

23 June 2015

Mark Cullinan
Chief Executive
Lancaster City Council
Town Hall
Dalton Square
Lancaster LA1 1PJ

Dear Mark,

RE: LANCASTER CITY COUNCIL CORPORATE PEER CHALLENGE

On behalf of the team, I would like to say how much we enjoyed spending time in Lancaster to work with you on the recent corporate peer challenge. The team very much appreciated the welcome we received and the honesty and openness with which people engaged in the process and the support provided in the lead up to, and during the course of, the challenge.

It is testimony to the council's desire for constructive external insight that Lancaster commissioned the peer challenge. Peer challenges are managed and delivered by experienced elected member and officer peers. The peers who delivered the peer challenge were:

- Jason Gooding, Chief Executive, Carlisle City Council (lead peer)
- Cllr Clyde Loakes, Deputy Leader of LB Waltham Forest (Labour)
- Cllr Jason Ablewhite, Leader of Huntingdonshire District Council (Conservative)
- Paul O'Brien, Chief Executive, APSE
- Professor Steven Griggs, De Montfort University
- Ratna Taylor, Innovation Programme Manager, Derbyshire County Council
- Neil Shaw, Programme Manager, Local Government Association

It is important to stress that this was not an inspection. Peer challenges are improvement-orientated and tailored to meet individual council's needs. The peers used their experience and knowledge to reflect on the evidence presented to them by people they met, things they saw and material that they read. The council wished to explore the following key themes:

- ❖ To provide a reality check to help the new City Council clarify and focus on what it should aim to achieve over the next term, alongside balancing its budget. This involves challenging the City Council's priorities – and what are not priorities - as well as establishing to what extent the model of the 'Ensuring Council' is actually owned and applied throughout the different layers of the Council, and recognised outside of it.
- ❖ To help the City Council clarify and focus on how it will need to change and transform in light of the above, and what is needed to make those changes

happen successfully. This includes exploring the City Council's achievements to date in the core areas of the 'Ensuring Council' model, and what else is needed or should be built upon to ensure that the City Council's priorities are deliverable and affordable in the future.

The peer team addressed these two issues by exploring five guiding questions which the LGA uses for all corporate peer challenges. These are:

- ❖ Does the council understand its local context and has it established a clear set of priorities?
- ❖ Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
- ❖ Does the council have effective political and managerial leadership and is it a constructive partnership?
- ❖ Are effective governance and decision-making arrangements in place to respond to key challenges and manage change and transformation?
- ❖ Are organisational capacity and resources focused in the right areas in order to deliver the agreed priorities?

Executive Summary

For many years Lancaster City Council has achieved much with relatively modest resources. The council has made good progress on regeneration projects, has high recycling levels and a revenues and benefits services which is high performing. It has also developed the tourism offer for the area, worked well in collaboration with major institutions like Lancaster University and has a good relationship with Lancashire County Council and other agencies in the area.

The council has tried to insulate itself from the impact of large-scale national funding reductions partly by using its financial reserves. In May 2015 a new Labour minority administration was elected and the council needs to move quickly over the coming months to review and set out what kind of council Lancaster wishes to be over the next few years.

The Labour group have begun a discussion on determining a set of priorities for the organisation. This debate needs to take place at pace and the council needs to move quickly, resulting in a clear set of manageable priorities which will inform the 2016/17 budget setting process. Officers should support members by working alongside them to produce a series of clearly appraised policy options to inform this debate.

The council can point to a number of achievements in priority areas like economic development over a number of years. Challenges remain in helping to shape the local economy including making better progress on housing and in more strongly influencing local secondary schools to address choices of higher education level and address skills. The council could also work more with Morecambe and Lancaster College and with Lancashire County Council to lever their influence with local schools on the skills agenda.

A digital agenda needs to be developed at pace that will help to modernise and transform the service experience for those residents who have access. Like many other smaller councils, making use of capacity will be a key issue for the future. The council has reduced in size over the last couple of years. It will need to ensure it has the right capacity in priority service areas and support functions. A new approach to how it reviews services will help the council consider different ways of delivering, configuring services and how it uses its capacity to deliver outcomes for local people. More fundamentally this will help the council determine how best to deliver the outcomes it will be seeking within the reducing financial resources it will have available.

Time is an issue. The council does not have the luxury of discussing priorities and exploring ideas for a long time. The pace of decision making can be increased. Setting the new priorities will be a decisive first step but this should also include considering delegating greater authority to individual Cabinet members and members and senior officers working more closely together on strategic issues.

