


# LGA Corporate Peer Challenge

Reading Borough Council

Monday 13<sup>th</sup> to Thursday 16<sup>th</sup> June 2022

Feedback report





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# 1. Executive summary

There is much for the council and its leadership to be proud of around what the organisation has delivered in the last few years, including supporting its communities through the pandemic and dealing with a number of major incidents in the borough. Investment has been made by the council in key infrastructure developments and there is much happening across Reading which is transforming the ‘townscape’. However, inequalities within the borough are significant and tackling these is becoming increasingly recognised as a priority.

Tremendous hard work has gone in to ‘stabilising’ the organisation in recent years. What has been achieved has necessitated the council having a strong internal focus over the last few years. The council owes a significant debt of gratitude to the retiring Chief Executive for his absolutely pivotal role in bringing the necessary stabilisation and improvement about.

The change in Chief Executive forms part of a crucial juncture for the council over the coming months. This could be deemed ‘a reset point’ and is a positive culmination of the efforts and achievements of recent years. There are various elements to the ‘reset’. A crucial one is ensuring the senior political and managerial leadership of the council becomes much more externally focused over the coming months.

There are very few councils that wouldn’t be envious of Reading’s many advantages and opportunities, both as a place and as a council. There is currently a ‘window of opportunity’ to enable fundamental and profound change in the lives of the residents of the borough under the emerging ‘tackling inequalities’ agenda. The opportunity and need to supplement the on-going ‘place-based and townscape’ agenda with a drive focused on people and inequalities must be grasped – and the council needs to lead this. Delivering it requires strength and clarity of political leadership.

The council’s ‘hybrid’ governance model is well-established, seen to work for the council and is valued and supported. Certain aspects are appropriate to be reflected upon and refined and work is underway on this. It is important that the opportunity is provided for all key internal stakeholders to input to this. We would also encourage the council to take the opportunity to consider how the statutory requirements around

overview and scrutiny, and the opportunities this key governance function provides, are approached going forward.

Elected member development is an area that offers real opportunities. We would expect a council of the scale and importance of Reading to have a comprehensive programme that supports councillors in all of their different roles. Within this, it is crucial that all elected members are supported to be fully aware of their statutory responsibilities.

There needs to be an environment in which there is greater 'constructive challenge' in the governance system and the officer/member relationship, with this founded upon mutual trust and respect and focused on enhancing delivery and addressing politically-set priorities. It feels as though a 'recalibration' of the approaches and relationships here would be beneficial.

There is extensive engagement between the senior leadership of the Administration and senior officers. Such engagement is beneficial in shaping what enters the formal elected member decision-making arena. However, the lead-in times and 'the number of hoops to jump through' in Reading as things move towards formal decision-making feel to be greater than elsewhere. It will be important to reflect upon where the approaches could potentially be refined.

It is absolutely crucial that children's services – in the form of senior officers from 'Brighter Futures for Children' – are engaged much more fundamentally at the strategic level of the organisation. There is good working and engagement seen to be taking place at the delivery level but there is a gap in more strategic-level arenas.

The council's financial position and financial management arrangements have recovered and strengthened significantly in recent years but the financial base, whilst sound, remains vulnerable.

The results of recent staff surveys are very positive and provide a sense of people enjoying their work; working well together; being clear about how they contribute to the council's objectives; feeling respected and valued; and being proud to work for the organisation. The TEAM Reading values have a high profile in the organisation

and are well understood. The focus on them must be maintained and pushed harder in order to ensure they become fully embedded and support the increase in cross-organisational working that is required.

Real managerial grip and rigour have had to be applied to the organisation in recent years in order to secure the necessary 'stabilisation'. A revised approach now feels appropriate – one which maintains the necessary and established rigour, disciplines and controls whilst providing for greater autonomy.

The council is seen to be an ambitious organisation. People spoke of the challenges that the level of ambition generates, given the finite resource available. From this emerge two fundamental considerations around the use and prioritisation of existing resource and leveraging additional resource through the maximising of influence.

## 2. Key recommendations

There are a number of observations and suggestions within the main section of the report. The following are the peer team's key recommendations to the council:

- Capitalise fully upon the 'reset point' that has now been reached, particularly in relation to the following:
  - Ensure absolute clarity in relation to what is being sought in appointing a new Chief Executive
  - Ensure the senior political and managerial leadership of the council becomes much more externally focused
  - Adopt a revised managerial approach which maintains the necessary organisational disciplines but also provides for greater autonomy – as seen during the pandemic
- Capitalise fully upon the 'window of opportunity' that currently exists to enable fundamental and profound change in the lives of the residents of the borough, particularly in relation to the following:
  - Developing a politically determined narrative and vision around 'tackling

