

Corporate Peer Challenge **London Borough of Merton Council**

13th – 15th October 2015

Feedback Report

1. Executive Summary

Merton Council has travelled a long way over the last ten years and has earned the respect and confidence of residents, stakeholders and partners, including other London Boroughs. It is now viewed as a reliable and efficient partner with elected members who work well together on a cross party basis to serve the community. It has a skilled and committed workforce who have shown commitment and flexibility in order to achieve the 'Merton 2015' transformation programme.

During the transformation process savings of £70 million, equating to approximately a third of the budget in three years, has been achieved whilst continuing to achieve high resident satisfaction. This is largely due to the commitment of the leader and elected members to engage with the community and business leaders and to protect statutory services.

There are many other achievements to note, for example, the borough has the lowest delayed transfer of care rates out of the 32 London boroughs and has led the Capital Ambition funded London wide project to roll out Care Funding Calculator tool for adult social care placements achieving over £10 million of recurrent savings. The borough's GCSE results 2015 are the second best ever, just below last year's record performance and 96% of 16 and 17 year olds are in education, employment or training. The highly regarded shared legal services operated by the Council has been benchmarked as delivering excellent value for money and in 2013 the Merton won the Municipal Journal award as Council of the Year.

This demonstrates that the Council has a track record of good performance, but if external events, e.g. demographics and Government policy, impact more severely there is a question all local authorities have to consider about whether there is sufficient future corporate resilience to manage the situation. A new vision for the Council is being launched to be the best London Council by 2020 and if the Council is to achieve this it will need to be assured, that even with its many good foundations, it has a tight enough corporate grip in planning for future challenges, including the focus of the IT strategy in achieving the vision beyond system and infrastructure priorities.

Our view is that the vision, ambition and understanding of the future for Merton – not just the Council – could be more clearly articulated. The Council needs to consider the scale of its own assets and could, if it wishes to, use its substantial formal and informal power to actively encourage further regeneration within the borough. The development of a compelling and evidence based narrative, including how the opportunities and challenges ahead will be addressed, would provide a basis for you to help residents have their expectations set at a level consistent with the resources available for the Council to deploy. As part of this it will be important to ensure that Members fully understand, are supported and feel prepared to lead the Councils' work to mitigate the impact of financial pressures while savings are implemented. The next stage of preparation for implementation of the Medium Term Financial Plan (MTFP) will be crucial in defining the scale of the challenges and their potential impact.

The following questions might help the Council's top team to consider the important role of the Council, and its focus, in achieving the vision and ambition for the borough and its people.

In looking ahead, will the way you have been working continue to be enough to address the challenges of the future? Do the organisational values of stability, consensus and continuity need rebalancing? Is there sufficient encouragement and enabling of innovation and a quickening of pace to enable whole scale transformation of services in order to keep ahead of external pressures? Could the Council be more agile and less risk adverse; be braver? Are there imperative opportunities for the Council to be more outward focused to capitalise on its ability to collaborate and be creative? How well does the Council implement, and execute with rigour, its decisions?

2. Key recommendations

- Discuss the feedback and the issues raised to help inform the focus and Council response for future strategy
- Profile the service impact of the Medium Term Financial Plan (MTFP)
- Consider the opportunity to better align the capital programme to the MTFP
- Develop a more compelling future narrative for Merton (the place and its people) and the role of the Council in delivering it
- Consider how the Council's vision for the place is delivered through regeneration activity and the structure and funding required to achieve this

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 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 LB Merton were:

- Rob Leak – Chief Executive, London Borough of Enfield
- Cllr Nick Forbes – Leader of Newcastle City Council
- Cllr Sean Anstee – Leader of Trafford Metropolitan Borough Council
- Pat Hayes – Executive Director for Regeneration and Housing, Ealing Council
- Nadira Hussain – Customer Services Transformation Manager - London Borough of Tower Hamlets
- Megan McGovern – Business Improvement Consultant, Surrey County Council
- Kay Burkett – Programme Manager, Local Government Association

3.2 Scope and focus

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

1. Understanding of the local place and priority setting: Does the Council understand its local context and place and use that to inform a clear vision and set of priorities?
2. Leadership of Place: Does the Council provide effective leadership of place through its elected members, officers and constructive relationships and partnerships with external stakeholders?
3. 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?
4. 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?
5. Capacity to deliver: Is organisational capacity aligned with priorities and does the Council influence, enable and leverage external capacity to focus on agreed outcomes?