The council has much on which it can build to shape the kind of organisation it wishes to be for the next few years. The key will be to take the opportunity to understand what outcomes residents and visitors really need and take clear decisions to deliver these.

Detailed findings

Context and priorities

1. The council has articulated it has an underpinning ethos of being an 'Ensuring Council'. This model emphasises the responsibility of local authorities to be active stewards of their communities, places, politics and public service values before reliance on competitive markets, endorses collaboration and aims to advance social justice. Officers have a good understanding of the concept, although this was much less clear to elected members (many of whom were newly elected in May 2015). The 'Ensuring Council' provides a helpful set of values and might best be described as a 'compass' (providing an overall direction of travel) rather than a 'road map' (setting out specific strategic actions and milestones).
2. The council has undertaken some actions in line with the ethos, for example, by making community leadership a council priority, retaining its core capacity for in-house service delivery and participating in a number of collaborative partnerships. In this sense the concept provides an underpinning set of values rather than specifically directing all council operational activity. Within the Ensuring Council concept you can be flexible in terms of considering the appropriate mixed economy of service delivery in the future including more shared services, greater collaboration with other organisations and more extensive commissioning of services.
3. The council has a number of good performing services. This includes good satisfaction levels with 'clean/green' services, high levels of usage of leisure facilities and a revenues and benefits service (shared with Preston City Council) which takes an average of 20 days to process new benefit claims. This is well below the average for

district councils in the North West (and is one of the highest performing in the country) and is a real strength.

4. The council have articulated four priorities and summarise the key outcomes they aspire to deliver in each area in a Corporate Plan. These are:
 - clean, green and safe
 - health and wellbeing
 - sustainable economic development/growth
 - community leadership
5. On 'clean and green' the council have reshaped their environmental services function and despite a significant reduction in the management capacity of this service, amongst other things, it maintains flagship parks (like Williamson Park and Happy Mount Park) and has made wide scale improvements to the public realm in Lancaster and Morecambe. The council's performance on recycling is good – recycling 42.4% of household waste - which is above the average of other district councils in the North West. Work has also begun on a high profile environmental project with the council planning to invest £5m to develop a solar farm, which will generate renewable energy and provide a good source of future income for the council.
6. However, the apparent reduction in the capacity of environmental services has stretched the council and affected performance in some areas. For example, the council is in the worst 5% of district councils nationally for fly tipping.
7. On health and wellbeing the council has begun to address the longer-term sustainability of its main leisure facility – Salt Ayre – which is currently subsidised as part of the council's commitment to health and wellbeing. Although this process is at an early stage the council is seeking a private sector partner to improve the quality of facilities and make the centre financially self-sustaining. The council is aware that one of its biggest financial challenges is to manage the Salt Ayre leisure centre out of its current annual subsidy and to see how it can better drive the outcomes on health and wellbeing the council wishes to see.
8. The council has placed an emphasis on specific health issues such as tackling dementia, leading on the affordable warmth agenda (in collaboration with the CCG and the Home Improvement Agency) and working with the Lancaster and Cumbria universities. Housing is a major priority for the council, linked to the wellbeing agenda. The Local Plan has to be completed and housing sites have to be identified. There is now a need to focus on a commitment to deliver on building new homes agreed in the Local Plan. The pace on this is important to ensure the council manages the housing development in line with its land allocation supply.
9. On economic development the council has made significant improvements to Lancaster and Morecambe town centres through physical regeneration projects over the last 5-10 years. It is seeking to exploit opportunities around the energy sector focused around Heysham power station and is on the cusp of an exciting major project

to develop a Health Innovation campus in collaboration with the University of Lancaster aimed at creating around 2,000 jobs. The early stages of the implementation of the Morecambe Area Action Plan also looks promising, with improvements to the public realm on the promenade, tighter enforcement to tidy up retail premises and efforts to revitalize the town centre. The council has made some useful progress on issues connected to the visitor economy including working with the Duchy of Lancaster on the opening up Lancaster castle as a visitor attraction and supporting a range of arts initiatives across the district.

