Corporate Peer Challenge
Cheltenham Borough Council

13 – 16 November 2018

Feedback Report

1.   Executive Summary

Cheltenham Borough Council (CBC) is an ambitious council complemented by a well-regarded political and managerial leadership. In recent years the council has supported high profile development in the town centre including the recently opened John Lewis store and a new phase of the Brewery Quarter. This has had the effect of re-establishing the town as a desirable visitor destination within the region.

The council has responded well to a significant reduction in government funding since 2010. Its operational style has been informed by developing commissioning arrangements, in response to financial pressures, which will have contributed an estimated £2.5m between 2011-22. At the same time funding pressures have led the council to value partnership arrangements as a means to leverage additional capacity and resources. Overall this approach has resulted in minimal impact on services provided and has enhanced partnership working arrangements.

The council recognises and values the importance of partnership working and has developed a strong model for this operating sub-regionally and locally. This also operates county-wide through Leadership Gloucestershire and Vision 2050 working with other councils and public sector partners. Sub-regionally the work of Gloucester City, Tewkesbury and Cheltenham councils have been important to deliver the Joint Core Strategy that sets out the strategic spatial vision for the area's future housing and employment growth to 2031. The council's ambitious Place Vision (adopted March 2018) represents a shared commitment by the council and partners, with local delivery of this coordinated through the Place Governance Group.

There is a need to derive more benefit from partners and contracted services by being unambiguously clear on what the council expects and what it is able to offer. A key partnership will be with Gloucestershire County Council (GCC) to support both the development of the new Cyber Park and to support work on deprivation.

The model of commissioning, with respective roles and responsibilities, is generally understood but it is necessary to ensure that all contract arrangements are grounded in service specifications that set out what level of service the council expects, the performance metrics for this, how and where this information will be reported. The new organisational structure would benefit from having a strengthened client core to take on this role.

The council is evolving its approach to commissioning but the organisational structure is not yet aligned to a new model. The council considered the intention to transfer most council services to Publica.[1] However, in 2016 the council decided to pull back and retain most services in-house. The current organisational structure reflects previous commissioning intentions and leads to some uncertainty. The council is proposing a new structure which should ensure organisational alignment.

The current phase of development sees the council becoming defined by new approaches to: modernisation, customer access, finance and partnership working. This

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[1] Publica is a teckal company owned by Cheltenham, Forest of Dean, Cotswold and West Oxfordshire councils.

acknowledges the need to produce a new and longer-term looking Corporate Plan, a new performance management framework and a new structure for April 2019. This reshaping of the council will move quickly thereafter with major projects including:

- £100m housing delivery programme with Cheltenham Borough Homes
- A radical modernisation programme to reshape customer access, organisational re-design and development and office accommodation
- Working with partners to deliver the Cyber Park, with new jobs and new homes, alongside development/regeneration in West and North West Cheltenham to address high levels of deprivation.

The Cyber Park is important and the council will need to ensure that governance is set to support delivery of this complex programme. CBC has been prominent in leading on the Cyber Park, focusing on cyber security and linked to GCHQ, and the regeneration at West and North West Cheltenham. These are game changers for the town and the sub-region with the Cyber Park providing high levels of skilled employment with workers coming from Cheltenham and further afield such as Gloucester and Tewkesbury. It is expected to deliver more than 8,000 jobs and up to 3,000 new homes. The council recognises that this is a once in a generation opportunity to use the additional Gross Value Added (GVA) created to ensure the benefits are shared across all parts of the community and make significant inroads into the high levels of deprivation that exist in West and North West Cheltenham.

CBC is committed to addressing deprivation within the borough, however, activity on this is currently dispersed on initiatives undertaken by different services, managers and partners without overarching co-ordination. Similarly the political responsibility for this resides across several portfolios. Developing a single coherent strategy, with designated lead members and officers, would provide clarity of purpose and enhance partner understanding.

