams and West Devon councils had a Corporate Peer Challenge in 2012. Where relevant to do so, findings from that previous peer challenge have been referenced in this report.

The peer team prepared for the peer challenge by reviewing a range of documents and information in order to ensure they were familiar with the councils and the challenges it is facing. The team then spent 4 days onsite at South Hams and West Devon, during which they:

- spoke to more than 115 people including a range of council staff together with councillors and external partners and stakeholders.
- gathered information and views from more than 55 meetings and focus groups and additional research and reading.
- collectively spent more than 260 hours to determine their findings – the equivalent of one person spending more than 7 weeks at the two councils.

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 on 30 November 2018. 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.

Feedback

3.1 Understanding of the local place and priority setting

South Hams and West Devon are both essentially rural areas located adjacent to the city of Plymouth. As is often the case for rural areas economic growth and housing are important and both areas have an ageing population with its own needs.

The councils use Devon County Council's (DCC) analysis of census data, along with other local data and intelligence, to identify local needs. This is used to inform the councils in the development of corporate priorities. In early 2018 the councils reviewed their priorities and produced new corporate strategies, each with the identical strategy themes of:

1. Council - delivering efficient and effective services
2. Homes - enabling homes that meet the needs of all
3. Enterprise - creating places for enterprise to thrive and business to grow
4. Communities - council and residents working together to create strong and empowered communities
5. Wellbeing - supporting positive, safe and healthy lifestyles and helping those most in need
6. Environment - protecting, conserving and enhancing our built and natural environment

This work is to be applauded but there is more to be done to confirm and then embed corporate planning to ensure agreed priorities drive councils' activity. For example, more work is needed – from political leaders and senior managers - to ensure fuller member engagement, and a stronger understanding, of the importance of corporate planning. The above work to recently refresh the councils' corporate plans had only limited member buy-in which has weakened its effectiveness by reducing the understanding of corporate priorities and progress on service planning.

A more detailed corporate strategy, with associated business plans, will be needed to direct activity and provide clarity on who does what. It will be important that this work is undertaken in advance of the elections in May 2019 and would benefit from being informed by: a resident's survey, the development of district profiles, work on priority themes, the development of key performance indicators (KPIs) and performance management arrangements. This should produce a strategy that sets out: objectives and outcomes for residents and businesses from service delivery; aligns resources to these objectives and outcomes; and specifies the means for measuring success.

Housing is a key strategic theme/priority for both councils with the ratio of average housing cost to average salaries being 13.3:1 in the South Hams and 10.7:1 in West Devon. There is a Community Housing Prospectus to secure the development of 90 homes in South Hams and 29 in West Devon over the next five year period, partly funded through the Community Housing Fund.

However, the peer team found that this priority lacks strategic direction and no structured means for delivering a longer-term housing programme. As a consequence activity may not always be directed to areas of priority and may be opportunistic rather

than strategic. It is recommended that a housing strategy be produced, in association with partners, to set out: housing need, delivery plans, funding, partner roles etc. so that this can be effectively addressed.

It will be important for both councils to demonstrate housing delivery because this will demonstrate a commitment to Homes England (HE) who are inclined to fund areas of need and with a record of delivery. This will be essential so as to increase the likelihood of future funding. HE is targeting housing areas with high ratios of average housing cost to average salaries, a criterion which South Hams and West Devon both meet.

It will be essential for both councils to be aware and open to emerging housing options. Housing is a government priority and nationally this is a fast-moving landscape. Both councils have given consideration to establishing a housing company but decided it was not necessary at this time. With the recent relaxation of the Housing Revenue Account (HRA) borrowing cap, and depending on the success in delivering the above community housing programme, the councils may choose to review this once they reach the threshold of building that would require a HRA². As outlined above the councils are recommended to develop a housing strategy that not only sets out future proposals but also draws together all the initiatives underway across the councils.

Economic growth is important to develop a higher value economy that will attract inward investment and provide opportunities for residents. Both councils have economic growth as a strategic theme/priority but we found no strategy to plan for the future economy, inward investment, skills development, land assembly, commercial use and investment etc. There are substantial employment allocations in the urban fringe area for example which, given the right approach, have the potential to support not just large-scale employment growth but also new and productive sectors in the economy. This would benefit residents but also the councils through the financial dividend from growth in terms of the uplift in the business rate base. The peer team recommend that an economic growth strategy be developed in association with partners, aligned to the Local Industrial Strategy, being prepared for the wider Heart of the South West area.