10. The council has placed a significant emphasis on community leadership. It is encouraging to see a wide range of activity often led by local elected members championing, running and supporting activities. This includes litter picks, supporting community/friends groups and working with local voluntary groups to support vulnerable local people. Overall, there is a good understanding of the council's current priorities throughout the organisation.
11. However, it is crucially important that senior members understand the performance of services. Clear and timely performance reporting would enable members to have a much better understanding of the performance of services. The council has agreed a set of outcomes it would like to see, in the current Corporate Plan. However, it is not always easy to see how actual activities and service delivery drive the achievement of these outcomes and who politically owns these outcomes.
12. Demand for many services such as street cleansing, litter collection, grounds maintenance and waste collection has remained the same despite significant reductions in the council's capacity over the last couple of years. This is putting a strain on some services trying to maintain their previous level of performance (or trying to improve their performance). There is a need to consider how to manage the expectations of residents and elected members with smaller service capacity, including how this is communicated to the public.
13. The council needs to address the improvement of its planning function as a priority. Although the council had external input from the Planning Advice Service (PAS) in April 2014, planning performance on processing minor planning applications still remains notably below the average for district councils in the North West (whilst performance on major applications is generally good). Issues identified at the time of the PAS review are also still to be implemented. The performance of the planning function will play a significant role in some of the council's plans on future housing development and infrastructure. The wider economic development function (including planning) might be a good area for the council to examine as part of a new approach to reviewing services, explored later in this report.
14. The council has a significant economic development challenge in addressing the skills agenda. Although dialogue has taken place with some schools, both universities and the Lancaster and Morecambe College it will be imperative for the council to influence the providers to design and offer suitable courses to equip young people with skills for

the energy and tourism sectors (and their supply chains). Focus on specific work around introducing or shaping these courses by more strongly influencing the College. Closer work with Lancashire County Council could lever stronger influence on local schools. There is also scope for smaller scale operational improvements on economic development. Operational staff in this area identified a number of specific ideas and the feasibility of these should be examined such as appointing an agent to manage business workspaces, to name one example.

15. The council has prioritised the growth of its visitor economy as part of its work on economic development. The Authority appears to know what it needs to do and is heading in the right direction, albeit the service is delivered in a fairly traditional way and would benefit from sharpening how it communicates the tourism 'offer' to potential visitors outside the area. The advantages from developing the visitor economy to lever in further economic development present opportunities to be exploited.
16. The council recognises that its existing Corporate Plan is unlikely to enable it to tackle the nature of the changes to local government over the next few years. This, coupled with the election of a new minority Labour administration, is an opportunity for the council to reflect on its priorities to ensure it is focusing on the issues which will deliver strong outcomes for residents and achieve this in a climate of declining financial resources.

Political and managerial leadership

17. The May 2015 local elections resulted in a new minority Labour administration for the council, after many years of the council being in no overall control by one political party. The election resulted in 27 new members in May. The council has an experienced Leader. It also has a Chief Executive with considerable experience who is highly respected within the organisation and externally with partner agencies. He is supported by a relatively new senior management team of five, following a senior management restructure.
18. The council has a strong relationship with Lancashire County Council and is participating in the early discussions on a proposed Combined Authority for Lancashire. This debate is at an early stage but the city council is making a positive contribution to the debate and sees some of the opportunities a Combined Authority may bring. The council also has a working relationship with its neighbouring councils, particularly Preston.
19. There is a strong, amicable and trusting relationship between senior members and officers. The Chief Executive undertakes regular face to face briefings with staff at a range of locations in order to engage with staff, listen and communicate key issues. This was well received by staff.
20. The election of a new minority Labour administration is an opportunity for the council to reflect on its priorities to ensure it is focusing on the issues which will deliver strong outcomes for residents and achieve this in a climate of declining financial resources.

This debate needs to conclude soon and result in a clear set of priorities from members, which officers can use to shape the kind of council Lancaster wishes to be over the next few years within the constraints of available financial resources.

21. There is a good spirit of co-operation between senior members and senior officers and this is a great platform to have a mature debate on what are priorities and what will, by financial necessity, have to be considered to be a lesser priority. This will be a challenging process. Early discussions with the Labour group indicate that there are likely priorities around 'clean/green', housing and jobs but there needs to be more careful and informed discussion as there may be other outcomes that members may wish to consider alongside these. We would recommend that the Labour group continues this debate to identify a clear set of new priorities. The timescale for these discussions is fairly short in order to inform the 2016/17 budget planning process. The LGA is happy to offer member peer support to facilitate this discussion if this is helpful.
22. Members will need a clearer set of policy options to consider in the lead up to the 2016/17 budget discussions. In parallel to the political discussion around priorities, senior officers can greatly assist members by producing a series of carefully appraised policy options. There is a need to take a new approach to the one taken in previous years. Officers will need to lay out options for the different delivery and configuration of services for members to examine and consider. This should clearly outline how outcomes can be delivered, their financial implications, the risks attached to each option and how these could be mitigated.
23. Tackling the future challenges of the council will require the council's senior officer management to act corporately to deliver strong outcomes and agree how finance is aligned to deliver priorities and join up coherently. There will be value in the Senior Management Team reviewing their skills and capacity to deliver the necessary changes that will need to take place over the coming years. The council will need effective corporate capacity – with the right skills - to manage issues like organisational development, manage change, the digital agenda, track performance and develop policy.
24. The council's work with partner agencies in the public, private and voluntary sectors provides excellent opportunities to deliver strong outcomes for residents working more collaboratively building on arrangements already in place. There is potential to get more out of strategic partnerships. As the council explores different options for the future delivery of services this is an opportunity to see how partnerships can deliver strong outcomes. A suggestion was made to the peer team that the council may wish to establish an 'account management' approach to some of its major partners. This would see an 'account manager' designated as a single point of contact for an organisation and act as the key liaison. The feasibility and added value of this could be explored by the council to see if it works.

