Appendix 1

Corporate Peer Challenge
London Borough of Merton

11th – 14th November 2019

Feedback Report

1.   Executive Summary

The quality and collaborative nature of Merton's political and managerial leadership means that the council has been able to maintain a steady financial position whilst still improving outcomes for residents. It feels like Merton has held its nerve and made difficult changes to continue to provide good quality services to its residents. This is something that the borough should be proud of, given the financial challenges that it has faced.

The peer team found a lot of ambition, goodwill and talent within the organisation. Both officers and members are keen for the council to succeed and build upon the strong foundations that it has secured. The key to unlocking the council's full potential will be stepping into the leadership role that sets the environment for success.

Whilst the council has delivered against its financial challenges thus far, it has not always done so in the most sustainable ways. Steps have been taken to reduce staffing numbers and focus ambition. Yet the organisation now finds itself in a position where it is struggling to adapt and innovate. Going forward the council needs to set out its ambitions for Merton as a place, and what a modern council will look like in helping to shape and deliver those ambitions. The residents of Merton should play a larger part in shaping those ambitions. This will involve taking more risks than the current appetite allows.

There are a number of well-considered strategies that underpin the direction of travel for the council. The July Principles, London's Best Council, and developing community plan all contribute to achieving positive outcomes in the borough. However, it is unclear what the unifying ambitions of these plans are. Greater clarity and communication of the ambitions that the council, both political and corporately, has for Merton will result in a better alignment of the delivery of strategies underneath this vision.

It feels like Merton is at an opportune moment to bring heads together and set out a narrative for the future. In doing so the council will be able to broaden its influence corporately, across partners and with local residents to achieve benefits greater than it could achieve alone. The council is respected and trusted to lead, both locally and regionally, and needs to shout louder about its ambitions in order to harness that leadership role.

There are a large number of corporate processes, governance mechanisms and systems that the council recognises need to change. The Council's own internal corporate review has resulted in 21 actions to help Merton modernise as an organisation. These plans will go a long way to help the organisation free up capacity for innovation and new ways of delivering. However, the council has recognised that these systems have needed to change for some time, and now needs to quickly assess whether the processes it is trying to change are acting as a barrier to implementing the change needed – and make quicker strides to address these. The opportunity here is to empower a committed and knowledgeable workforce; the risk is losing the confidence of staff that the organisation will make the changes that it has committed to.

The council is good at communicating to residents via a number of channels, and the communications team have strong links with the political leadership to ensure that they

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are communicating what matters most to residents. Moves to align communications with customer experience at Merton are positive, as this will allow for a better targeted communication for demand management. Resident satisfaction is measured frequently and there are a number of examples of the community being engaged in changes to services and improvements to the local area. There is, however, a sense that the council does not capitalise on the potential for developing its communications and engagement capacity both externally and internally. Tangible benefits are available to the council in promoting its good work more widely including better partnership working, better resident engagement, and better recognition of Merton as a great place to live, work and invest. Internally, more strategically planned communications will be key to the successful delivery of the council's transformation agenda, and to embedding the council's vision and ambitions. There is an opportunity for the council to think about how to create capacity for more effective communications.

Merton's financial strategy to date has been to set a balanced budget and protect critical service delivery, which has resulted in a stable financial position. This has been achieved through effective financial management processes and governance. In order to move forward and achieve its ambitions as a modern and transformative organisation, the council needs to consider how it will reshape its financial strategy to align with its ambitions and take risks to reap rewards from opportunities. Reshaping the strategy will present the opportunity to review the financial processes that underpin the delivery of the strategy. The peer team felt that whilst some areas benefited from the current financial controls, renegotiating the frequency of monitoring on areas with less changeable budgets would generate capacity within the finance team, for a continued focus on delivering its statutory obligations.

There is a deep commitment from elected members across all parties to the residents of the borough, and the council's governance arrangements act as a facilitator for sensible working relationships between parties. The initiation of Task and Finish Groups has allowed the council to open up its governance and allow non-executive members to have greater influence over policy formation and scrutiny of the council's activities. There is however a sense that the council's political governance can, at times, be led by council departments rather than political priorities. The council should remedy this by creating a more collaborative officer-member balance in the setting of agendas for scrutiny, and officers should work to simplify the reports they table to allow for more open debate and discussion of the policies and activities that they contain.

Now is the time to capitalise on the opportunities presented by talented and committed members and officers who work well together, strong partnership arrangements, and a widely-held desire to up the pace of change and improvement. The council should be bold in setting out its priorities, being clear about timescales for delivery, and removing any unnecessary blockages to delivery.