The council's finances are in a good position to withstand uncertainties that lie ahead. The Medium Term Financial Strategy (MTFS) proposes that the funding gap be met by a combination of: efficiency savings, such as transformation of services; additional income, such as business rates and investment income; and the use of the Budget Strategy (Support) Reserve. However, it is necessary to extend a broader and deeper understanding, across members and officers, of the level of financial risk facing the council so that this can be fully appreciated and promote collective support for the savings plan.

It will be important to have regard to the level of reserves. Given the level of uncertainty facing the council regarding future business rates and New Homes Bonus funding, and risks associated with the Savings Plan, every opportunity should be taken to build levels of reserves to act as a contingency against uncertainty.

The council is ambitious and likes to say yes to new challenges. However, it has lost a huge amount of capacity over the last 8 years which limits what it is able to do. The council is on the cusp of significant change with a number of demanding challenges facing it. Ensuring that the new Corporate Plan is clear on priorities; the alignment of resources to deliver these priorities; along with the support that partners might contribute, will be essential to negotiate and deliver on the council's ambition.

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:

1. **Be clear what you want and prioritise.** The council is recognised as a willing and ambitious partner but capacity is not aligned to resources and clearer prioritisation of key objectives is required. Strategic capacity is particularly stretched and with major projects planned this needs to be addressed.

2. **Strengthen contract management arrangements.** The current arrangements are insufficiently robust in specifying service standards, performance metrics and performance reporting, and sanctions in relation to under-delivery.

3. **Devise a coherent programme around regeneration and deprivation with nominated leads.** The council is committed to addressing deprivation mostly located to the West and North West of the town. However, this activity is currently dispersed across initiatives undertaken by different services, managers and partners without overarching co-ordination. Similarly the political responsibility for this resides across several portfolios.

4. **Strengthen governance and project management arrangements for the Cyber Park.** This nationally significant programme is picking up momentum and it will be important that clear and inclusive governance arrangements are established with senior level representation. The peer team also suggest a single, senior level government contact be established to provide a link across different departments and who is able to relay key government messages to the governance group. This is a model that was used for Hinkley Point 'C'.

5. **Continue to invest in and further improve the relationship with Gloucestershire County Council (GCC).** The council and county council have already invested time in developing a positive and productive relationship and it is important to continue to build on this to work effectively in partnership to progress issues of shared importance, for example the Cyber Park and addressing deprivation..

6. **Sustain the momentum that has been generated by the modernisation programme.** A lot of goodwill has been built up from the initial stages of the modernisation programme. The opportunity is for this to enable a radical organisational shift to: reshape customer access, digitally enable services, maximise the use of data and business intelligence, create new ways of working, drive a commercial mind set and improve office accommodation. Some early wins would add momentum - the obvious candidate for this is the office accommodation where a quick decision is needed.

7. **Housing delivery will need focus and capacity.** The council has recently made a significant investment decision of £100m to increase housing supply. However, this

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is at a time when housing delivery has historically under-achieved. The step change in delivery will require skills, capacity and co-ordination around policy, development, design and construction. The council should also explore the opportunities presented by the lifting of the HRA borrowing cap.

8. **Review inherent financial risks and build levels of reserves to withstand future uncertainty.** The council's approach to the financial gap is to use the Budget Strategy (Support) Reserve to supplement the savings and additional income identified in its Savings Plan. The council's working balances stood at £1.4m at 31 March 2018 and the Budget Strategy (Support) Reserve was £1.5m. Given the level of uncertainty facing the council regarding future business rates and New Homes Bonus funding, and risks associated with the Savings Plan, then every opportunity should be taken to build levels of reserves to act as a contingency.

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 Cheltenham Borough Council were:

- Penny James, Chief Executive of Taunton Deane Borough and West Somerset District councils
- Councillor Keith House, Leader of Eastleigh Borough Council
- Cllr. Sarah Butikofer, LGA regional peer, Group Leader at North Norfolk District Council and a member of Norfolk County Council.
- Suzanne Hemingway, Strategic Director at Cambridge City Council
- Bill Cotton, Executive Director, Environment and Economy at Bournemouth Borough Council
- Vic Allison, Deputy Managing Director at Wychavon District Council
- Matthew Hamilton, Director of the District Councils' Network
- Andrew Winfield, LGA peer challenge manager.