Governance and decision making

25. The new Labour Cabinet is settling in to its new role and the Leader has appointed three new Cabinet members. The council has a long established and robust member development programme, which will help support all its new members in particular.
26. The accelerated pace of change required in future years will necessitate effective and timely decision making. The move away from mixed political Cabinets presents an opportunity to make this happen. We would strongly advocate more power being delegated to individual Cabinet members. This would not only help to accelerate the pace of decision making and strengthen the accountability of individual Cabinet members. Senior members are likely to see the value in holding informal Cabinet meetings (and structured monthly one-to-one liaison meetings with portfolio holders). This would help to explore policy options around major decisions and build consensus on political decisions which will then be put to Cabinet. This process would be helped by members and officers developing council reports together.
27. The council needs to consider its overall future risk appetite. The nature of future strategic decisions will mean the council will need to be more balanced in its risk approach and less risk averse. Risk can be better managed by clearer identification of strategic risks as part of the discussion on future strategic issues and more informal discussion to consider the issues.
28. There are opportunities for the council's overview and scrutiny function to add greater value and for better use to be made of scrutiny. Whilst the committee considers a considerable volume of issues it could make a better contribution to how the council is delivering in its key priority areas. For example, it could play a stronger role in policy development. For example, future service reviews of key areas could be used in which non-Cabinet members could play a strong role ensuring options for future service delivery are clearly explored and risks examined in-depth.

Financial viability

29. The council has a relatively small financial resource base, with a [net](#) revenue budget of £17m in 2015/16. It has used a balance of reducing its revenue budget and using reserves to manage the impact of the national public sector budget reductions effectively to date. The council has achieved its previous financial savings programme, including a revenue saving of £5m since 2010/11. This includes significant savings on staffing cost and a package of smaller efficiency savings from across the council. There are plans to increase future income through large projects like the Solar Farm and a combination of smaller 'invest to save' projects which are under consideration.
30. The action the council has taken has seen its financial reserves reduce from £5.5m in 2013/14 to £4m in 2015/16. The use of reserves (alongside the package of efficiency savings) has meant the impact of large scale budget reductions nationally has had less of an impact in the district in the last 12 months. The next set of budget

issues, particularly since the 2015 General Election, are likely to be more challenging. In the future, the council have recognised the need to deliver services in different ways more extensively. This includes the need to consider how services are configured and different methods of delivery. It is unclear to what extent the council intends to grasp an approach to managing demand for services on its own and working with other local authorities and other agencies. This could potentially have a significant positive impact on the council's financial position as services are redesigned. As part of this the council will need to make more rapid progress on its digital agenda (to assist in channel shift for some services) which would help address demand for some services which in turn will help to address the council's longer-term financial position.

31. Once the council's future priorities have been agreed there will need to be a clear plan to deliver the required level of specific savings for 2016/17 and 2017/18 (and beyond). This is likely to be in the region of £2m, but the financial plan needs to clearly identify the amount and outline how this will be delivered. Continuing to largely use reserves to manage this position is not a sustainable long-term option. There is a need to share the modelling for different budget scenarios up to 2020 in order to inform the debate on future service planning. Whilst there are number of financial uncertainties over the next 5-10 years, modelling different financial scenarios will better prepare the council for what is likely to be a sustained period of public sector funding reductions.
32. There are opportunities to take a more commissioning approach as part of an examination of how services might be delivered differently in the future. This could start with taking a commissioning approach with the council's current grant funding for local organisations. For some of the larger grants, moving to a more outcome based commissioning approach would more closely support the delivery of the council's priorities.
33. The public building assets in the district provide an excellent opportunity to bring organisations, services and systems closer together to generate capital receipts and make services more efficient. There is potential to do more by rationalising the overall public estate in a more collective approach, through a joined up conversation with the other local authorities in the county and other public sector partners. The council's ability to dispose of one of its Town Halls would create opportunities to co-locate other public services into a public sector 'hub(s)' and generate a financial saving. The team recognise there are emotional (as well as rational) attachments to both these heritage sites. However, options (such as changing the usage of the building, working with other agencies, taking a more commercial approach and/or releasing capital) have begun to be discussed and a clear decision needs to be made soon.