In addition to these questions, you asked the peer team to consider/review/provide feedback on the following areas:

- Regeneration
 - Is the borough's ambition appropriate?
 - Is there the right capacity to deliver the ambition?
 - Are the right partnerships in place?
 - Is the borough attracting all of the investment it should be expecting to achieve?
 - Is there political and community support for the borough's regeneration strategy?
- IT Strategy
 - Does the Council have the right IT strategy in place to support its change programme?
 - Is its approach to prioritisation of IT work in support of the Council's change programme appropriate?
 - Is there appropriate capacity?

3.3 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 focus. 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 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 3 days onsite at LB Merton, during which they:

- Spoke to more than 70 people including a range of Council staff together with Councillors and external partners and stakeholders.
- Gathered information and views from more than 37 meetings, visits to key sites in the area and additional research and reading.
- Collectively spent more than 168 hours to determine their findings – the equivalent of one person spending more than 6 weeks in Merton

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 15th October 2015. 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.

4. Feedback

4.1 Understanding of the local place and priority setting

The Council has some real, tangible ways of demonstrating previous successes, such as winning the Municipal Journal Best Achieving Council Award in 2013 and the year on year increases in satisfaction in the Residents' Survey. Staff have felt valued and appreciated by the way in which they have been thanked for making these achievements.

However, past performance is not a guarantee of future success; the context in which the Council operates is changing significantly and rapidly. These include major cuts in Revenue Support Grant and demographic changes. The Council faces some choices about how it responds to these issues. It could simply aim to continue to be a provider and commissioner of good quality local government services, though this in itself would be challenging given the changes ahead. However, most people we spoke to wanted to see a stronger role for the Council, as the natural leader of place, in articulating a clearer narrative for what Merton will look and feel like in the future. This will require a more explicit, focused conversation with residents and partners to come to a clear, shared vision of what the future looks like and the role of the Council and others in shaping it. This will need to be supported by careful and closer alignment of Council priorities, the community plan and regeneration initiatives to ensure consistency of purpose and continued value for money.

Many people we spoke to said that they didn't want Merton to be just a 'dormitory'. In these comments we often picked up a sense of frustration that the borough is 'passed by' or overlooked. However, Merton has unique opportunities and major assets: excellent transport links, good quality local shops, facilities and services; pleasant green spaces and parks, housing which is some of the most affordable in London and more development opportunities than many other boroughs. These are all significant opportunities for the Council in defining a stronger Merton 'brand'.

We heard of some good examples about the ways in which the Council engages with local residents, through Community Forums and the regular My Merton newsletter. There are also processes in place, led by senior politicians, to engage with Black and Ethnic Minority communities in the borough - although there is a recognition that Merton's communities are dynamic and there are some newer communities with which the Council has less well established links. The Council could consider refreshing community engagement mechanisms, more explicitly seeking to frame conversations in the context of the major challenges and opportunities facing Merton. This would tackle the perception from some that the Council tends to 'consult' rather than 'engage' and ensure you take residents and communities on the journey with you.