- inequalities'
- Developing a much deeper engagement with, and understanding of, Reading's diverse communities
  - Establishing a shared understanding and a shared endeavour across a multiplicity of partners and Reading's communities in tackling inequalities
  - Maximising the council's influence locally, regionally and nationally
  - Collectively determining, with partners and communities, what needs to be undertaken to tackle inequalities and ensuring this is translated into tangible action
- Expedite the work reviewing the Constitution and Delegations Register and, in the process, ensure the opportunity is provided for key internal stakeholders to input fully
  - Develop understanding of, and challenge, the factors that generate the lengthy lead-in times and extensive number of 'hoops to jump through' in the council's governance processes
  - Establish a comprehensive elected member development programme that supports councillors in all of their different roles and ensures they are fully aware of their statutory responsibilities
  - Ensure that children's services have the opportunity to be engaged much more fundamentally at the strategic level of the organisation
  - Ensure the continuation of the rigour and disciplines necessary to deliver the agreed savings and income generation plans and maintain wider financial controls – in a context of the council's sound financial base remaining vulnerable and the pressures and risks around this
  - Continue the work to fully embed the TEAM Reading values

## 3. Summary of the peer challenge approach

### 3.1. The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected the focus of the peer challenge and peers were selected on the basis of their relevant expertise. The peers were:

- Denise McGuckin, Managing Director, Hartlepool Borough Council
- Councillor Nesil Caliskan, Leader, London Borough of Enfield
- Duncan Whitfield, Strategic Director of Finance and Governance, London Borough of Southwark
- Rebecca Peck, Assistant Chief Executive, West Northamptonshire Council
- Richard Harries, Associate Director, Institute for Community Studies
- Francis Saukila, National Graduate Development Programme trainee on placement with the LGA (shadowing capacity)
- Chris Bowron, Peer Challenge Manager, LGA

### 3.2. Scope and focus

The peer team considered the following five themes which form the core components of all corporate peer challenges. These areas are critical to councils' performance and improvement.

1. **Local priorities and outcomes** – Are the council's priorities clear and informed by the local context? Is the council delivering effectively on its priorities?
2. **Organisational and place leadership** – Does the council provide effective local leadership? Are there good relationships with partner organisations and local communities?
3. **Governance and culture** – Are there clear and robust governance arrangements? Is there a culture of challenge and scrutiny?

4. **Financial planning and management** – Does the council have a grip on its current financial position? Does the council have a strategy and a plan to address its financial challenges?
5. **Capacity for improvement** – Is the organisation able to support delivery of local priorities? Does the council have the capacity to improve?

### 3.3. The peer challenge process

Peer challenges are improvement focused; it is important to stress that this was not an inspection. The process is not designed to provide an in-depth or technical assessment of plans and proposals. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared by reviewing a range of documents and information in order to ensure that they were familiar with the council and the challenges it is facing. The team then spent four days onsite in Reading, during which they:

- Gathered information and views from more than 40 meetings, in addition to further research and reading
- Spoke to more than 150 people including a range of council staff, elected members and external stakeholders

This report provides a summary of the peer team's findings. In presenting feedback, they have done so as fellow local government officers and members.

## 4. Feedback

### 4.1. Local priorities and outcomes

The council has a vision, reflected in its 2022-25 'Investing in Reading's Future' corporate plan "to help Reading realise its potential and to ensure that everyone who



lives and works here can share the benefits of its success". The plan, with its three themes of healthy environment, thriving communities and an inclusive economy, was agreed in March this year and has a high profile and good level of understanding amongst elected members and staff.

There is much for the council and its leadership to be proud of around what the organisation has delivered in the last few years. This includes establishing a growing national reputation around the climate change agenda – reflected in being included as one of only 11 places in the UK on an international 'A' list of 95 cities classed as taking 'bold climate action'. The council, with its partners, has also supported its communities through the pandemic, including setting up and supporting testing and vaccination centres; distributing over £50m of government support to businesses in the locality; establishing the Reading Community Hub; and assisting thousands of residents whilst they were shielding. The council has also been involved in dealing with a number of major incidents and their aftermath, including the Forbury Gardens terrorist attacks in June 2020 and the deadly fire at Rowe Court in December 2021.

Also, investment has been made in key infrastructure developments, elements of which have involved addressing a backlog built up over many years. This includes £9m of expenditure in the last few years on road and pavement repairs, which is being supplemented with £8m of further investment over the next three years. Investment is also being made in the transport infrastructure, including a new railway station at Green Park, the refurbishment of Reading West railway station, bridge strengthening and the installation of electric vehicle charging points. The council has also secured £26m of government funding to deliver bus service improvements. New or improved leisure facilities are being provided, such as a new leisure centre at Rivermead; a new community swimming pool at Palmer Park to supplement the existing sports facilities there; and improvements to the South Reading and Meadway leisure centres. £36m is being invested annually in enhancing the fabric of local schools.