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?

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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:

- review how the authority is positioned to deliver the aspirations and ambitions contained within the Cheltenham vision, in the context of 2050, and whether it and its partners have sufficient capacity to achieve delivery of these
- look at the council's broad range of external delivery mechanisms, including the council's commissioning, contracting and other partnering approaches and various company arrangements, to see how effectively they are delivering the outcomes the council requires from them
- consider the council's modernisation programme and reflect on how well it is being articulated, organised and driven across the organisation.

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 current LGA sector-led improvement support offer includes an expectation that all councils will have a Corporate Peer Challenge every 4 to 5 years. Cheltenham Borough Council had a Corporate Peer Challenge in 2014. 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 Council and the challenges it is facing. The team then spent 4 days onsite at Cheltenham, during which they:

- Spoke to more than 100 people including a range of council staff together with councillors and external partners and stakeholders.

- Gathered information and views from more than 50 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 in Cheltenham.

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 16 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

Cheltenham Borough Council (CBC) demonstrates a commitment to partnership working and sees this as the means by which additional resources and capacity can be levered to work for the benefit of residents and businesses in Cheltenham. It is acknowledged by external partners to be ambitious, creative, outward looking and tenacious. An example of this is the 'No Child Left Behind' year of action from January 2019 to highlight the issue of children growing up in poverty. This involves working with the Cheltenham BID, the Cheltenham Trust, The Cheltenham West End Partnership, the police, GCC and Cheltenham Borough Homes.

The new Corporate Plan, being developed for April 2019, should be used to strengthen priority setting and resource allocation. Work has begun making use of demographic, social, health, educational data obtained through the Maiden Partnership, via Gloucestershire County Council (GCC) to inform priorities. It is intended that the new plan will be looking longer-term, for 3 or 5 years, rather than the one year plan currently used and that a revised set of strategic priorities will align ambition with capacity.

Corporate planning does not currently include residents' perception data and this weakens the rounded perspective the council is trying to achieve. CBC recognises, as part of its modernisation programme, the need for a residents data to underpin and inform service planning and a survey will be undertaken in the early part of 2019. It would be beneficial to repeat this regularly to maintain resident and business input in the planning process. It also provides the opportunity to test resident satisfaction, to get views on local issues and build trend data over a period of time.

The council commitment to housing delivery shone through for the peer team. Cheltenham, like most other parts of the country, has an imbalanced housing market. The council is keenly aware of the need for affordable housing and has specified, in the Joint Core Strategy (JCS), that large sites should seek to deliver 35 per cent of affordable housing. A further example of this commitment is the council's recent decision to invest £100m in a housing programme to build around 500 homes. This involves working in association with the arm's length management organisation (ALMO) Cheltenham Borough Homes (CBH) that will not only deliver affordable housing but also a commercial return and capital appreciation.

Similarly a council bid to the government's Garden Communities programme is linking the Cyber Park development with the opportunity of building 3,000 new homes, of which it is estimated that up to 40 per cent could be affordable. The council is working closely with CBH as its principal housing partner; assisting it to construct and acquire more than 150 homes of mixed tenure since 2010. This is a productive partnership keen to progress redevelopment sites with innovative plans for market rent and other products.

The relaxation of the government's Housing Revenue Account (HRA) borrowing cap potentially provides an opportunity to actively develop a larger-scale programme of affordable house building. However, in doing this it will be important to consider what housing will be required, where and when. With the extensive range of new building

materials developed in recent years it will be useful to look at the range of options available for: speed of build, for example the use of modular building to meet short-term housing need; the appropriateness of Passivhaus and similar standards to address energy poverty and building in good design and build quality to provide a long lasting and welcoming environment.