Both councils need to work closely with businesses that already operate in their areas as these form the basis for the current and future economy. There is always the potential for economic shocks - for example two large local businesses are both facing possible closure with high job losses (350 and 200) - and councils have a key role, along with other partners, in responding to and mitigating the impact of these. In a similar vein it is important that the councils maintain a continuing dialogue with the business sector so that they can be aware of those businesses seeking to expand and how they may be able to assist this.

Many of the partners we spoke with value working with the councils and want to be more engaged. Partnership working has suffered in recent years with the councils' internal focus understandably being on a massive change programme. It is now time to rebuild partnership working and to be clear on which partnerships derive the greatest value, leveraging the key themes and priorities the councils are setting to help determine this and then once confirmed, ensuring those most relevant receive appropriate resource commitment and contribute in the delivery of shared priorities.

² Councils can build up to 200 traditional social rented council homes outside of an HRA before government will require them to open an HRA for those homes.

One area that lends itself to this is the ageing population at South Hams and West Devon that will require increased strategic partnership working. The proportion of the population over 65 years around 24 per cent for both councils - significantly higher than the national average of 17 per cent. This will add future pressures on health, housing and care needs and reinforces the need to build on work with DCC and the Clinical Commissioning Group (CCG) on health and related matters.

3.2 Leadership of Place

South Hams and West Devon have worked together, with Plymouth City Council (PCC) to produce a Joint Local Plan (JLP) that provides a strategic framework to support growth delivery. The JLP is a clear demonstration of commitment to produce a spatial strategy to support delivery of the councils' ambitions for economic growth and housing. The success in producing this in under 3 years is a remarkable achievement and testament to the close working of the three councils. The JLP is expected to be adopted in spring 2019 and has gained £820k capacity funding from the Homes and Communities Agency (HCA).

Members and officers from South Hams and West Devon worked together with PCC to produce the JLP. The councils established effective governance arrangements involving a Joint Member Steering Group, a Joint Local Plan team and a Senior Management Team, along with close collaboration at officer level. The strength of these arrangements were key to ensure progress.

There is the opportunity to build on the achievement of the JLP and be involved in more joint work with PCC for the future delivery of housing and economic growth. An example of what is possible is provided by the current development of a new market town at Sherford which will provide a community and facilities for 12,000 people on completion with most of the development land being located in South Hams.

It will be important for the councils to develop such opportunities. The three councils share a travel to work area, a housing market and functioning economy that means a considerable overlap of interests with the prospect that joint working could offer considerable added value. This is already beginning with joint activity on the Urban Fringe and Local Plan teams but consideration could also be given to: shared strategies around economic growth and housing; sub-regional growth funding bids; joint arrangements around inward investment and shared resources, for example on shared specialist areas. The JLP provides an ideal foundation from which many more opportunities could be built on for the benefit of both councils and their residents.

It is important to recognise that South Hams and West Devon contribute a unique offer - coast, countryside, towns and villages full of character. Some members told the peer team that they perceive themselves to be junior partners to the JLP. However, it is clear that PCC see the two councils as essential partners who are important for Plymouth to enhance the overall inward investment offer. Evidence of this is provided by the JLP's Urban Fringe team focusing on delivering key strategic sites, including the 5,000 homes at Sherford and 2,000 homes at Woolwell. Both are important sites to accommodate Plymouth's housing growth and are mostly located within South Hams.

There is a lack of a longer-term political vision for the two councils which needs to be addressed. This may be attributable, in part, to the fall-out resulting from the collapse of the One Council proposal and deteriorating member relations across the two councils. It may also be due to some members feeling the councils' financial positions were so parlous that there was little the councils could do to manage the future. The perception by some members is misplaced – although the financial pressures are challenging, they are certainly not insurmountable. The councils' members need to begin immediate work on the future vision, and use this as the basis to engage with residents and businesses on its proposals. In developing this officers will need to support members by setting out what this might look like, based on evidence of need, to inform the production of options.