Over the last four years, the council has built 300 affordable homes, taking its housing stock to over 7,000 properties. There are plans to deliver around 350 more affordable homes over the next three years through an investment of nearly £90m. Included within this investment will be new sheltered housing for older people and accommodation for key workers. £34m is also being spent in the period up to 2030

on low carbon measures to improve energy efficiency in council homes.

In commissioning the corporate peer challenge, the council indicated that they would welcome the peer team considering the authority's approach to 'social inclusion'. This theme featured prominently in our discussions, although the language of 'tackling inequalities' emerged as a phrase and concept that people seemed to be able to relate to more easily than 'social inclusion'. However it may be termed, it is clear that this area of focus is becoming increasingly talked about in the organisation.

Inequalities within the borough are significant, including:

- Reading being ranked as the third most unequal 'city' nationally in terms of wealth distribution, according to a 'Centre for Cities' report
- Five neighbourhoods in the borough being within the 10% most deprived in England
- Gross annual salary levels for people living in Reading being lower than the South-East average
- A difference in life expectancy of around seven years for men and over eight years for women between the most affluent and most deprived areas of the borough
- Whilst educational attainment in Reading schools is seen to be good, this masks a picture of lower attainment amongst children living in the borough, particularly those eligible for free school meals – in a context of a significant influx into Reading schools each day of children from outside the locality

In service delivery terms, the council's performance is largely 'in the pack' when compared to councils serving similar areas. The following reflects performance information drawn from the LG Inform system that the Local Government Association hosts for the sector. The data is the latest available, which is from 2020/21, and the comparator group ('nearest neighbours') are the fifteen other unitary councils nationally that Reading is deemed by the Chartered Institute of Public Finance and

Accountancy (CIPFA) to be most similar to.

Areas where the council can be seen to be performing well include:

- The percentage of young people aged 19 to 21 leaving the council's care who are in suitable accommodation
- The processing of minor planning applications
- The percentage of adults who are active (involving being engaged in more than 150 minutes of physical activity per week)

Areas that the council needs to be mindful of include:

- The percentage of children becoming the subject of a child protection plan for a second or subsequent time
- The percentage of young people aged 19 to 21 leaving the council's care who are in education, employment or training
- The processing of major planning applications

On most other performance measures recorded within the LG Inform system, Reading appears around the middle within its 'nearest neighbours' group.

#### **4.2. Organisational and place leadership**

There is widespread recognition internally and externally that tremendous hard work has gone in to 'stabilising' the organisation in recent years. This stabilisation is reflected not least in the council's strengthened financial position, enhanced corporate functions and stable and high calibre senior management cohort. It is fully understood both by people within the organisation and amongst external stakeholders, that what has been achieved has necessitated the council having a strong internal focus over the last few years. The council owes a significant debt of gratitude to the retiring Chief Executive for his absolutely pivotal role in bringing the

necessary stabilisation and improvement about.

A change in Chief Executive is a key moment for any local authority and in Reading it forms part of a crucial juncture over the coming months. This could be deemed ‘a reset point’ for the council and is a positive culmination of the efforts and achievements of recent years. It includes the various aspects of the stabilisation and improvement of the organisation that has been driven and the benefits being derived from the ‘place-based and townscape’ agenda that has been being delivered. There is also a coinciding with the move into the post-pandemic period. There are various elements to the ‘reset’ that we outline at relevant points within this report. A crucial one is ensuring the senior political and managerial leadership of the council becomes much more externally focused over the coming months – something which partners, both locally and regionally, would universally be welcoming of. This is essential if the ‘tackling inequalities’ agenda is to be effectively shaped, gather momentum and deliver.


Much is happening across Reading which is transforming the ‘townscape’. Examples include the Station Hill development; the £1.6m of external funding being invested in the High Street Heritage Action Zone across three conservation areas in the town centre; ambitions for transforming the Minster Quarter; and emerging plans for major sites to the north of the main railway station. The Leader has been keen to promote an extended focus on ‘place’ which goes beyond the town centre too.

There are very few councils that wouldn’t be envious of Reading’s many advantages and opportunities, both as a place and as a council. The borough has a growing economy, with the Centre for Cities 2021 City Monitor identifying it as being in the top ten cities for business numbers, Gross Value Added (GVA) and the level of qualifications held by people living locally. It consistently ranks first in the ‘Good Growth for Cities’ index and Reading has also been identified as one of the cities best placed to deliver economic recovery from the pandemic. The town has excellent connectivity to the rest of the UK and links to the centre of the capital and Heathrow will be further enhanced with the full opening of the Elizabeth Line. The borough can also ‘face’ in a variety of directions to capitalise upon different economic geographies, from the Thames Valley Berkshire Local Enterprise Partnership area in the immediate vicinity to the ‘Cambridge Oxford arc’ and ‘Western Gateway’ which, although geographically more distant, offer opportunity.