The Council has a good understanding of the demographics of the borough from the 2011 Census, and has built on this understanding in more detailed policy analyses of population changes up to 2017 and how these changes might affect delivery of services in the future.. However, it is unclear how widely or consistently this evidence base is applied across the organisation and its partners when developing corporate, service or community plans. Health inequalities, for example, are clearly spelled out in terms of life expectancy, but narrowing this gap is not described as a motivating factor behind regeneration plans in some of the more deprived areas of the borough. Identifying a number of key metrics, using them as a rationale for targeted interventions and tracking the impact of such activities will help the Council prioritise resources as times get tougher, and give a stronger sense of purpose and achievement to staff in understanding their role in context.

4.2 Leadership of Place

Merton and the town centres within it all have clearly understood identities and don't have some of the problems that generally outer London experiences. The Council is strong on spatial planning

and seeking to maximise its place-shaping role particularly focusing on town centres, transport nodes and diversifying the housing offer. One of the 5 main town centres, Raynes Park, has already been heralded the best performing High Street in London by the Evening Standard. Being awarded Housing Zone funding from the Greater London Authority (GLA) provides the opportunity to reinvent and reinvigorate Morden and work is progressing sensitively on this. The Council has made a number of successful tactical interventions and has in the past brought forward some exemplar small housing projects.

The borough has a low profile as an investment location which coupled with the Council's essentially reactive approach to development means that the crane count is very low. The Council underplays the scale of its own assets and could, if it wishes to, use its substantial formal and informal power to actively encourage development. For example, Wimbledon provides significant opportunities for new development. In Colliers Wood the now outdated Sava Centre development has enormous potential for mixed use development if the Council committed itself to catalysing this. The time is right to decide what you are aiming to achieve and where, and then work to achieve it rather than being reactive.

4.3 Financial planning and viability

The Council is in a relatively enviable financial position with a low level of reliance on Government grant, which lessens to some extent the impact of Government decisions on RSG. There is strong evidence of medium term planning with the production of a four year business plan which articulates and profiles spend of the Council over that period. This means the Council has a historically strong financial planning model; however, it will need to be sufficiently flexed to ensure its appropriateness to cope with future demands

Elected members feel that the Council has responded well to the challenges austerity brings however there is less certainty on the realisation of what the consequential impact of the forthcoming years will mean for the services provided by the Council. For example, whilst the resource envelope that will be available for departments is well planned, specifically how service transformation will move forward to realise savings is less clear.

The Target Operating Model (TOM) and budget planning process is highly devolved and leads to a different interpretation of its purpose across the organisation. It will benefit from the current corporate drive by the centre.

The Deputy Leader and Cabinet Member for Finance is well respected for their commitment in providing a focus and clarity regarding Council finances, and to date, political priorities have been achieved. Members seem willing to, and are aware that they will have to, take increasingly difficult decisions that may conflict with manifesto commitments. This resolve has yet to be sufficiently tested and members may benefit from being involved in financial scenario planning for the future.

The Council provides a large amount of information to track financial management but it is not clear if the information is being maximised to consistently drive performance improvement. Financial information should be perceived as a means to an end and consideration given to the value that is being sought from the reporting and the link to priorities and partnerships.

The Council prepares a significant number of financial monitoring reports that are primarily focused on spend against allocated resource and exception reporting. The reports are produced monthly which is welcomed by Members. The financial information the peer team looked at suggests that a focus should also be given to delivery of profiled savings or income generation for the current year alongside an assessment of readiness for future years to aid transparency, accountability and challenge. There is some inconsistency, or rather large fluctuation in the numbers presented in

various documents throughout the year (for what may be valid reasons). A narrative that explains those differences would be of assistance.

Merton Council is viewed positively by partners and this is an asset that can be exploited to assist with resilience to future challenges. However, the pace and clarity of what is to be achieved within in a compelling narrative of what the Council wants for the borough, needs to be enhanced if partnership and shared service arrangements are going to positively contribute to the finances of the authority.

The financial pressure on the Council is clearly becoming more challenging and this is evidenced with a move from a traditionally under-spending authority to one that has encountered an over spend in the last financial year and faces similar pressures in the present year. This is a new position for the Council and officers and members need to consider further the response that is provided to this new environment. The position appears to be primarily caused by relatively uncontrollable external demographic demand in statutory services of adults and children's social care but also relatively controllable outputs such as delivery of agreed savings.