The relationship with the Dartmoor National Park Authority (DNPA) has many strengths but further work is needed to gain improved outcomes from it. The peer team heard of good joint working where the three authorities had collaborated on the roll out of superfast broadband. However, while the team were also told of strong member relationships with the DNPA these were more distant for officers. The reasons for this were not clear but could be due to the inward looking working of the two councils in recent years and the effect on partnership. Given that 45 per cent of West Devon's area falling within the DNPA boundaries of responsibility, this is a principal relationship. This has meant that some of the key benefits that should be realised, for example working together on issues of shared importance such as housing, economic growth and tourism – the latter important with the park attracting 2m visitors a year - are not being fully exploited.

Adopting a more proactive approach with partners will have benefits across the piece. For example, we found that partnerships with the voluntary sector tend to be traditional in that they are generally grant-based rather than commissioned. More value could be gained by conducting a dialogue on what services the voluntary sector is able to offer and how well this matches what the councils require. The extent of alignment would indicate the levels of funding support the councils might then provide. Another example was provided by town and parish councils who felt that the relationship was somewhat one-sided. Some told the peer team that they were only asked to run services when the councils were considering closing them, instead of being involved in discussions early enough to effect real change.

3.3 Organisational leadership and governance

The councils will need to review the organisational structure to ensure it is fit for the future and to fill gaps in capacity in priority areas. The current structure reflects previous intentions to develop a hard client/ contractor split, which were not pursued.

In reviewing the senior structure the councils will need to consider whether to re-establish the position of chief executive. T18 and the commissioning model (now discarded) proposed two executive directors, one of whom left in 2018. The councils have continued to operate effectively with the remaining executive director who has managed a highly challenging T18 programme and provided strategic oversight of both councils. The peer team recommend that the councils consider the option of reverting back to the chief executive model as this would provide the:

- drive to work with senior elected members on the councils' future direction and to guide the organisation accordingly to deliver on the councils' priorities

- strategic managerial leadership that two councils require
- focus necessary to engage effectively with principal partners on matters of strategic importance and an identifiable lead for partners to engage with the councils.

The Senior Leadership Team (SLT) contains a strong set of skills and is regarded by staff as both approachable and empowering. It has led effectively the officer cadre through the challenging T18 programme and has been important to deliver financial savings required. Achieving the latter has involved the councils moving into new areas of activity, with SLT guidance, for example in acquiring a commercial property portfolio to generate new income streams.

At this stage of the councils' development the peer team felt there was a need for more political ambition combined with a clearer strategic direction. The work required to ensure the ownership of the new corporate strategy and the vision for the next phase of the councils' shared working, are examples of this. A key challenge, primarily to the councils' respective political leadership but also the SLT, is that they now need to jointly engage more effectively to prompt a dialogue on the ways and means they will work together for this ambition to be developed.

The Extended Leadership Team (ELT) is a forum with great potential that has not yet been harnessed fully. In order to gain maximum benefit from this group of experienced officers ELT need a clearer remit to ensure that additional strategic capacity is released and, equally, a clearer relationship with SLT to align officer leadership, drive and influence. To illustrate this ELT has no terms of reference and no clarity on: its role and purpose; its reporting relationship to SLT; and what outcomes are sought from its work. Recalibrating these relationships will ensure that ELT becomes more involved in strategic planning to take forward ideas and initiatives.

The councils have demonstrated effective leadership through fundamental organisational change which means they are now unrecognisable from what existed before. The T18 programme was radical in outlook and has influenced many similar change programmes in English local government. It has produced a positive change in culture through new agile working arrangements, the use of technology and an entirely new way for customer access and delivery shaped by the distinction between specialists and case workers. The remapping of business processes has contributed to service improvements, for example, decisions on planning applications within target times improved greatly from 2012 to 2018. Similarly the processing times for new housing benefits claims improved from 2015 to 2018.

A success from the new customer access arrangements has been the introduction of the Localities Team. Based in the community, these staff take on a wide range of activities that were previously spread across all service areas and were costly and time-consuming to deliver. These activities can be as diverse as playground safety inspections, investigating fly tipping incidents, assisting residents with benefit applications, putting up formal planning notices and educating people on waste and recycling issues. This model is capable of being developed further and could be rolled out with partners to support other agencies' work in the community.

After the initial implementation difficulties of T18 there is strong evidence of improving staff morale, shown in the improving trend in the staff survey over the last 3 years.