The council will need to address two areas around housing. First, housing delivery at urban sites and growth areas will need investment to deliver a significant uplift (in the order of 25 per cent) to meet the JCS annual target of 1,759 homes per annum - when delivery between 2001-2011 averaged 1,450 per annum. Second, the council does not currently have a 5 year housing land supply and this exposes it to the risk of speculative development and 'planning by appeal'. It will be important to address this in the Cheltenham Plan currently being prepared.

CBC recognises the challenge of inequality in the borough and is actively working with partners on this.[2] The council is keenly aware of the stark contrast across the population and is involved in a number of programmes to address this. For example, the council commissioned a children's needs assessment through the Maiden Partnership. This assessment was recently presented to the Communities Partnership and the Place Governance Group and estimates around 4,300 children and young people are growing up in poverty in Cheltenham. The Place Governance Group has agreed to take a leadership role in reducing child poverty and committed to a year of action 'No Child Left Behind'.

To make significant inroads into social inequality will require a more focused and coherent programme, working closely with partners. This is not currently in place as, even though the council and partners are involved in numerous initiatives, activity is dispersed and does not form a coherent programme. Making a sustained impact will require a clearer engagement framework for stakeholders to agree and align priorities and actions with the council and a dedicated partnership focus to address social, economic and physical regeneration. Clear leadership of the council's work on deprivation by named member and officer leads would help on this.

3.2   Leadership of Place

CBC has a high level aspiration to lead its place and this is complemented by well-regarded political and managerial leadership. Moving through the current process of organisational change it will be important to communicate this future vision and align resource capacity to achieve priorities.

There has been solid realisation of the town centre vision. Recent high profile development includes the newly opened John Lewis, the recently completed phases of the Brewery Quarter and traffic flow management at Boots Corner. Other plans are proposed to redevelop the council owned Regent Arcade to also include a cinema. This is contributing to re-establishing the town as a highly desirable regional shopping and visitor destination.

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[2] The population includes 47 per cent of residents categorised as 'wealthy achievers' (ACORN classification) against a national average of 23 per cent. At the same time the Indices of Deprivation (IMD) 2015 show more than 12,000 – out of Cheltenham population of 117,000 - are living in the 20 per cent deprivation 'band' according to national rankings, with child poverty estimated at 30 per cent in 4 wards.

Culture has a positive role in place-making and CBC brings together key players via the Cheltenham Trust. The Trust has the ability, to raise additional grant income and it is worth exploring the contribution that the Trust can offer to place-making. The ingredients for a powerful cultural coalition are in place and the council is in a unique position to facilitate this.

The peer team were impressed with the website Marketing Cheltenham marketingcheltenham.co.uk/, a recently launched destination marketing arrangement. This is managed by CBC in collaboration with Cheltenham Business Improvement District (BID) and the Cheltenham Tourism Partnership, working together on a 5-year strategy to grow Cheltenham's visitor economy. This tool is also proving important to promote Cheltenham as a student destination and for inward investment purposes.

It will be important to engage positively with Gloucestershire County Council (GCC) on the town's future transport strategy. The location off the M5 motorway is hugely advantageous for business, visitors and residents. However, traffic flow to enable optimum traffic movement is important for events that attract large numbers, for example the Cheltenham Gold Cup Festival has ticket sales of over 250,000. With projected population, economic and housing growth it will be essential to work with GCC to ensure that highways infrastructure adapts to changing needs. A recent example of this is the council's decision to reroute traffic around Boots Corner which remains controversial. Conducting these works involved close liaison with GCC.

The Cyber Park programme will require building strong and inclusive governance and management arrangements.[3] This nationally significant programme will be important for the sub-regional economy. Governance arrangements are in place and in the process of being revised. Effective governance will be important not just to provide rigour and confidence but also to bring in capacity from other partners, without which there is a risk to delivery. Partners have been impressed by way CBC has "gripped" this major programme and are keen to contribute to the developing leadership and governance structures. The programme will require significant strategic and programme capacity and, in some instances, partners will be better placed to contribute to this and in others it will be the council. It will be important to recognise respective roles and to anticipate the capacity that this may require from the council.