As a council, the recovered and strengthening financial position stands it in good stead, as does the stabilised and high calibre senior management cohort that has been contributed to through the recruitment that has taken place in recent years at Director and Assistant Director level. There has been political stability in the authority over many years and the recent all-out elections reinforced the Administration's strong majority and mandate. The council is, of course, the only body locally with the democratic mandate to take Reading forward.

Thus, the council is perfectly placed to capitalise upon the borough's advantages and opportunities in order to drive the emerging 'tackling inequalities' agenda and it is right that the organisational vision is around fulfilling the potential of the borough. There is currently a 'window of opportunity' to enable fundamental and profound change in the lives of the residents of the borough under the emerging 'tackling inequalities' agenda. Elements central to this 'window' include the democratic mandate reinforced by the local election; the enhanced community spirit brought about by the pandemic and other major events that have impacted the borough; the positioning of the borough for economic recovery from the pandemic; and the council's stabilisation. There are also certain negative drivers that form part of this 'window' and necessitate action, including the increased disparities that the pandemic is widely seen to have generated and the growing 'cost of living' crisis.

The opportunity and need to supplement the on-going 'place-based and townscape' agenda with a drive focused on people and inequalities must be grasped in this 'window of opportunity' – and the council needs to lead this. Delivering it requires strength and clarity of political leadership in order to establish a shared understanding and a shared endeavour across a multiplicity of partners and Reading's communities. The wider elected membership, council staff and partner organisations are fully committed to the agenda and keen to make an impact. They need to be able to align behind, and focus their efforts upon, a clear vision and common purpose for tackling inequalities – at the heart of which lie people. To this end, the development of a politically determined narrative and vision around 'tackling inequalities' represents a very clear and important starting point. This needs to be followed by the council, with partners and communities, collectively determining what needs to be undertaken to tackle inequalities and this then needs to be translated into tangible action.



Fundamental in the tackling of inequalities is the development of a much deeper engagement with, and understanding of, Reading's communities. The borough population is richly and increasingly diverse, reflected in 35% of the population (according to the 2011 Census) being from a Black and Minority Ethnic (BAME) background – representing the third highest proportion in any council area in the South-East. Current statistics show the level of diversity amongst primary and secondary school children as being even greater, with 58% and 59% of those populations respectively being from a BAME background. Our discussions with people internally and externally gave a sense of a council that needs to enhance significantly its understanding of its changing communities and sit this at the heart of policy formulation, service design, the way the place is being shaped and the emerging 'people-based' agenda. Engagement is key in developing the necessary understanding and elected members have a particularly vital role to play in this.

Maximising the council's influence locally, regionally and nationally will also be important. This links to what we touched on earlier regarding the council's senior leadership, both politically and managerially, needing to become much more externally focused. Reading as a borough is unlikely to 'stand or fall' based upon what takes place within the civic centre. Rather, its' success will be determined by how effectively the council engages with others to secure the attention, support and investment necessary for Reading to fulfil its potential as a place crucial to the success of Berkshire, the Thames Valley and the UK and to tackling the inequalities that exist.

The voluntary and community sector, which comprises more than 1,000 organisations in Reading, has a key role to play in the borough, including in relation to the tackling of inequalities. The council commissioned an independent review of its partnership working with this sector and this was undertaken last year. The feedback we received was that this review was seen as a constructive piece of work that offered valuable insights and steers around developing an improved relationship between the sector and the council; creating the conditions for better joint working outside of a funding relationship; and responding to shared challenges for Reading's communities, particularly those less advantaged.

In the intervening period since the independent review, the council has reshaped its commissioning approach with the sector. The intention was to establish a more

outcomes focused model to better enable the sector to bring their knowledge and creativity to bear in closing the equalities gap and addressing the underlying causes of deprivation. This has seen 39 contracts, worth around £1.3m in total, being re-tendered under the 'Closing the Gap' (with the title referring to the ambitions around reducing inequalities) commissioning framework. Whilst such a change would cause uncertainty and instability in any such sector anywhere, it was clear from our discussions that the impact in Reading has been significantly more negative than would have been desired, as a result of the approach taken. There is now much to be done to get the council's relationship with the sector back on an even keel. It is also important to recognise that the sector, whilst having a fundamental role to play, is not a panacea for addressing inequalities. They cannot do it all by themselves and the council will be required to play a fundamental role, both as deliverer and enabler, over a sustained period lasting many years.

#### **4.3. Governance and culture**

There is a culture of constructive and collegiate working between the different political groups across the elected membership. This is reflected, for example, in the range of cross-party advisory, special interest and consultative bodies that exists, such as the Civic Board; Access and Disabilities Working Group; Alliance for Cohesion and Racial Equality; Arts and Heritage Forum; and Cleaner Air and Safer Transport Forum. There are positive relationships amongst councillors generally, founded upon mutual respect.