Agile working has been embraced by the workforce and is widely valued in offering flexibility, better outputs and savings. An example is last winter's 'Beast from the East' cold snap which saw the councils successfully continue working and managing a bad weather response by officer and member planning through home working and the use of Skype. There is certainly potential to build on T18 and this is acknowledged by officers who are preparing for IT upgrades with additional functionality and offering new ways of providing customer access. This will need to be built into future planning on corporate strategies and the future vision for the two councils' next phase of shared services.

Member working arrangements across the two councils have worsened since the proposal for joining together as One Council collapsed in 2017 and needs attention. This may be a contributory factor to the lack of member engagement in the corporate strategy and planning process mentioned above. The importance of this is acknowledged with 'political commitment for change' listed as the highest rated risk in the councils' corporate risk report. With both councils having elections in May 2019, it will be essential for tangible progress to be made to rebuild relationships to shape the future vision in readiness for the new administrations.

It will be important to reconvene a revised version of the Joint Steering Group. The collapse of the One Council proposal led these meetings to fall in abeyance and member relations across the two councils have reached a point where there is little enthusiasm to meet. It is the view of the peer team that this forum is essential to plot the future strategic direction of both councils and that urgent steps – by senior members and SLT - should be taken to reconvene this.

The waste, recycling and leisure outsourced working arrangements have been important to achieve financial savings. This work has been a model for how members from both councils worked effectively together to assemble these contracts – just as was done for the JLP. This was conducted thoroughly to specify contract documentation, service and financial outcomes and contract monitoring arrangements and is one model for member working across both councils that could be replicated to good effect.

There is more work to be done to ensure that members are fully equipped to undertake their roles as effectively as possible. A number of members the peer team met did not appear to be able to balance their responsibility for council-wide and ward representation. Clearly members have a strong sense for the wards they represent, but this should not mean that this should have primacy over or be of greater importance than a corporate perspective of what may be the best for the council and the wider area they represent. Often these may be the same but there will be occasions when ward interests need to be aligned to support broader council and 'place' interests. This will be a key area for development for both councils.

There are a number of issues involving members at both councils. These cover the West Devon Hub³, political group management and liaison with senior members and backbenchers. Some of these include:

³The Hub is a hybrid of the executive and the committee models.

- the Hub comprises members of different political groups on a proportional basis and it is not always clear where the decisions, accountability and constructive challenge occur.
- although it is unusual for Hub decisions to be overturned at Full Council it has happened on some key issues, for example charging for garden waste, proposed cuts in partnership funding and budget decisions. If members of the Hub are voting differently in the Hub to Full Council that points to an issue in making and sticking to difficult decisions and/or group discipline.
- political group meetings serve generally as preparation for council meetings and miss opportunities to discuss the development of medium- and longer-term political aspirations
- both sets of backbencher members felt excluded from decision-making
- the Leader of West Devon also currently chairs the Development Management and Licensing Committee. The Planning Advisory Service has already commented on the potential risks, from this for the council and the Leader, through involvement in the determination of planning applications.

These are areas that could be addressed by various means, including:

- work to strengthen group working arrangements and discipline
- the use of Policy Advisory Groups where backbenchers can be usefully involved in policy development
- review the councils' constitution on committee membership and chairing arrangements.

Equally important will be for both councils to have ready a thorough induction programme to equip members in new positions and new members with the skills and confidence to be most effective.

3.4 Financial planning and viability

It is to the credit of both councils that frontline services have been “protected in the main” since austerity in 2010. Like the rest of the sector the councils have experienced significant financial pressures from cuts to government funding.

The financial situation going forward is challenging, especially for 2019-20 and 2020-21. The cumulative financial gap for South Hams to 2023-24 is £1.83m and for West Devon it is £724k. (This was the position as at September 2018 as set out in the councils' Medium Term Financial Strategies.) Some members the team spoke with expressed the view that this situation is dire but in the view of the peer team this is misplaced. Both councils have options available to meet budget gaps and move towards a more sustainable financial future. The s.151 officer and her team have a good grip on the finances of both councils, including the provision of prudent strategic financial advice and regular monitoring reports to both councils. They are to be congratulated on guiding the councils' finances to this point. However, it will also be important to avoid complacency and ensure that financial self-sufficiency becomes the byword over the medium term and focus is maintained to achieve this.