It would be advantageous to have a single liaison contact point in government to enable cross-working over several government departments for the Cyber Park programme. Looking at other nationally significant projects, such as Hinkley Point 'C', the Olympics' preparation for London 2012 and the Northern Powerhouse project – these could all provide valuable learning for the council and this is something that the LGA could assist.

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[3] Confirmed in 2015 by the then Chancellor of the Exchequer announcing Cheltenham as the new home for the government's Cyber Innovation Centre. In 2017 the land area was designated as a strategic development site in the JCS. The Department of International Trade (DIT) has identified this as a High Potential scheme and promoted it as an international investment opportunity at MIPIM earlier this year. The development has been endorsed by a £22m growth deal commitment followed by a successful first round Housing Infrastructure Fund (HIF) bid for £265m to secure an all-ways M5 Junction 10.

There would be merit in building on the partnership model that delivered the JCS. The council has done well, working with Gloucester City Council and Tewkesbury Borough Council, to get the JCS adopted. With the JCS setting out the scheduled provision of housing and employment growth numbers there is an opportunity to build on this by considering a wider Cheltenham/Gloucester/Tewkesbury axis for sub-regional housing and economic growth and inward investment. This would be an important alliance to lead on the Cyber Park and West and North West Cheltenham regeneration.

It will be important for CBC to develop an economic growth strategy; engaging in this with local businesses and linking with business marketing. Particularly as it recognises that, "harnessing the opportunity for growth in its wider context is …absolutely critical for our town's future success." Although the council commissioned consultants to advise on an economic growth strategy ('Cheltenham Economic Growth Strategy – Developing Cheltenham as a Business Location – Athey Consulting 2015) a council economic growth strategy has not been developed. This means that there is no clear strategic direction or prioritisation of economic growth activity with aligned resources.

Addressing skills for the future economy will be needed and at the moment is at an early stage. The Gloucestershire Local Enterprise Partnership (GLEP) led Education and Skills Board will be important to link employment growth and future skills to community need. This should plan for providing residents with the skills in cyber security and related support services required for the future economy. It will also be important to address the annual net loss of 400 young people across the county so that they can see employment prospects that may encourage them to live and work in the area. This is a theme that CBC and partners could develop as a shared piece of work; consistent with CBC's corporate planning activity in knowing and understanding community need.

3.3   Organisational leadership and governance

The Leader and Chief Executive are both well-respected within the organisation and by partners. However, the peer team were told that staff would value a more visible senior managerial leadership presence.

The recently-expanded Executive Leadership Team (ELT) has a good range of complementary skills and experience to move the council forward with fresh ideas and energy. The council is also in a strong position with a core of skilled and dedicated officers, many of whom are well-regarded by partners and in the community.

There is a culture of collaboration and partnership working with external organisations, including close working with the voluntary sector and parish councils. This, in part, is due to the council's ethos that found value in the former Local Strategic Partnership working arrangements and intends to continue combining resources with partners to deliver on shared objectives. Most partners that the peer team met were very positive on their working relationships with the council and its commitment to work with them.

The council is ambitious to deliver on behalf of residents and businesses, and has communicated this through its Place Vision (March 2018). This been well received by partners, and now needs effective delivery

It will be necessary, through the modernisation programme, to ensure: a clearer organisational structure is devised[4] for April 2019; a revised performance management framework is agreed, and a competency framework developed:

- The new structure will be informed by the priorities emerging in the new Corporate Plan (The current structure is a legacy from pre-2016 and the intention to transfer most council services to Publica.)
- It will be essential that the senior ELT structure provides clarity on respective roles and their interaction. At the moment this is far from clear.
- There is not currently a competency framework in place but this could be developed alongside the new organisational structure
- The current performance management framework is more a list of projects than key performance indicators (KPIs), with outputs rather than outcomes.