It is welcome that the Council profiles its savings over the longer term; however, the programme management of implementation is devolved to departments. The lack of delivery of savings is leading to the necessity to use the service smoothing reserve and making the future task more difficult. The Council needs to be careful not to accept a 'false sense of security' or a 'comfort blanket' from the fact that the savings decision may have been made when actual delivery and implementation of those decisions is often far harder.

The Council has recognised the potential of income generation whether through traded services, increasing the council tax and business rate base or through additional charges to mitigate the need for spending reductions elsewhere. There is a clear understanding of the revenue impact on certain types of housing development which Members will need to consider in future budget planning.

There exists a myriad of strategies and plans that allude to income generation and procurement but there is perhaps a sense that there is no overarching corporate view on how, when and what resource requirements are needed to achieve this. This is where a clearer view on what reserves can be used for needs to be formed as their continued application to plug slippage in the budget or lack of delivery of savings could affect their ability to act as a catalyst for transformational change and income generation across the Council.

The Capital Programme is managed by the Capital Programme Board which has identified that the Council is lacking the capacity to deliver the full programme. Consideration should be given to what the programme is seeking to achieve corporately and how schemes are assessed to be funded.

4.4. Organisational leadership and governance

The Council is widely recognised as a well-run organisation. It was described by staff, councillors and partners as 'business-like'. The Leader is viewed universally as an asset to the organisation; his personal background is highly respected and his open, engaging leadership style is widely valued and appreciated. Many people describe Merton Council as being on a journey, from major service failures in the early 2000s to excellence now. However, there is also a recognition that the council should not 'rest on its laurels' but continue to define its role in a rapidly changing context. There is an appetite from senior politicians for the organisation to take more risks and be 'bolder and braver' in setting out and delivering on a compelling vision, not just for the Council but for the borough. This will need to be matched by a close alignment of organisational capacity and resources to ensure the Council corporately has the ability to deliver what its leadership asks of it.

Merton Council is viewed as a good organisation to work for, and staff are both positive and optimistic about the future. There is low staff turnover, and staff are motivated and want to deliver the best for the borough. This is an enormous strength. However, many staff have worked for the council for a long time and the Council may wish to consider how to mitigate against the risk of people being resistant to innovation. The internal 'bureaucracy' of the council was identified by staff as a barrier to change in the 2014 Workforce Strategy, and some struggle to see clear linkages between the corporate plan, the community plan, directorate service plans, TOM documents and individual staff objectives.

Politicians in the borough pride themselves on a lack of political 'tribalism' and although there are clearly political differences between the different groups represented on the Council, there is a consistent wish to ensure that political debate is conducted in a civilised way. Member and officer relationships are described as close, and based on mutual respect. There is scope for a clearer focus from Overview and Scrutiny on scrutinising the delivery of outcomes, rather than business processes, and officers should continue to create a culture where challenge by leading politicians is perceived as welcome and legitimate.

Many people talked of the need for the Council to take difficult decisions in the future, particularly as a result of continued reductions in Revenue Support Grant. The 'July Principles' set out in the 2015 - 2019 Business Plan provide a broad strategic framework for taking such decisions. However, we found a relatively low level of awareness of the potential impact of cuts on what the council will be able to deliver in the future. There are common expectations from staff and members that, as the council has coped so far, it will be able to continue with 'business as normal'.

Some service areas may have an expectation of increased funding to meet new demographic challenges or organisational change processes. The next stage of preparation for implementation of the Medium Term Financial Plan (MTFP) should be to define and consistently promote key messages about the scale of the challenges and their potential impact, to enable an honest conversation with residents, staff and partners about the need for change. This will help the production of a clear narrative to describe to residents, partners and staff the journey the Council will need to take.

