

LGA Corporate Peer Challenge – Progress Review

Dudley Metropolitan Borough Council

9th July 2024

Feedback



Corporate Peer Challenge



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1. Introduction

Dudley Metropolitan Borough Council (DMBC) undertook a LGA Corporate Peer Challenge (CPC) during September 2023 and published the full report and developed an action plan.

The Progress Review is an integral part of the CPC process. Taking place approximately ten months after the CPC, it is designed to provide space for the Council's senior leadership to:

- Receive feedback from peers on the early progress made by the Council against the CPC recommendations and the council's RAG rated CPC Action Plan.
- Consider peer's reflections on any new opportunities or challenges that may have arisen since the peer team were on-site including any further support needs
- Discuss any early impact or learning from the progress made to date

The LGA would like to thank DMBC for their commitment to sector led improvement. This Progress Review was the next step in an ongoing, open and close relationship that the Council has with LGA sector support.

2. Summary of the approach

The Progress Review took place onsite on 9th July 2024.

The Progress Review focussed on each of the recommendations from the CPC, under the following themed headings:

- Finance
- Governance
- Capacity
- Culture
- Vision

For this Progress Review, the following members of the original CPC team were

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involved:

- Jacqui Gedman – former CEX of Kirklees Council
- Cllr Rob Waltham - Leader of North Lincolnshire Council and LGA regional Conservative Member Peer
- Paul Clarke – Director of Resources, LB Islington (also member of the Council’s voluntary Improvement and Assurance Board)
- Anthea Lowe - Director: Policy & Governance and Monitoring Officer, Telford and Wrekin Council
- James Millington, Peer Challenge Manager, Local Government Association

3. Progress Review - Feedback

Of the CPC’s 21 recommendations, the Council’s RAG rated Action Plan reported that 13 are rated as green and on track and 8 are rated as being progressed. However, the peer team found that progress against the recommendations has been extremely limited in most areas and in its RAG rating the Council has overstated its progress. There remains a significant amount of critical work which is outstanding and now needs to be progressed as a matter of urgency to avoid the Council being financially unsustainable.

DMBC’s significant issues in relation to finance, governance and culture remain and, in many cases, have become more serious. The peer team considers that leadership was, and remains the biggest barrier in addressing these. Clarity of senior officer leadership is required to face the biggest challenge the Council has ever faced – and this needs to be recognised and responded to quickly – as it is evident through the lack of pace and vision since the CPC that leadership has not consistently been in place. The peer team found that deep-seated cultural shifts are needed rather than just revised leadership/management arrangements. In particular, if the Council is to not run out of time to respond to the financial challenge in the short term it needs strong, consistent and visible leadership over the remainder of 2024/25 and beyond.




Everyone in the Council acknowledges that the pace of change is not fast enough, although there are differing reasons given for this. Staff the peer team spoke to are a great asset to DMBC and are keen to play their part and deliver the changes needed but they do require further clarity on the future. The peer team believe that political and managerial leadership is central to this and that DMBC needs to be clear on what it will do, with officers setting out proposals for Members so that timely decisions can be made and implemented. Governance plays a crucial role in this, and this is not just a review of the Council's Constitution. Effective governance at DMBC is still lacking and urgent attention is needed so that decisions can be taken in a well informed and timely way and implemented without delay.

The peer team did feel that DMBC has wide agreement on the financial challenge but that the acknowledgement of this challenge is happening alongside an absence of an agreed vision for the future. This means there is potentially lots of work where the organisation is not coordinated or is unclear. DMBC needs clarity on what kind of organisation it will be, and can afford to be in the future. The Council's Target Operating Model (TOM), which is to be agreed, is part of this but political priorities and managing the financial challenge will need to be more central to this as well. This visioning work is critical to the future direction of the Council.

The culture of DMBC requires sustained attention. The Member/Member relationships have matured and are clearly in a much better position during the Progress Review and the team saw a shared determination to tackle the financial challenge. However there are some significant issues with Member/officer relationships where these relationships are strained and frustrations arise. There are plans in place to address this as a key plank of the governance work.