2.   Key recommendations

There are a range of suggestions and observations within the main section of the report that will inform some 'quick wins' and practical actions. In addition, many of the conversations onsite provided ideas and examples of practice from other organisations. The following are the peer team's key recommendations to the council:

1. **Capitalise upon the opportunity for the council as a leader of place, and as an organisation, and establish a clear vision and ambition for Merton**
   1.1. This should be developed collaboratively between elected members, officers, staff and with local residents
   1.2. The vision should be shaped by the sophisticated insights that you have about the borough now, and changes to come in the future
   1.3. This vision and ambition should act as a framework which aligns the direction of your other corporate strategies
   1.4. Ensure that your ambitions are measurable and that you can track and communicate progress against your achievements

2. **Consider how well the council's budget planning processes are aligned to its strategic objectives**
   2.1. Ensure that the council's financial plans are designed to achieve strategic priorities
   2.2. Evaluate your financial processes that deliver this strategy and ensure that they strike a balance between assurance and efficiency

3. **Work with partners to develop a narrative of Merton as a place to live, work and invest**
   3.1. The development of a high-level vision and ambition provides the opportunity to work with partners to develop a joint narrative that you can use to promote the borough externally

4. **Rationalise your internal governance and decision making, ensuring that is efficient and promotes innovation and transformation**
   4.1. Consider prioritising the 21 actions from your internal review, set clear dates for when changes expect to be made, and communicate these with staff
   4.2. Your TOM process should be aligned to your vision and ambitions. The council should evaluate the effectiveness of the TOM process and consider how to ensure departments are jointly planning their capacity and resources to deliver your ambitions

5. **Develop your communications and engagement capacity across the organisation**
   5.1. Ensure that your communications plans are strategically aligned to the council achieving its goals externally and supporting your transformation internally, ensuring that capacity is available to support the community engagement required to engage residents in the ambitions for the council
   5.2. Consider how to leverage existing capacity to support communications e.g. ward members
   5.3. Explore how community engagement can strategically support the council's ambitions of building community resilience and reducing unnecessary demand on services.

5.4. Continue to build upon your work into more sophisticated and targeted communications channels; this will provide an additional tool for directorates when targeting specific populations for demand management activity.

6. Ensure that elected members are supported to lead, provided with effective training and empowered through your governance processes.

6.1. Consider how to align the different strands of member development that exist in departments across the council

6.2. Look at ways of engaging members in the process of member development, ensuring that you can measure the effectiveness of your efforts.

6.3. Officers should work with members to implement the recommendations of the CfPS review, in particular looking at ways for members to be more involved in agenda setting and the items that are scrutinised.

3. Summary of the Peer Challenge approach

The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected the council's requirements and the focus of the peer challenge. Peers were selected on the basis of their relevant experience and expertise and were agreed with the council. The peers who delivered the peer challenge at LB Merton were:

- Will Tuckley, Chief Executive, London Borough of Tower Hamlets
- Cllr Clare Coghill, Leader of the London Borough of Waltham Forest
- Cllr Daniel Fitzhenry, Leader of the Opposition, Southampton Council
- Paul Clarke, Deputy Director for Finance, London Borough of Barnet
- Sandy Hamberger, Assistant Director of Policy, Performance and Community, London Borough of Havering
- John Tench, Programme Manager, Local Government Association
- Suraiya Khatun, Programme Support Officer, Local Government Association

Scope and focus

The peer team considered the following five questions which form the core components looked at by all Corporate Peer Challenges:

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. Organisational leadership and governance: Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented?

4. Financial planning and viability: Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?

5. Capacity to deliver: Is organisational capacity aligned with priorities and does the council influence, enable and leverage external capacity to focus on agreed outcomes?

In response to these questions the peer team was asked to build on the Council's own self-reflections following the internal review that took place in March 2019.

The peer challenge process

It is important to stress that this was not an inspection. Peer challenges are improvement focussed and tailored to meet individual councils' needs. They are designed to complement and add value to a council's own performance and improvement. The process is not designed to provide an in-depth or technical assessment of plans and proposals. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared for the peer challenge by reviewing a range of documents and information in order to ensure they were familiar with the council and the challenges it is facing. The team then spent 4 days onsite at Merton, during which they:

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

- Gathered information and views from more than 45 meetings, visits to key sites in the area and additional research and reading.

- Attended Cabinet, CMT and Scrutiny meetings

- Collectively spent more than 320 hours to determine their findings – the equivalent of one person spending more than 9 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. In presenting feedback, 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 the council is already addressing and progressing.