To enable confidence to be restored in the councils' respective financial positions their savings plans would benefit from having more detail. The councils have a good track

record from which to build - both have embraced innovation and generated considerable savings through joint management and T18. Overall these programmes have generated savings of £6.1m per year. To meet on-going financial challenges it will be important that the councils' savings plans for 2019/20 and beyond are now firmed up, along with the allocation of responsibility as to who leads on which savings elements. The objective should be to gain confidence in achieving itemised savings so that these become budget commitments incorporated within the Medium Term Financial Strategy (MTFS). This will assist future financial planning.

There are a number of options the councils are developing to further ensure their financial viability. These include:

- rationalising office accommodation - significant savings could be achieved without threatening the councils' identities or autonomy. It is recommended that a detailed options business case be developed and that members make a decision on this.
- outsourced contracts are delivering important savings. Waste and recycling and leisure contracts both expect to achieve strong savings with the leisure projected to save the councils £41m (between South Hams and West Devon) over the course of a 25 year contract and waste and recycling around £424k per year for South Hams and £254k for West Devon
- developing new income streams, for example through rental income derived from commercial property.

It will be important to drive investments and commercial opportunities further to ensure that returns and objectives are maximised. There is an ambitious commercial investment programme that addresses local priorities and generates revenue income. The commercial borrowing cap has been set at £60m for South Hams and £35m for West Devon. West Devon's portfolio is expected to achieve an income of £190k this year and projected to deliver £400-450k per year at full capacity. South Hams already has a substantial property portfolio but has yet to make any commercial investment through its investment strategy; although potential options are being considered, including a 79 bedroom hotel, a supermarket at Ivybridge and the purchase of commercial land at Sherford. At capacity the projected yields are £700k per year. This highlights the opportunities of investing in the local area that both benefits the local economy and in generating an income.

There are some risks involved in commercial investment acquisitions and the councils are actively working to manage and mitigate these. In the future it may be worth considering a joint investment strategy, possibly in association with PCC, which could invest for housing and economic growth within the JLP as well as generating a revenue return. For example, the phase 2 business park development at Langage is part of an investment portfolio for PCC that is creating jobs and estate rent income. Most of Langage falls within the South Hams area.

It will be important to capitalise on the growth dividend that can be realised from major new housing and commercial developments, for example those at Sherford, Woolwell and Langage. Unquestionably the councils are in a strong position to gain from economic growth driven by the Plymouth economy with this framed by the JLP in terms of housing, jobs and site allocations. This will grow the council tax and business rates

base and will add to the funding received from New Homes Bonus (NHB) and whatever funding mechanism is devised to replace NHB after 2020.

3.5 Capacity to deliver

The two councils have managed a complex, difficult and challenging T18 programme. This has successfully achieved the financial savings proposed at the outset, introduced new technology and, with this, new ways of working for example agile working and a new approach to customer access to services.

Delivering this programme has involved effective leadership of change. The work of the head of paid service, SLT and ELT, working closely with members, has been pivotal to oversee the process and ensure the programme's success.

Staff are passionate and committed to delivering high-quality services. The resilience of staff especially has been evidenced by the organisational delivery of the T18 programme. However, most staff told us that capacity is not sufficiently adequate and that while the structure enables the re-deployment of resources where needed even this flexibility fails to cover the gaps in capacity. The organisational restructure should be informed by an audit of capacity pressure points so that these issues can be picked up.

The councils have been able to leverage service resilience through pragmatically sharing services where appropriate. This has helped to build capacity and/or deliver financial benefits. For example, there are arrangements with Teignbridge District Council for building control services and a shared procurement function. The councils are part of the Devon Audit Partnership for internal audit services and, as already mentioned, are partners with PCC on the JLP. In addition, West Devon are re-procuring their contract for waste and recycling and South Hams are in the process of procuring this service for the first time; both councils are already in contracts for leisure and their IT platform and software. An example of the open approach to shared services is the recent initiative to provide the Disabled Facilities Grant (DFG) programme at Torridge District Council until April 2019.

The new forms of customer access set in place - 'channel shift' - have been a success and this is an area that can go further. For example, there has been a steady decline in the number of phone calls and reception visitors since 2013. Since 2015 there has been a huge increase in online transactions, which are much less resource intensive. However, access data – showing still sizable numbers of phone calls and reception visitors - suggests 'channel shift' can go still further to obtain financial savings.