The peer team do not assess that a s114 notice for the Council is inevitable as there are plenty of opportunities remaining for DMBC to mitigate against this. However, this requires the Council to act quickly and upon the advice provided to it from other sources, such as CIPFA and particularly from the voluntary Improvement and




Assurance Board (IAB) which has had the ability to add real value to the Council but until now its support has been largely ignored by DMBC. This Progress Review together with the emerging CIPFA findings and the feedback from the IAB provide a powerful and agreed picture of what needs to happen. The Council still has the ability to avoid a s114 notice, but not if it continues as it is currently.

The peer team's themed feedback is outlined in detail as below.

FINANCE


- **Recommendation 1:** Urgently prioritise the development of a financial strategy, and any engagement with DLUHC, for the long-term sustainability of the council.
- **Recommendation 2:** Engage across the organisation as 'One Dudley', at all levels, to address the financial sustainability of DMBC.
- **Recommendation 3:** Consider external strategic support to turn around the short-term and medium-term financial position, leveraging experience of organisations in financial distress and other support including through the LGA.
- **Recommendation 4:** Reconsider the alignment of the Council Plan to the Medium Term Financial Strategy in the current financial climate.
- **Recommendation 5:** Internal Audit recommendations need to be addressed as a priority. The council should increase the importance of the delivery of recommendations, ensuring assurance levels are increased.
- **Recommendation 6:** Completion and adoption of the Economic and Regeneration Strategy. The pipeline/programme should be prioritised, the agreed top priority projects/themes to form the work plan (1 to 3 or 5 years rolling programme) and costed for delivery before approval is sought to progress.
- **Recommendation 7:** Finalise the Estates Strategy with a delivery plan and timescales.
- **Recommendation 8:** Clearly differentiate between investment and commercialisation.



The 2023 CPC made it clear that “*DMBC is facing a serious financial challenge and above all else it now needs to take urgent action to address its financial sustainability*”. Recommendations made by the peer team within the finance theme were intended to provide a focus for the Council in meeting this challenge. During the Progress Review the peer team noted that the financial challenge appears to have had a galvanising effect for most of the organisation, with officers and Members understanding that there is a financial challenge being faced by the Council. However, it remains unclear to many about how DMBC is coordinating the solutions to this challenge and what is being achieved in terms of outcomes.

Through the Progress Review the peer team found that the pace at which the Council has acted to address its significant financial challenge is not sufficient and it is not taking the urgent and coordinated action required. This was universally acknowledged by the Members and officers the peer team spoke to. Concerningly, the peer team found a void in the leadership and lack of direction for increasing this pace. The current lack of pace is a very real concern to the future financial sustainability of the Council beyond 2025.


Following the CPC a voluntary IAB was established at the request of the Leader. This Board was quickly put in place with the support of the LGA, bringing experienced political and officer peers together to provide check and challenge to the Council. The IAB has so far met with the Council 8 times but despite the consistent expert guidance, support and advice provided by the Board progress made by DMBC in meeting its challenges has been severely limited. Although highly regarded, the peer team has seen that advice from the IAB has not been acted upon and support from the Board members has not been accepted. The peer team recommend that DMBC reflects on how it can make better use of the Board’s expertise. There is currently a lack of clarity around the future of the IAB and its membership beyond July and this needs to be resolved quickly, with the peer team’s view being that the Board needs to continue.



The peer team note that the Council did agree a lawful budget for 2024/25 but the Council's financial position remains critical. This is predicated on the Council addressing its financial challenges which include delivering £15.5M of savings in 2024/25. This is significant for the Council given that in previous years the savings programme has been much lower, and delivery weak (for example in 2021/22 DMBC agreed £5.4M and delivered 79 per cent; and for 2022/23 planned to deliver £1.9M and delivered 46 per cent). At month two of 2024/25 the Council has a saving delivery of £8.9M (58%) and forecast year end delivery of £12.1M. The General Fund reserves position remains critical at £8.8M. To safeguard its position the Council needs to ensure that it focuses above all else on delivering its efficiency programme, and review the approach of using earmarked reserves to support the budget, which needs to be addressed.