As part of the revised organisational structure it would be beneficial to review member portfolios and senior officer roles to provide dedicated political and managerial leads in relation to key priorities, for example on the Cyber Park and deprivation. Currently these leads can be dispersed, for example a number of member portfolio holders cover elements of deprivation and social inclusion. Aggregating these into one portfolio holder/lead officer would mean that coherent strategic programmes could more effectively address these complex issues with a dedicated focus.

It will be important to develop a stronger awareness of the distinctive roles and responsibilities of officers and members. The peer team felt that this distinction needed to be reasserted. Not to address this would present risks for both members and officers who might otherwise stray into areas not appropriate.

Finally, reviewing the role of backbenchers could add political capacity. The council benefits from a strong member induction and mentoring programme with active councillors. This is important for new members to provide them with the confidence to understand and fulfil their role. However, the peer team felt that it would be advantageous to identify additional roles for more backbencher councillors. Given the current workload this would add capacity, provide more member involvement and add complementary skills and expertise.

3.4 Financial planning and viability

The council has a highly respected finance team with a sound grasp of the key financial issues affecting the council. The financial controls and systems for monitoring and reporting are in place and working well. CBC has a history of meeting its financial targets and underspending its revenue budget.

The council has adopted a successful savings strategy, previously referred to as 'Bridging the Gap' and now included within the Medium Term Financial Strategy

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[4] Pulling back from Publica has affected the council's structural and working arrangements. Until 2016 the council had an interim head of paid service and had recruited a director to lead on the commissioning and "retained" arm of the business. The shift from Publica led the council to reinstate the position of Chief Executive with this filled in February 2018. However, the remainder of the organisational structure is imbalanced.

(MTFS). Savings, including income generated, are projected to achieve an impressive £14.2m from 2009 to 2022.

The council is using reserves to help address a projected financial gap of £3.3m by 2021/22. The latest savings strategy identifies £3.4m of savings between 2018/19 and 2021/22 although the Budget Strategy (Support) Reserve will need to be used in the earlier years, which places reserves under greater strain.

Opportunities for increasing the level of revenue reserves should not be missed. Working balances at 31 March 2018 stood at £1.4m and the Budget Strategy (Support) Reserve was £1.5m. Given the intention to use over £2m of reserves over the MTFS period, to fund the revenue budget, there is the potential to reduce reserves to even lower levels. Local government recognises that the next 5 years as being uncertain and potentially volatile and is generally seeking to ensure levels of reserves are sufficient to withstand uncertainty. The council's external auditor has also drawn attention to the continuing need to monitor high risk savings and the council's use of reserves.

Alternative delivery models and investment in property are making a significant contribution. The council has recently adopted a Commercial Strategy (February 2018) and is building up a portfolio of assets already making a sizable return on investment; with a net surplus of £199k generated - to November 2018 - returned to the revenue budget. Further investment income is central to the council achieving its savings targets over the medium term.

There are two notable features to this investment strategy. The first is that all investment is made within the borough and second, the council is keen to invest to meet local needs and the ambitions of local communities. An example of this is Ellenborough House where the council purchased a building of office accommodation projected to achieve an annual net yield of 5.47 per cent. Office accommodation has experienced sustained decline in Cheltenham – with this often converted to housing - and the council is safeguarding this through its investment.

The presentation of the MTFS could be improved to ensure that key issues are more widely understood and linkages made to corporate objectives. The current layout could not be easily followed by the peer team, which contained financial expertise within it. On this basis it seems reasonable to assume that many members and officers from a non-financial background could struggle to understand this. It is recommended that consideration is given to new ways of presenting financial information so that this is more readily understood by members and officers. At the same time it would be advantageous for the MTFS to strengthen the alignment of resource allocation to the priorities set out in the Corporate Plan.