Organisational capacity

34. The council has achieved much with a relatively small financial resource base. It has reduced its headcount by around 340 FTE (or around 30%) in recent years and sought to manage this reduction without making compulsory redundancies. Despite reductions in staffing and revenue budgets, staff morale overall is good despite significant change to the organisation. Staff are one of the council's core assets on which it can build. Staff generally recognise that service delivery will be different in the future and accept the need for change in the current financial climate. They have an appetite to explore how services can be delivered differently in the future and examine how income generating opportunities can be generated. Staff are receptive to the development of entrepreneurship and creativity and the council could harness this spirit and a wide range of specific ideas from staff.
35. Nearly half of the new councilor intake is new. There is a great opportunity to make the most of this and involve new members in issues like a new approach to service reviews. This could be an opportunity to harness the new skills that new members bring.
36. The key staffing challenge in the future is to ensure the organisation has the right capacity and skills to deliver the future priorities of the council. It will be important to examine capacity to ensure strong outcomes are being delivered and the council has a 'lean' but effective organisational capacity to manage issues like organisational development, manage change, the digital agenda, track performance, develop policy, market services and the area and communicate with its residents.
37. Lancaster appears to be relatively well resourced in terms of its overall staffing. This is higher than the average of other district councils in the North West. The council has a workforce around 680 FTE. The peer team have not been able to explore this in depth in the time available but this is a broad issue the council may wish to explore in more detail. The council has sought to improve its capacity and resilience by sharing its revenues and benefits function (with Preston City Council) and the management of its property portfolio (with Lancashire County Council). Although the extent of shared services is relatively limited overall, these two service areas point to how the council can boost the resilience of some of its services as well as generate a financial saving.
38. A refreshed approach to service reviews is likely to help draw together a number of issues. It should help:
 - members have a closer involvement in strategic decisions
 - enable wider consideration of future service delivery models
 - gain a more 'outward' looking perspective to the review process (by either involving external input on the review teams or drawing comparisons with service performance from other local authorities)
 - drill down into issues like value for money and performance comparison with other local authorities
 - provide clear options for members to discuss about future services

39. The council has identified it is behind the curve on the digital agenda. This could be particularly important in a district which has a significant rural population. The council has recently appointed a corporate champion for 'digital'. Digital work now needs to be corporately owned (not IT driven) and this work needs to be accelerated to contribute to an overall much clearer council transformation of services, improve financial outcomes and improve its 'reach' into communities. We would recommend that the council appoints a member digital champion to retain strong and political oversight on this agenda.
40. Morale amongst frontline staff remains good despite the fact staff have seen around 30% of their colleagues' leave the organisation and many have taken on additional responsibilities. They recognise that many of the challenges they face are created from macro-economic issues beyond the council's control. To help maintain staff morale the introduction of non-financial staff reward and recognition schemes may well aid organisational culture.
41. External and internal communication remains a key element of any organisational strategy. With the challenges it faces, and recent changes to its communication capacity, the authority would be well placed to reassess its resource needs in this field. Effective communication will be central to managing the future change process and developing a consistent narrative both internally and externally.
42. Lancaster and Cumbria Universities are both key stakeholders for the council. The contribution of both universities to the local economic wellbeing of the district is considerable. The council has forged good working relationships at an officer level, with its universities, and it is important the political leadership of the council continues to recognise and build upon these working relationships. The universities are likely to be a source of increasing the council's capacity in areas like research and intelligence. Tapping into the significant student population in the area should enable the council wider reach on better understanding the needs of local communities.

Finally, we would like to thank colleagues at Lancaster, especially Elaine Stoker and Steph Lucas for their support during the challenge itself. The council embraced the challenge positively and supported the process well.

Further on-going support is available through the Local Government Association's regional Programme Manager, Neil Shaw (email: neil.shaw@local.gov.uk, tel: 07876 688987). The report identified some areas where the council is likely to benefit from further external support. Neil will liaise with the authority in the coming months to explore specific issues the council may wish to be supported on.

Report contact

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