4. Feedback on the core themes of the peer challenge

4.1. Understanding of the local place and priority setting

During the challenge the peer team were struck by the level of understanding that officers and elected members could articulate about Merton. Merton's population is split in terms of unemployment, household income, economic activity and health outcomes – with poorer outcomes in the East compared to the West. The knowledge and understanding of the challenges for the residents of Merton underpinned the work that staff and members are doing.

The Merton residents' survey provides the council with a wealth of information about what issues residents consider important in their local area and their perceptions of the council's performance. The 2019 residents survey reported that levels of residents' satisfaction with the council (70%) and with their local area (89%) had remained relatively stable over the last two years, however there was a marked decrease in residents believing that the council acted on their concerns[1]. Alongside this, the peer team also heard of good examples of engaging residents in its work, for example working with young people via the Merton Youth Parliament.

The team however could not see how this information was used to inform the council's strategic objectives. For example, it is not clear how residents' input is used to shape the budget planning and setting at the council. 56% of residents agree that Merton provides good value for money, but how engaged are they in the council's financial situation and the decisions on choices/priorities it is taking? The council should consider how to more systematically engage with residents on the objectives of the council and capture their views for insight across the council. The council also needs to consider how its vision and ambition reflects the changing demographics of Merton, for example the council positions itself as a great place to raise a family, which is supported by good school outcomes, good green spaces and good transport, however the demand for housing shows that the biggest housing need is for one and two bedroom flats in the borough to meet demographic changes.

Merton's business intelligence work recognises the need to have more sophisticated intelligence available to departments and is building on good practice found elsewhere, such as in Barking and Dagenham. However, this work needs to have clear senior leadership and be tested over time and developed collaboratively with directorates to ensure that it provides enough information for future demand management.

Staff and members were readily able to discuss priorities for Merton; 'Business Friendly' and 'a place for families' had guided staff in how they were shaping their work. The council needs to take these ambitions further by using local insight to articulate what the current position is for these priority areas, what the council's objectives are, and how you will know you're making an impact. This will not only help staff to prioritise their work and align work between departments, but also will help the council to articulate the impact it is having to residents. Having measurable objectives behind these ambitions will also enable the council to articulate its priorities to partners to influence their activity.

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[1] https://www.merton.gov.uk/assets/Documents/Residents%20survey%202019%20Final%20Report.pdf

The council has a number of strategies and ambitions that are used to set priorities in the borough: the developing 'Community Plan', the developing Corporate Objectives', the July Principles, the Council's Business Plan and the ambition to be "London's Best Council", as well as the health and wellbeing strategy. It wasn't clear to the peer team how these strategies aligned. The council should consider the opportunity to develop an overarching ambition for the council which makes it clear what these strategies are trying to deliver and to inform prioritisation of resources and projects. This will help to provide a framework for the dispersed leadership model the departments operate by using the Target Operating Model (TOM) process and help to foster greater alignment of department's individual plans.

4.2. Leadership of place

The peer team spoke to a range of partners whilst onsite at Merton and were struck by the consistent feedback that Merton is a good and reliable partner both locally and regionally. These sentiments were reflected back from partners across the South London Partnership, neighbouring authorities, the local NHS, police and the voluntary and community sector. Merton was often cited as providing strong leadership to partnerships and partners welcomed every opportunity to work with the council.

The team also observed a high-level of trust between Merton and its partners, an example of this is having the local police leading on the development of the community plan and working collaboratively with the council to bring this plan to scrutiny. It is recognised that these partnerships require a significant investment of time, energy and engagement in them.

The South London Partnership and the Merton Health & Wellbeing Board are recognised as having particularly strong leadership from the council, despite both dealing with very challenging circumstances. The partners that the peer team spoke to want the council to succeed and were keen for the partnerships to be a route to supporting the council to do this.

With this significant level of trust and enthusiasm from partners, Merton has a real opportunity to begin to ensure that it is leveraging partnerships, and their capacity, to support it with achieving its objectives. There are some good examples of this already happening, such as partnerships with TfL over regeneration, and partnerships with neighbouring boroughs to deliver legal services. However, partners were not always clear what the ambitions of the council were, and therefore were not always sure on how their own organisation could contribute to these. In addition to this, there was not always evidence that Merton was acting on the opportunities presented at these partnerships.

The development of a clear ambition for Merton, as mentioned previously, would allow the council to have a clearer dialogue with partners in terms of what it is looking to achieve. It would also allow the council to embed the actions and opportunities from the partnerships into its own plans, as well as providing a greater opportunity for partners to understand where they can work more collaboratively operationally with the council where there are joint aims to achieve.

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There is also merit in the council working with partners jointly to develop a wider narrative and ambition of Merton as part of the Community Plan, with the council and other partners assuming their roles as leaders of place. Merton has a lot of strengths, and promotion of these strengths would provide the opportunity for greater collaboration and would not be received as acts of self-promotion on the council's part.