Similarly it was not clear that all members and managers are as involved in and have ownership of the financial planning process as might be expected. Some key financial issues and risks facing the council were not fully understood by some non-finance members and officers that the peer team spoke to, although the need to save money did not come as a surprise to anyone. Given the financial challenges facing the council a fuller understanding of these issues would be desirable.

It will be important that key assumptions in the MTFS, for example business rates and New Homes Bonus (NHB) are reviewed to ensure the projected funding gap remains realistic. NHB is scheduled to come to an end after 2019-20 and it is not yet clear what funding mechanism will replace this.[5] Business rates can be notoriously unpredictable, even without the current fair funding review and reforms to the business rates retention system. The council should keep under review its assumptions about future income particularly and the extent to which they fund the overall revenue budget.

It will be also important to continue to monitor the MTFS in an uncertain financial environment. The savings plan, to help bridge the financial gap, includes some areas that carry a degree of risk. The council has a number of options available to it should new financial pressure points emerge but keeping a watchful eye on funding uncertainties will continue to be important to anticipate sudden changes.

3.5 Capacity to deliver

CBC is an ambitious council but it is also acknowledged that the council's response to austerity has stripped out a large proportion of former staff capacity. One partner told the peer team that, "CBC punches above its weight and never says no". By never saying no there is a risk of capacity being spread too thinly. The peer team found that the council needs to be focus on priorities so as to manage ballooning demands. One manager commented that "strategic capacity is a key issue for us." This issue is clearly recognised in the Corporate Risk Register with the highest joint risk score of 20.

The council has effectively strengthened capacity in a number of areas where it was recognised that this was necessary, for example the property team and the Executive Leadership Team (ELT). The peer team suggest that the ambitious future programmes around modernisation, the Cyber Park and housing will likely require additional capacity.

In other areas capacity could be created through improved working arrangements. For example, there are significant issues around contract management with a dispersed and inconsistent client function and a lack of rigour on contract specifications to provide the services the council requires. Likewise the peer team were told that access to specialised legal support was not always readily available and project management was identified by many the team met as an area of weakness. Addressing the efficiency and effectiveness of these working arrangements would add capacity.

There is an opportunity for the council to release increased strategic leadership capacity from managers. Strategic capacity can be lost with some managers being too hands-on and operational. It will be important to address this in the new structure. This could be by the council setting out the performance competencies expected and by providing management development training to support managers making the transition from service professionals to strategic managers.

Working with key partners is essential to leverage capacity. The council has recognised this by its commitment to partnership working. In the future it will be important to build on this to ensure partners are brought in early and as equal partners. Similarly, working

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[5] All NHB goes to the council's revenue budget. For the current financial year this amounts to £1.7m – with this declining year by year to 2020. This forms an important part of the overall net revenue budget.

with private sector partners can add significant value from joint ventures by bringing in resources, sharing risk and adding expertise.

3.6 Modernisation

The council's modernisation[6] programme is underway and will be important for potential financial savings. Recent work, conducted for the council, estimates that the efficiency benefits of modernisation could achieve annual financial saving of £1.2m. This is an important prize, along with the organisational transformation this will involve.

Although at an early stage the council is making good progress on modernisation. A programme office has been established; underpinned by a clear governance structure and supported by passionate staff. The arrival of the new director has added necessary impetus and pace. There have been good levels of engagement with staff and member leads and it will be important that these are maintained to ensure continued buy-in for a programme that will introduce new ways of working and some cultural change.

The existing municipal offices and facilities are inadequate for a modern organisation. The council is understandably reluctant to spend on the building layout and improving overall office accommodation. However, the accommodation does sap staff morale, particularly for officers who occupy some of the more untidy office areas, and is far removed from what passes as modern office accommodation.

The council is aware that the current offices occupy a highly desirable location that lends itself to many alternative uses and could enable the council to relocate. The peer team were told that this has been an ongoing discussion for twenty years and the team view is that a decision is now needed. "We need a quick decision and we need to implement it" was one comment to the peer team. This could amount to a quick and visible win that would add momentum to the modernisation programme.