The council operates a 'hybrid' governance model. This primarily reflects the 'Committee System' in local government, in the form of the four standing committees for Adult Social Care, Children's Services and Education; Housing, Neighbourhoods and Leisure; Strategic Environment, Planning and Transport; and the Policy Committee chaired by the Leader. There are also aspects of the 'Executive Model' of local government woven in to this hybrid model, particularly the role of 'Lead Member', which bears similarity to that of cabinet portfolio holders elsewhere. The standing committees carry the overview and scrutiny responsibilities of the authority. Reading's model of governance is well-established, seen to work for the council and is valued and supported.

There has been recognition that certain aspects of the council's governance are appropriate to be reflected upon and, consequently, work is underway reviewing the Constitution and the Delegations Register. This review, however, is very much focused on the refinement and streamlining of what exists – with the aim of making what is laid down in writing easier to navigate – rather than changing any of the fundamentals of how the council is governed. Whilst this work is thus relatively narrow in scope, it is important that it becomes more widely known about and that the opportunity is provided for all key internal stakeholders to input. From our discussions, there was a sense of the review being seen as a 'technical' exercise delivered from within the legal and governance domain of the council and this needs to be broadened out in terms of involvement. It is also important that the review comes to a conclusion relatively soon given the importance of what is being done and the fact that the review has already been underway for a while.

We would also encourage the council to take the opportunity to consider how the statutory requirements around overview and scrutiny and the opportunities this function provides are approached going forward. Whilst the council's responsibilities in relation to this key aspect of governance are vested in the standing committees, including the statutory requirements around external scrutiny in relation to the likes of health and crime and disorder, scrutiny is currently seen to have a low profile within the governance workings and activities of the council.

Elected member development is another area that offers real opportunities. Whilst an induction programme has been established and delivered in the post-election period and elected members can access development opportunities through outside bodies, such as the Local Government Association, we would expect a council of the scale and importance of Reading to have a comprehensive elected member development programme that supports councillors in all of their different roles. Within this, it is crucial that all elected members are supported to be fully aware of their statutory responsibilities, including in relation to that of 'Corporate Parent'. They also need to be enabled and supported to fulfil, to full effect, the other responsibilities they carry, including monitoring and challenging council performance; delivering leading-edge community leadership; and having an awareness of emerging or changing policy at the national level in relation to key areas of the council's responsibilities such as adult social care and health.



There needs to be absolute clarity both constitutionally and in practice around the scope and responsibilities of the 'Lead Member' role. There are statutory responsibilities that sit with many of these roles, for example in relation to social care, education, public health and community safety. These are outlined in the Constitution but there would appear to be work needing to be done, particularly following recent changes at Lead Member level following the elections, to ensure they are fully understood. More generally, there is a sense of some blurring in relation to the remit of Lead Members relative to that of Committee Chairs and a need to ensure Lead Members remain focused on shaping strategic direction and not becoming engaged in operational matters.

There is a theme regarding how the council engages with and supports elected members generally. Things cut both ways here, with there being scope both for council officers to enhance the way in which councillors feel supported and for elected members to ensure they don't move into professional and operational domains. One example of what we are touching on here is councillors having very mixed experiences regarding officer responsiveness to ward-based casework issues that they bring forward, whether through the formally established casework management system or more informally. Another is councillors feeling reluctant to make requests for support, such as the setting up of ward surgery meetings, because of capacity pressures they feel officers are under.

From the other perspective, elected members spoke to us about a reluctance sometimes to challenge officer advice and organisational performance. This feels to be part of a legacy issue stemming back a number of years to when the council was felt to be more 'officer-led'. This needs to be balanced alongside a perspective, held by some officers, of professional advice sometimes being 'second guessed' by councillors.

Fundamentally, there needs to be an environment in which there is greater 'constructive challenge' in the governance system and the officer/member relationship, with this founded upon mutual trust and respect and focused on enhancing delivery and addressing politically-set priorities. It feels as though a 'recalibration' of the approaches and relationships here would be beneficial, with a good starting point being creating opportunities for constructive dialogue around people's experiences in order to develop better shared understanding.

There is extensive engagement between the senior leadership of the Administration and senior officers. This includes Lead Member Briefings on a monthly basis, led by the relevant Director and involving Assistant Directors as appropriate; Strategic Briefings which take place monthly to enable all Lead Members to be advised collectively on matters of policy and strategy development; Committee Briefings held monthly with Committee Chairs and Lead Members to consider forthcoming meeting agendas; and weekly Leader's Briefings, that also involve the Deputy Leader, with the Chief Executive and Directors. Such engagement is beneficial in shaping what enters the formal elected member decision-making arena.

The equivalent of these types of engagements are absolutely fundamental in any council but the lead-in times and 'the number of hoops to jump through' in Reading as things move towards formal decision-making feel to be greater than elsewhere. Officers reflected the requirement to commence drafting reports several months in advance. They also highlighted the same issue or subject sometimes needing sign-off at multiple levels, even when it is already covered within the council's policy and budgetary framework, or needing to be presented in different report formats or templates as it passes different stages. Aspects of this are inevitable and common to all councils but it will be important to reflect upon where the approaches in Reading may be more complex and could potentially be refined.