Unfortunately, the new ways of working that underpin customer 'channel shift' are still experiencing difficulties and this should be addressed. The principles of adopting a case management approach, as embodied in T18, are sound, but in practice are still problematic. For example:

- non-ELT staff – both specialists and case managers – struggle to know where to go to get things done in the current structure (roles and responsibilities are unclear)
- in many cases the advance preparation of scripts to underpin case management were written from the staff point of view and not the customer's perspective

- a significant number of IT forms which appear online but do not link successfully to the back office, leading to double-keying and unnecessary additional staff interventions in the back office
- end-to-end services have not been mapped out and those that have may need revisiting
- the practice of case management is inconsistent across the organisation, in some areas it is more like process administration not case management at all
- the casework model was designed to deliver a holistic customer experience, but this is not consistently happening. The recent pilot in Revenues and Benefits - to facilitate better customer outcomes - is an example of this need being recognised and addressed.

Good progress has been made over the last 3 years with new forms of customer access which has helped to release some, but not enough, capacity. As a result key questions now need to be asked about switching off transactional services once they are fully accessible via the web, in order to realise the efficiency/capacity improvements that these methods of access were designed to deliver.

Customer communication and engagement are acknowledged by the councils as an area for development. Recent work to review customer satisfaction, and discussions with staff, reveal that information on cases is not regularly fed back to customers. This 'customer gap' is confirmed in the recent Institute of Customer Service benchmarking report. As a member of staff told the peer team, "we're miles away from understanding what the public want..." At the same time residents don't have a good awareness of what the councils do and are responsible for. Both councils are aware of these shortcomings and are prioritising actions to address this but further work could be done to flesh out existing action plans.

There is an expectation that resolving IT issues, particularly around the IT platform, will resolve most capacity issues but there is a lack of evidence to support this. The current contract ends in 2021 and the councils are thinking ahead to future arrangements. The T18 IT implementation programme has been reviewed, which identified learning points that should be valuable for the next round of IT procurement. Budget provision has been made of £150k in each council for 2020-21 and, in the absence of information on what IT was needed and what this may cost, the peer team felt this may be an underestimate and recommend that work be conducted to specify future requirements and costs so that budget provision can be amended if necessary.

Without an audit it is impossible to gauge what capacity needs might be met from new IT systems and ways of working and what from other interventions. The peer team's work suggests that there may be other issues affecting capacity; with these being around under-developed partnership working, current decision-making arrangements, the organisational structure and the current interim working arrangements.

4. 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. Andy Bates, Principal Adviser is the main contact between your authority and the Local Government Association (LGA). His contact details are andy.bates@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 councils 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 councils. 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 councils will commission their next Peer Challenge before November 2023.

Examples of good practice

1. The production of the Joint Local Plan (JLP) in less than three years is a remarkable achievement. In many other parts of England such joint plans have taken much longer to deliver.

Achieving this is testimony to the commitment of resources by all councils to push on delivery. This has involved a JLP Working Group with active involvement from members from South Hams and West Devon councils.

2. T18 has been in the vanguard in providing a new model for local government service design and delivery. Driven by the imperative of financial savings this has redefined the working of both councils and, alongside shared services savings (achieved prior to 2014), has made savings of £6.1m per annum.

With aggregated net budgets for both councils of £16.3m per annum these are important and significant savings.

3. The work of members across two councils, working closely with officers, to prepare for contracting out leisure and waste and recycling has been exemplary. This is particularly so when member relationships have been strained. These have been successfully concluded and derived significant financial benefits at a time when both councils have challenging financial gaps to bridge. This is a model for future working across the two councils.
4. The Localities Service was a completely new customer access concept developed in 2015 as part of an overall transformation programme. The Localities team are responsible for activities previously carried out by a range of specialists from service areas across the two councils.

The support provided ranges from environmental health to planning, council tax/benefits to environmental services, from attending community engagement events to interacting with residents and parishes about the councils' services. This is important as there continues to be a need for face-to-face service delivery and it is more efficient, and better for customers, if this is delivered within the locality. The service adds value by:

- avoiding duplication
- increasing the councils' visibility in the community and improving the their reputation
- reducing travel and staff time costs
- reducing the workloads of specialists enabling them to concentrate on specialist work
- being the first point of contact for councillors to help resolve or progress local issues.