3.7 Commissioning, contracting and partnering to deliver council outcomes

There are good county-wide working arrangements with the council playing an active role. Partners described the council as fully committed to these fora, which provide an important platform to influence county-wide activity involving key strategic partners – for example on deprivation. Leadership Gloucestershire brings together public sector partners and has led to the bold work contained in Vision 2050, including the proposed Cyber Park. In addition there is senior representation at the Health and Wellbeing Board, the Gloucestershire Safeguarding Children's Board, Safer Gloucestershire etc.

There are good examples of partnership working to build on. Partners told the peer team of a very positive relationship with CBC – "excellent relationship" and "open to ideas" and "take their seat and punch above their weight". This is supported by CBC placing a high value on working with partners to deliver its priorities and recognising that its capacity to deliver is enhanced by partnership working. There are good examples of the council backing partners, for example the Solace funding commitment to tackle anti-

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[6] Modernisation is a wide-ranging programme that includes: reshaping customer access and digitalisation; organisational re-design and development; cultural change; performance management and office accommodation and agile working.

social behaviour (ASB) in the town centre over 5 years, providing dedicated new police constable and police support officer (PSO) posts to work on ASB in the town.

Although partnership working arrangements are good there are areas to strengthen. The council reviewed its partnership arrangements in March 2017 and this led to a place-making vision – "We want Cheltenham to be a place where everyone thrives". This then led to the formation of the Place Governance Group (PGG) responsible for the delivery of the Cheltenham Place vision and for providing strategic co-ordination across Cheltenham's agencies, partnerships, networks and fora, ensuring linkages with their strategies, plans and priorities. However, the PGG was described, "as still finding its feet". The detailed actions set out in the Place Vision have yet to be translated into action plans that specify who leads, with what resources, what timeframe and the KPIs and monitoring mechanisms needed to review delivery against objectives. It may be necessary for the council to work with the PGG to move this work forward to ensure that the work of this partnership vehicle is not jeopardised.

The function of commissioning is changing. It has been important as a means for the council to address the financial pressures of austerity. When commissioning began in 2011 its success in gaining efficiencies "…helped to keep the ship afloat".   However, the rationale for commissioning is shifting with service providers becoming strategic enablers for CBC's ambition rather than simply achieving savings. This shift in emphasis has not yet been widely recognised and understood.

Examples of this shift in approach include CBC's modernisation programme and key projects on customer access and channel shift which Publica will have a vital role in supporting through ICT platforms. Similarly there is the example of Ubico[7] with the potential to promote the take-up of commercial waste, green waste, commercial recycling, bin cleaning services and other revenue generating opportunities that can reduce contract costs. This shift will require the council – as client – to *incentivise* contractor providers to consider how they may provide services in the future which add value and/or save on costs.

Contracting arrangements need to be clearer and more robust. The different contracted governance structures provide a complex picture, often involving different geographies. It has been acknowledged that there, "is a sense that the arrangements to manage complex contracts are stretched…" In addition the contract management arrangements were described to the peer team, by a number of staff, as "woolly" which can lead to uncertainty on respective client/contractor roles and responsibilities. Client arrangements would benefit from increased rigour to provide: clarity on the specification of service requirements; the use of Service Level Agreements (SLAs); the use of KPIs and performance monitoring arrangements.

Finally, the council needs to be clear on what it expects Publica to provide. The history before and after 2016 means that there has been understandable uncertainty. Members and staff need clarity on respective client and contractor roles and responsibilities. Developing this clarity will enhance the relationship with increased

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[7] Ubico is a company wholly owned by both Cheltenham Borough and Cotswold District Councils and provides a range of environmental services - including waste collection, recycling, and street cleansing - across both areas.

certainty on respective expectations and will enable the model to begin to realise its potential to deliver community benefits and further efficiencies.

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 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 November 2023.