The peer team's assessment is that the Council currently still has the ability to address its financial issues and avoid issuing a s114 notice. However, it needs to urgently pick up the pace this year and implement plans, and the outcomes from the functional reviews it has been discussing. Elected Members are standing ready to take tough decisions and options need to be presented without delay. There remain many opportunities for the Council to address its financial challenges, which will inevitably involve political choices around service delivery. These are within its control and although new to DMBC are in line with many of the ways other councils have addressed their challenges in the past. DMBC should use the learning from the implementation of the green waste charging scheme to give it confidence to make the decisions needed. There are significant income generation and savings schemes which the Council is considering including the off-street and on-street parking charges. The peer team encourage the Council to now make the required decisions and implement at pace as currently this is not indicating the urgency of the situation being faced by DMBC.

DMBC's commercial activity is still not contributing to meeting its financial challenges. There remains outstanding work regarding the Council's planned 'Functional




Reviews' of the Borough Halls, Brooks Bistro and Leisure provision. The peer team recommend that DMBC reflect on the scale and focus given to these Reviews relative to the financial challenge it has as the Borough Halls and Brooks Bistro combined are only potentially delivering a combined £83K savings in 24/25, and Environmental Health savings of £100K.

Engagement by the Council with Government on financial support has been uncoordinated. For example, the Council's discussions around Exceptional Financial Support (EFS) was not coordinated and agreed across the managerial and political leadership of DMBC, meaning that conversations with Government have been inconsistent, and prone to last minute change. However, CIPFA was commissioned by the Council to undertake a FM Review and a review of Financial Resilience in order to keep Government apprised of the position and to "*provide recommendations to avoid the need for EFS*". Although CIPFA has not produced a written report at the time of the Progress Review it is understood that the findings of this will be stark about the ways in which DMBC is approaching its challenges and the lack of delivery and robust leadership required.

Since the CPC the Council has reviewed the delivery of some of its key strategies. This includes: the Council Plan being suspended in February 2024, with a new Plan approved by Council in April; the Economic Regeneration Strategy approved in March 2024 - however, the pipeline projects are yet to be assessed against the Action Plan in the Strategy to prioritise activity; and the estate rationalisation work, which is also ongoing. Work has been taken forward on estates through the change programme but much of this work remains in the early stages. The Council needs a continued focus on this as part of the contributions its estate makes to the financial programme, internal operations, and the delivery of its priorities. These strategies are important to deliver on and DMBC will need to focus on delivering this within the reality of its financial context.

The peer team fundamentally believe that DMBC's biggest challenge is that it is now




running out of time to address its challenges due to the lack of focus from the Council's leadership. Elected members have been urging pace, and there has been some progress made but this is far too limited. Unless the Council now delivers some of its emerging plans then it will be financially unsustainable. However, the peer team believe there are enough opportunities for efficiencies to prevent DMBC being in a position where it needs to issue a s114 notice, because there are so many ways to make the required savings. The Council has spent a lot of time making plans and now needs to urgently deliver change to deliver the financial savings required.

GOVERNANCE

- **Recommendation 9:** Improve the internal control and assurance environment.
- **Recommendation 10:** Develop a 'golden thread' throughout the council to ensure the vision contained in the council Plan is reflected in service strategies and team plans.
- **Recommendation 11:** Review the function and purpose of Informal Cabinet and the Strategic Executive Board.
- **Recommendation 12:** Roll-out training and support around the roles and responsibilities for both Members and officers.
- **Recommendation 13:** Keep the scrutiny function under review, including the work programme, and ensure there are adequate resources in place so that it is fit for purpose.


The peer team remains significantly concerned about the governance arrangements at DMBC and how decisions are made. The peer team heard a great deal about the Council's plans to review some of the processes and procedures relating to governance such as the review of the Constitution. However, the peer team are concerned that the Council approach to governance is limited to this and it is not focused on other issues including: the importance of transparent decision making; probity; the role of the statutory officers; and the Council implementing objectives



which are clear and make sense to everybody. If DMBC is to be effective this is important and it needs strong governance in place to support good decision making. The peer team note the review work in process from both CIPFA and the Centre for Governance and Scrutiny (CfGS) in regards to the Constitution and internal controls but do not believe that the scale of the other aspects of good governance have been understood consistently across the Council.