There is space and time for the extended senior managerial leadership, comprising the Chief Executive, Directors and Assistant Directors, to come together on a regular basis. This takes the form of the Senior Leadership Group (SLG) and it fulfils a valuable role. It supplements the weekly meetings of the Corporate Management Team and provides the opportunity for collective consideration of key strategic issues facing the council and the borough.

Both through SLG and more generally, it is absolutely crucial that children's services – in the form of senior officers from 'Brighter Futures for Children' (a not-for-profit company wholly owned by the council set up in December 2018) – are engaged much more fundamentally at the strategic level of the organisation. There is good working and engagement seen to be taking place across the council and 'Brighter Futures' at the delivery level but we noted the absence of the latter from more strategic-level arenas, with the obvious exception of the Director of Children's Services who operates across both organisations. This is a gap that was highlighted

during our discussions and one which people wish to see being plugged. The recently announced retirement of the Director of Children's Services represents a key moment for both the council and 'Brighter Futures' given the children's services improvement agenda and the recent change in Lead Member.

#### **4.4. Financial planning and management**

At an advanced stage in the financial year 2016/17, the council was forecasting an overspend of nearly £8m; the nature of a further £8m of savings that were required to balance the Medium-Term Financial Strategy (MTFS) had not yet been identified; and reserves were being used to balance the budget. This precarious situation prompted the council to work with the LGA to commission a CIPFA finance governance review which, subsequently, led to the establishment of a financial management improvement programme within the authority. This has included the driving, led by the Deputy Chief Executive, of an improved financial management and governance culture and framework; the commissioning of a new financial system; and the restructuring of the council's finance team.

It is clear that the council's financial position and financial management arrangements have recovered and strengthened significantly since 2016/17. £40m of savings have been achieved in the intervening period, from within a net revenue budget which stands in 2022/23 at £146m, and reserves are no longer being used to balance the budget. A long-standing issue of equal pay claims was settled shortly after the Chief Executive's commencement in post, which alleviated a potentially significant financial risk to the council. Participation in a business rates retention pilot saw the council benefit from an additional £10m of income, which was put into reserves, and budget underspends have been recorded since 2018/19, with the surplus balances also having been moved into reserves. Revenue reserves at the end of the last financial year were estimated to be £71m. Whilst this clearly reflects progress and a positive direction of travel, and the level of reserves is now classed as reasonable, the position must be benchmarked regularly against nearest statistical neighbours and continually assessed against risks.

New arrangements have created a more strategic and transformational approach to the annual budget process. Strategic financial planning is now more mature and

supported by an appropriate level of analysis, with robust budget setting and monitoring procedures. A revised three-year MTFs was agreed this year as part of the budget-setting process and the budget for 2022/23 is fully balanced. However, the council's financial base, whilst sound, does remain vulnerable. Inflation; the pressures arising from the children's services improvement agenda; and pressures within adult services (albeit with a £5m increase in funding for adult social care having been provided this year in an effort to address underlying pressures) are significant risks that must be reviewed regularly. A £6m gap remains across the period of the MTFs, although work is underway to develop the plans necessary for meeting this.

The council has a good recent record of delivering transformation and savings, with a multi-year approach and associated costs and investment met through the dedicated Delivery Fund and the flexible use of capital receipts. Fulfilment of the MTFs requires the delivery of agreed savings and income generation plans totalling just under £20m over the next three years – with £10m of this in the current year. This savings requirement covers both the council itself and 'Brighter Futures for Children'. Contingency provision is prudently built into each year of the MTFs to mitigate against possible slippage or non-achievement of higher risk savings plans. The recent creation of the Transformation and Efficiency Board provides the mechanism through which to develop a singular and corporate overview of change and transformation across the organisation and the delivery of planned related savings.

The 2018/19 accounts have just been finalised and were qualified and External Auditor sign-off of the accounts since 2019/20 is delayed. Action plans are in place to remove the qualifications in future years, with completion of outstanding audits requiring the closest attention.

The council's capital programme across the period from 2021/22 to 2025/26 totals over £430m, with £61m in the current year. The capital strategy is agreed annually at Full Council and both this and the capital programme link clearly to the corporate plan's three themes and thus the political priorities. The Treasury Management Strategy is comprehensive and reflects the borrowing decisions associated with the capital strategy and programme. The capital programme has been frozen in order to avoid increasing Minimum Revenue Provision (MRP) pressures further on the General Fund Budget and any un-freezing needs to be fully considered in the budget

setting process.