Merton Council has a wide range of performance indicators, for which responsibility of delivery is devolved to individual directorates. Underperformance is reported on an exception basis to the Corporate Management Team and Cabinet. Staff talked of a desire to see a stronger 'golden thread' from top to bottom in the organisation, so that they could be clearer about 'when I do x, it contributes to achieving y outcome'. A potential consequence of a devolved model of performance management is that accountability is also dispersed throughout the organisation, which means that when things go wrong - such as financial overspends - it is more difficult to enact a rapid corporate intervention. This is mitigated by the regular reporting systems to DMTs, CMT and the Cabinet.

We also heard that directorate autonomy can create some internal tensions, for example conflict over the proposed use of council-owned assets by one directorate that are considered to be 'owned' by another. The Council uses a 'star chamber' process to ensure departments meet financial and performance targets. This helps to give senior politicians comfort that problems and issues were being identified and addressed in a timely way.

4.5 Capacity to deliver

There is wide acceptance that new systems are vital to achieve change. The overarching IT strategy coupled with the Target Operating Model designed by Deloitte allows the development of IT systems that can help to transform the council into a customer-centric, cost effective and accessible organisation. Being clear and consistent about the outcomes required (the vision for the residents of

Merton) would help to determine the programme of change and ensure accountability to deliver these.

As a multi-function organisation the Council has many priorities, e.g. 13 key programmes & projects, with similar timeframes and dependent on the same resource pool. This means that there is a risk of delays in achieving the implementation of programmes and projects, and IT related change, as key milestones and deliverables are to be achieved at the same time with limited resources. There are capacity challenges within the internal teams to deliver the complex transformational change programmes and projects with the resource gap being plugged via requests to the Merton Improvement Board on a case-by-case basis. The delay in attracting and recruiting the appropriate and relevant skilled resources is often causing delay to the delivery of these initiatives. There appears to be a variety of interpretations regarding the criteria for decision making for recruitment that would benefit from being clarified.

Feedback suggests there are complex arrangements for reporting on programme and projects which hinder progress on delivering activities and outcomes. These governance arrangements need to be simplified in order to better focus capacity and energy and in order to extract and prioritise IT and business support related work requests.

4.6 Regeneration

Merton has tremendous assets in the form of rail infrastructure, parks, schools, the Wimbledon brand and relatively low land values which should make development easier to achieve. Wimbledon, Morden, Colliers Wood and Mitcham have all got huge development potential and the Council needs to be playing the lead role far more aggressively than it has been. The Council has land assets in most of these locations and development leverage in all of them, for example, the Council owns a cleared site in St George's St Wimbledon as well as a car park opposite, in a street with substantial vacant commercial buildings.

The borough has substantial pockets of deprivation in its Eastern half and the challenge of getting people who would have traditionally worked in the manufacturing sector in places like Colliers Wood into employment in Croydon and elsewhere needs to be considered and acted upon. Merton enjoys very good transport links to the City, West End, Docklands and to Croydon as well as the Gatwick corridor providing the means to reach employment opportunities beyond the borough. The borough also has an important employment centre of its own in Wimbledon, an area with substantial potential for further economic intensification. With the aspiration expressed by the Council for the borough not to just be a residential suburb, there will need to be further consideration given in order to decide how this objective will be achieved and how seriously the Council wishes to pursue it.

There will need to be further proactive planning for and mitigating of the potential of short and medium term problems which Crossrail2 will bring to Wimbledon. A medium term strategy to maximise employment growth while supporting the retail sector through what may be a period of considerable difficulty should be developed.

The Future Merton team are popular, committed and enthusiastic. There is a danger that they become too tactically focused and mixed with operational functions. They have yet to be fully orientated towards bringing developers and investors into the Borough. A clearer direction for regeneration would enable a more confident and proactively facilitated approach to development and may create more opportunities to operate future income and capital streams, e.g. acquiring relatively lower value land in Mitcham and Colliers Wood and ensuring the borough can maximise the capture of value uplift from public and privately owned assets.