A live example of the importance of good governance is where Members should all be seen to only take decisions which have followed due process, are transparent and are without a registered person conflict. At all levels across the organisation the governance needs to stand the test of the most senior governance officers. For instance, as part of the Council's sustainability model DMBC has a number of assets to sell, and transparency on decision making here is to protect everyone concerned. However, the peer team do not believe the officer controls – particularly the 'golden triangle' of the CEX, s151 officer and Monitoring Officer (MO) - is working effectively. There are meetings in place but the level of oversight they have collectively is not adequate. For example, it is important that the MO and the Finance function is provided with an opportunity to provide advice which is taken into account as part of the decision-making process. The peer team heard evidence that this is not happening consistently. In addition, DMBC's Chief Auditor needs to be involved in discussions which present a risk to the Council and this is not consistently happening either. The CEX, MO, s151, and the Chief Auditor should operate as the gate keepers to ensure DMBC is 'kept safe'. This requires urgent and considerable strengthening and without this the Council, and its Members, are at risk of making decisions which are undermining its ability to deliver the outcomes it is anticipating and at worst has the potential of being unlawful and unsustainable.

In 2023 the peer team found that the Council's response to addressing Internal Audit recommendations was severely inadequate. This position has deteriorated since the CPC and DMBC's Audit and Standards Committee meeting on 8th July 2024 noted there was 'limited' assurance in the Council's framework of governance,




management and internal controls, meaning there are significant weaknesses in the Council's management systems and how they are applied. The peer team highlight this as evidence that DMBC is now less likely to deliver its objectives and could now find itself in difficulties across many areas of Council business very quickly.

The Council has replaced its Informal Cabinet with Cabinet Strategy Group. The Strategic Executive Board has also now been replaced by Corporate Management Team. Both have new terms of reference. It is yet to be seen if this has helped to sufficiently clarify the roles of the forums, so DMBC will need to keep this under review.

DMBC has developed a Member Development Plan and this includes support to existing Members, as well as those 21 new Councillors who were elected in May 2024. This Plan includes support to all Members and a commitment to bring together a Member Development Group so that Councillors can lead the identification and delivery of support. Political groups have all welcomed this. This includes support from the LGA where Member/officer relationship sessions are being planned for the Autumn. This is positive but DMBC will need to ensure that momentum on Member development is maintained and that all Members, from the Leader to backbenchers are engaged in the development offer, as well as support for officers and effective joint working.

Since 2023 the Council's Scrutiny function has been reviewed but although the number of committees was recommended to reduce to 3/4, this has remained at 7 for 2024/25. Following the election in May 2024 the Committees are now chaired by opposition group Members. There has been some development support for Members of the committees in their roles but this will need to be kept under review - this is an important function for the Council as effective scrutiny provides critical challenge. Scrutiny should be provided with an opportunity to engage in pre-decision scrutiny, making recommendations to Cabinet, with Cabinet considering those recommendations before making decisions. In the current economic and political



climate within DMBC, this provides a real opportunity for collaboration across the political spectrum and provides some assurance around the effectiveness of its plans to tackle the financial challenge. The peer team recognise that it is early in the committee cycle for 2024/25 and recommend that the work programmes and resourcing is sufficient for the need, and that this is kept under review.

CAPACITY

- **Recommendation 14:** Review the organisational structure and consider how to better utilise the resources DMBC already has to deliver the golden thread.
- **Recommendation 15:** Transform to release savings and invest in key services.
- **Recommendation 16:** Continue to develop an approach around the development of corporate health performance indicators, building on the approach to HR monitoring, to include other internal measures.

DMBC has developed a TOM which is to be agreed by Cabinet on 15th July. The Council needs to consider what kind of organisation it will be in the future and the TOM is a step forward towards this in the context of the financial position. However, the TOM has only recently been developed and is yet to be agreed so the peer team are not able to comment on how this will better allow the Council to use its resources more effectively and its relationship with the key performance measures through the 'golden thread'. Given the extreme pressures the Council is facing, this work should have been commenced earlier to deliver the benefits within 2024/25.

As described previously the 'functional reviews' and the relationship to the savings produced are extremely patchy in scale and impact. The Council needs to be mindful of the efficiency requirements now needed and the critical importance of this delivery. There are choices to be made in service delivery and potential resourcing decisions but it is likely that disinvestment will be the key focus in the short term. DMBC should prioritise the transformation in areas which will have the biggest impact and produce the savings it urgently requires. This requires swift implementation.