Revenue streams from the council's commercial portfolio are being maintained despite a reduction in the value of the assets. The council is aware that its MRP policy in relation to loans to wholly owned companies is not reflective of proposed government regulation and provision should be made within the MTFS to offset any cost. The council is reviewing Homes for Reading, as one of its wholly owned companies. This needs to come to fruition soon in order to provide clarity on the company's future and how the objectives it was set up to deliver will be fulfilled. The council will wish to continue to monitor its other wholly owned companies closely too in order to ensure they represent the most effective and appropriate means to achieve their objectives and maintain the council's financial viability.

#### **4.5. Capacity for improvement**

Staff across the council have worked tirelessly over a sustained period contending with the many and varied challenges that have been faced in both the borough and the organisation. The results of recent staff surveys are very positive and provide a sense of people enjoying their work (87% in 2021 and 85% in 2022); working well together (88% in both 2021 and 2022); being clear about how they contribute to the council's objectives (86% in 2021 and 89% in 2022); feeling respected and valued (75% in 2021 and 71% in 2022); and being proud to work for the organisation (80% in 2021 and 77% in 2022).

An enhanced approach to internal communications could see these results being enhanced further. Currently the emphasis is placed on weekly e-mail updates from the Chief Executive to staff and bi-monthly 'Team Talks' for managers. There is a desire on the part of the staff that we met to see increased face to face and cross-organisational engagement. The opportunity exists to build on the 'return to work' and the scope that this provides to hold events that bring people together. The technological advancements seen with the pandemic can also be capitalised upon, in the form of on-line sessions such as 'Facebook Live' events. The appointment and commencement in post of a new Chief Executive heralds the opportunity to take internal communications to the next level.

The approach to performance appraisals, with their link to training and development, is seen to have improved greatly in the last few years and a new annual review process has recently come in to being. In the 2022 staff survey, 83% of respondents indicated that they have regular one-to-one meetings and an annual review. Eighty-seven per cent agreed or strongly agreed that these sessions are constructive and enable them to discuss the issues they want to raise.

Staff that we met reflected on the opportunities they have had to progress within the council, ranging from apprenticeships to secondment opportunities and acting-up arrangements. The staff survey this year showed that 73% of respondents agreed or strongly agreed that they have opportunities to grow and develop in their role. Alongside this, however, is what people described as a lack of clarity around the formal career progression mechanism linked to gradings and the criteria which sit at the heart of that. We understand that this matter is a complex one that is closely tied to the resolution of the equal pay issue a few years ago. Whilst it may not be easy to tackle, there would certainly be benefit in the council acknowledging the issue with its staff and outlining the situation.

The TEAM Reading values were created in 2017 following the arrival of the current Chief Executive and were designed to coalesce the organisation and strengthen staff morale. The values are:

- Working Together – working as one team with colleagues and partners to deliver great services
- Driving Efficiency – driving efficiency and value for money in everything the council does
- Being Ambitious – the council being ambitious in its plans and in what the organisation wants to achieve
- Making a Difference – the council existing to make a difference to the residents, communities and businesses of Reading

The values have a high profile in the organisation, being displayed prominently

around the civic offices. They are also well understood, with 81% of respondents to the 2021 staff survey indicating that they know what the values are, with this rising to 92% in the latest survey. The values are woven into the annual review process and were central to the leadership development programme that managers went through in 2020/21. The focus on them must be maintained, however, in order to ensure they become fully embedded. Given they were designed to coalesce the organisation, and whilst it is clear that the values are being demonstrated increasingly within teams (with 82% of respondents to the staff survey this year indicating that their team lives the values in the way they work), the values need to be pushed harder to support the increase in cross-organisational working that is required.

Real managerial grip and rigour have had to be applied to the organisation in recent years in order to secure the necessary 'stabilisation'. Many people that we met internally reflected that a revised approach now feels appropriate – one which maintains the necessary and established rigour, disciplines and controls whilst providing for greater autonomy. This would build upon the increased sense of 'trust' that managers indicated they felt had been placed in them during the response to the pandemic – a period when, with 'necessity as the mother of invention', an operating environment and climate emerged in which people felt more empowered and able to be creative. There are signs of this now being 'repealed'. Achieving the balance that those we spoke to are seeking is a key element of the 'reset point' under the leadership of a new Chief Executive.

The council is seen to be an ambitious organisation, reflected in the change that has been driven in relation to how the council functions; the way Reading has been transforming as a town over recent years; and the emerging agenda around tackling inequalities. People spoke of the challenges that the level of ambition generates, given the finite resource available. From this emerge two fundamental considerations around the use and prioritisation of existing resource and leveraging additional resource through the maximising of influence. Central to this, in turn, are considerations around performance management, in relation to levels of awareness of council performance and the drive to enhance it, and the organisation utilising all of the 'levers' available to a council of this importance.