4.7 IT

The IT strategy focuses on the strategic priorities for the organisation itself, including customer focussed systems, integrated and joined-up systems and infrastructure, the ability to operate from multiple locations and devices, however, there is no reference in the document to the Council's vision, aims and aspirations for the community that it serves. There is a need to contextualise or provide a framework and to articulate clearly the overarching outcomes that need to be achieved (and when) from implementing the IT strategy in order to apply focus and capacity in a systematic and prioritised way. This is delivered through the interaction with the TOM process but is not obvious from the IT strategy alone.

There is some reference to change management principles, but the IT strategy lacks detail about the approach, process and mechanism to be used to achieve change. There is no link made between the strategy and the change programme or transformational priorities for the Council; or what the change programme is going to achieve.

The TOM process identifies business need. The IT layer draws out the ICT contribution to those needs and this is informed by the IT strategy. To co-ordinate this 'bottom up activity' a senior IT officer reviews all the IT layers to ensure they fit within an overall programme. As the TOM is a multi-year forward view the need for a simple 1 year ahead summary arises. The TOM is a complex and layered tool and as we heard the IT process and elements described in a variety of ways there may be benefit in a refresh of communication about the ways in which the IT elements of service plans are being prioritised and enabled.

A Technical Design Authority exists within the Council to assist departments in identifying the appropriate IT solution. Implementation of the various IT projects is overseen corporately by the Merton Improvement Board.

The change programme consists of many large transformational cross-cutting or directorate-based priorities for the Council, including EDRMS, Channel access, FIS, SCIS. It is evident that these are a large number of complex, challenging and business critical activities that are being delivered over very similar timelines and very much dependent on the same resource pool for delivery. The programme of activity is creating a bottle-neck and experiencing delays due to overlapping timelines and resource availability. There are also other service-based IT projects taking place within the directorates themselves that need to be considered within the wider corporate programme.

Other factors that could be contributing to the delay of prioritisation of the IT work are:

- Working with legacy systems that require effort and cost to integrate with and remove customisation
- Procurement – its devolved set-up in the organisation means limited skills and expertise within the directorates
- Scope creep – the scope being changed to accommodate for new or missed requirements.

The current design of the IT Service, which is split into Infrastructure and Business Systems, could cause issues in terms of receiving, scoping and co-ordinating IT related change requests. This split may result in it being difficult to gain and maintain a holistic view of all the IT work being requested from the organisation and therefore respond to need in a timely and prioritised way. The IT Service is resourced to focus on Business As Usual (BAU) activity and there is also a shortage of the necessary skills and expertise required to deliver the complex programmes and projects that have been identified by the organisation.

The Business Partners are serving on a number of corporate and directorate-based boards, forums and meetings; there is a question about how much time they have to contribute and add value to progress work and activity on behalf of the business. The resource plan being created within the Business Improvement Team is welcomed as a way of giving greater visibility of corporate services resource requirements over the next 3 and then 6 months for the key transformational programmes and projects.

5. Next steps

Finally, we would like to thank colleagues and members at London Borough of Merton for their support in the lead up to the peer challenge and during the challenge itself. The Council embraced the challenge positively and supported the process well.

We have discussed the benefit of a follow up visit from members of the peer team. This is aimed at building on the outcomes from the peer challenge and enabling the Council to reflect on the outcomes from the challenge, and we will explore this with you over the coming months.

Heather Wills, Principal Adviser, London and South East, is the main contact between your authority and the Local Government Association. Heather can be contacted at heather.wills@local.gov.uk tel. 07770 701188 and can provide access to our resources and any further support.

In the meantime, all of us connected with the corporate peer challenge would like to wish you every success going forward. Once again, many thanks to everyone involved for their participation.

Yours sincerely

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On behalf of the peer challenge team

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