CULTURE

- **Recommendation 17:** Focus on getting the basics right – refreshing the organisational values provides a good time to do this and reset the expectations.

In 2023 the peer team referenced the relationship challenges between officers and Members, with morale within DMBC feeling low as a result. In 2023 the team found that discussion on the Council’s culture with the heads of service was characterised by comments including “*toxic, oppressive and depressing*” – and this time colleagues were “*frustrated*” but optimistic about their role in the future of the Council. The peer team felt there was an effective and dedicated heads of service cohort and this is an important layer for the organisation in addressing the challenges it is facing. During the Progress Review staff reported feeling frustrated, as they understand that change now needs to happen and that they are supportive of this, but feel there is a lack of vision shared with them on what this change will be and how this will be achieved. It is important for DMBC to address this and to not lose the support and good will of its staff, as the workforce are playing a fundamentally important role. Staff the peer team spoke to are up for the change and want to be central to meeting the challenges faced by the Council.

The Council’s external auditors remain increasingly concerned about DMBC’s financial situation as well as the strained relationships between officers/Members at the top of the organisation. As above, the peer team have highlighted their concerns around the finances, and agree that Member/officer relationships require further attention and the Council needs to commit to focusing on this, supported by the work planned around the protocol and the sessions on Member and officer working which will be critical to this.

During the Progress Review the peer team heard about an improvement in Member/Member relationships. Having a shared focus on addressing the challenges facing the Council appears to have helped with this. There was evidence of a good




cross-party approach which has matured and is good to see in the current context of the challenges. This is in the context of there currently being no scheduled elections until 2026 as there is some concern that, once the election cycle recommences, the ability to progress cross-party discussions may become limited. This improvement is positive and Members will need to ensure that they provide sufficient support and challenge to one another as part of the future of the Council and the decision making process. For instance, to deliver more challenging budget savings, leading Members will need to maintain effective working relationships, and work with all Members of the Council, to ensure everyone understands and supports the drivers behind decisions. Equally, Members also need to be 'critical friends', able to express their opinions as proposals come forward, and to ensure that all issues are considered as part of effective decision making. Both aspects are important and the Council now needs to work at pace with all Members to collectively agree and deliver the changes required.

VISION

- **Recommendation 18:** Development of delivery plans for Dudley Borough's Vision, Forging a Future for All.
- **Recommendation 19:** Develop a place marketing approach for the visitor economy.
- **Recommendation 20:** Consider the value in undertaking a regular Residents' Survey.
- **Recommendation 21:** Development of the approach to the council's corporate performance to 'tell the story'.

Addressing the recommendations within this theme require further attention by the Council. The peers note that some consideration has been undertaken but they remain largely incomplete and in similarity with recommendations in the other themes, attention to them has not been paid with sufficient pace and no tangible outcomes.



DMBC is drafting a new Operating Model Vision, and has developed a Performance Management Framework for the Strategic Partnership Boards with measures identified for regular reporting. This will need to be kept under close review to ensure it is fit for purpose in the context of the Council's challenges and the impacts this has on delivering the Borough vision. DMBC will need to be specific about its limitations and balance between its internal focus and external role to ensure that it does not over stretch itself.

The Council has undertaken some work on developing a place marketing approach for the visitor economy. DMBC has used UKSPF funding in the development of a Culture Strategy – commissioning an external provider to undertake this work on behalf of the Borough. This is still at the early stages with the Strategy and Action Plan to be discussed by Cabinet in August.

No decision had been made by the Council on undertaking a regular Residents' Survey. This is being considered alongside options including a resident participation group, 'pulse' surveys and focus groups, and options to expand the budget consultation process.

The engagement process for the TOM is reviewing the approach of the Council to corporate performance and the role of the corporate performance management. This is at an early stage and sessions now commenced with Senior Change Leaders and staff.

4. Final thoughts and next steps

The LGA would like to thank DMBC for undertaking an LGA CPC Progress Review. We appreciate that 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.

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Under the umbrella of LGA sector-led improvement, there is an on-going offer of support to councils. The LGA is well placed to provide additional support, advice and guidance on a number of the areas identified for development and improvement and we would be happy to discuss this.

Helen Murray (Principal Adviser) is the main point of contact between the authority and the Local Government Association (LGA) and their e-mail address is helen.murray@local.gov.uk.