The point we are driving at here is perhaps best made through the use of an example, centred on 'social value', which we plotted through the council's

performance reporting arrangements. The starting point is the '2021/22 quarter 3 performance and monitoring report' presented to Policy Committee on 7<sup>th</sup> March this year. Two pages of this 17 page report relate to performance, with the focus largely on finance in the remainder of the document. The performance information is in the form of two pie charts that show 'direction of travel' and 'performance against target' in relation to the 'corporate plan measures'. The detail of these corporate plan measures can be found in one of the appendices to the report, although there is no reference there to the measure of 'the percentage of council contracts which include social value' which is listed in the appendix to the corporate plan. In reading the appendix to the corporate plan, it can be seen that the targets set are for 30% of council contracts in 2022/23 to include social value, with this increasing to 45% in 2023/24 and then to 60% in the final year of the corporate plan. It is unclear as to how these targets have been determined and the baseline position is shown as 'not yet set'.

The context for the above is the council being on the cusp of letting a series of contracts over the coming months with an estimated value of well over £100m. That provides a tremendous 'lever' for the council to be able to pull as it seeks to take forward the tackling of inequalities. The questions we would pose include what level of attention is there on the matter of 'social value' and how is it linking to the tackling of inequalities; why the baseline position is unclear; why the targets are set as they are rather than being 100% year on year; and if 100% isn't feasible for whatever reason then what would reasonable targets be compared to other similar councils.

This is simply an example and there is a danger that we read too much into it. However, it would be interesting to know, taking another example, whether the council is aware, as we touched on earlier, that with regards to the young people aged 19 to 21 leaving the council's care, the council is best performing in its CIPFA 'comparator group' regarding the percentage who are in suitable accommodation and yet it has the second lowest percentage who are in education, employment or training.

All of the above seeks to emphasise the important of the council ensuring it has the culture and systems in place – including the necessary 'challenge' through the governance arrangements – necessary to drive performance to the maximum level and ensure the council is utilising existing resources and the 'levers' available to it to



best effect. This will be absolutely fundamental if the tackling inequalities agenda and the council's wider objectives are to be delivered within an increasingly challenging social and financial and resourcing context.

There is an increasing focus on equalities, diversity and inclusion (EDI) within the organisation. The council commissioned 'Business in the Community' to undertake an Equality, Diversity and Inclusion Audit in 2021, with the findings reported to Personnel Committee in March 2022. They found a commitment from the organisation to drive change on the EDI agenda. However, it was also reflected that this commitment is not understood by all employees and staff don't feel they have a route to feed into the EDI agenda; leadership accountabilities on the EDI agenda are not yet defined; and different employees are having different experiences at work and these experiences need to be understood and addressed. This resonates with what emerged from our discussions – which is that things in relation to the EDI agenda feel still to be at a low base. It is important to build significantly upon what is being done internally and ensure this is mirrored in relation to the council's approach and engagement externally, given what we reflected earlier regarding the need for the development of a much deeper engagement with, and understanding of, Reading's increasingly diverse communities.

The move to 'hybrid working' within the council has been clearly communicated across the organisation and reflects an increasingly mature and creative environment in which people are being trusted to continue to deliver whilst working away from the office and solutions are being found to long-standing challenges. It is through this route that the council has been able to recruit to a number of posts that it has been hard to fill previously. Informing potential applicants that they would have the opportunity to work largely remotely, where appropriate, has proved to be a strong incentive. The anecdotal evidence is that equivalent arrangements being established for existing employees has impacted positively on staff retention. There are risks and challenges around hybrid working that need to be carefully managed, however, not least in relation to ensuring staff feel supported; team dynamics are maintained or strengthened; the drive to embed the TEAM Reading values is not negatively impacted; and people have the level of knowledge and understanding of the place that they are serving that is required to fulfil their role effectively.

We wanted to conclude by emphasising that there are very few unique challenges in

local government and that fulfilment of the exciting agenda which exists in Reading can be expedited by the council ensuring it is engaging across the sector more, drawing in learning and enabling it to see more in the way of what 'good looks like' in any given sphere. Confidence can be taken from the likelihood that other councils will have previously forged the types of path that Reading is setting off along and that this offers opportunity. It is also the case that the council has much to gain from and offer by featuring on the 'national stage' more, in terms of enhancing its profile and reputation and sharing learning with others. The council has had successes around this in recent times in relation to profiling its work on climate change and housebuilding and it should actively pursue equivalent opportunities in these and other areas.

## 5. Next steps

It is recognised that the council's senior political and managerial leadership will want to consider, discuss and reflect on these findings.

Both the peer team and LGA are keen to build on the relationships formed through the peer challenge. The corporate peer challenge process includes a 'check-in' session six months on from the initial activity, with this providing the opportunity for the council's senior leadership to update peers on its progress against the related improvement planning and discuss next steps.

In the meantime, Mona Sehgal, Principal Adviser for the region within which the council sits, is the main contact between your authority and the Local Government Association. She is available to discuss any further support the council requires – [mona.sehgal@local.gov.uk](mailto:mona.sehgal@local.gov.uk)