The peer team found that communities are engaged appropriately when the council undertakes projects or plans, however there is scope for the community to be better engaged in the strategic direction of the council, allowing for engagement around where the council has to make difficult decisions as well as engaging with residents where the council is being successful. Another benefit from building the council's capacity for broader community engagement would be the ability to better utilise capacity in the community and build community resilience and reduce demand on services.

The council would benefit from being more strategic with its communications. Currently the council does not have the capacity to target communications in a sophisticated way. The communications activity the peer team saw did not always reflect the priorities of the council articulated by staff and members. There would be benefit in a more consistent and proactive approach to prioritising communications. The new corporate priorities should reflect how communications will support the council in shaping its relationships with communities and partners, and promote Merton in a way that reflects the council's values and ambitions.

4.3. Organisational leadership and governance

There is a strong sense of collective working amongst elected members across all parties. The team noted that elected member and officer relationships were strong and based on clear boundaries and mutual respect. The Cabinet, Scrutiny and CMT meetings that the peer team attended were well conducted and collegiate and the council provides opportunities for non-executive members to review and influence policy and performance, such as Scrutiny Task and Finish Groups.

There are thorough processes in place around decision-making, however the stringent processes are having unintended consequences on activity in the council and it can take a long time for a project to go from planning stage to fruition, this was particularly noted for small projects. It is clear from the internal review conducted by the council that this is understood. However the internal review took place in March 2019 but it was not clear to the peer team that the 21 areas for improvement agreed following the internal review had been translated into defined plans, impacts and timelines for delivery.

The peer team also identified opportunities for change in the council's scrutiny function. There is an opportunity for councillors to be more involved in setting the content for the scrutiny agenda, the recent CfPS report highlighted that this could be done via discussion at a previous meeting, pre-meeting or agenda planning session between the Chair, Vice-Chair and departmental officers.

There is also an opportunity for officers to work with elected members to make scrutiny items more accessible in terms of their size and content. The scrutiny papers at the Scrutiny Meeting attended by the peer team were 296 pages long, which seems excessive.

The council has a good member development programme, made up of contributions from various departments of the council. The council should reflect on how to align these between departments and, through this work, seek to ensure that members are involved in the development of the programme to ensure that the effectiveness of the support is tested. The council should also consider using external support such as peer mentoring to ensure the ongoing development of the scrutiny function.

The council's internal audit appeared to be working well and the team noted that actions from the internal audit are well received and acted upon across the organisation.

The staff survey highlighted that staff felt that their work contributed towards Merton's objectives (87%) and this was reflected in the conversations the peer team had with staff. However there were frustrations about the way in which the council communicates and manages change. Some of these reflections related to the pace of acting upon the internal review from March 2019. The council should consider how to develop internal communications capacity, not only to support the implementation of the transformation initiatives, but also to ensure that staff are aware of clear timescales and impacts of the change programme on the organisation.

4.4. Financial planning and viability

The assets and financial resources of the council have been well stewarded and provide the organisation with a solid base to look to the future. The council's reserve levels are approximately 40% of net expenditure which allows the council to be more confident when facing future challenges. This level has allowed Merton to potentially absorb challenging financial shocks, such as the £9m in year overspend on the DSG, should it be required. While the DSG overspend is not a unique situation to Merton, the peer team recognises that this is an acute risk to the organisation with estimates of the medium term financial risk well exceeding available reserves. Whilst the Government is consulting on ring-fencing this risk, thus protecting the General Fund, the scale of the risk is not supported by a detailed understanding of its cause. As such, the council should ensure that it works on developing business intelligence to provide directorates with the information they need to be able to manage future budget pressures, particularly in relation to the identification of people with SEND.

Whilst the peer team recognises that the council is in the process of refreshing its business plan, it was not clear how the current Medium Term Financial Strategy (MTFS) was aligned to and was being used to underpin the council's objectives. The result of this is that it seems to encourage departments to look internally at ways of having a balanced budget, rather than work more strategically to look at how investments in some priority areas will have a positive impact on finances further down the line. An example of this is where back office services have been included within the MTFS savings but are simultaneously relied upon to support the delivery of priority outcomes or savings of a greater value. Aligning the MTFS more clearly with the council's strategic priorities will give the council the ability to ensure that resources are in the right place to be able to exploit opportunities for new ways of delivering services. There are some good examples in Merton to build upon with this approach such as CHAS, which is generating a significant revenue stream for the council, and the mainstreaming of Public Health activity. The engaging, collegiate and energetic approach to reshaping services to support Public Health outcomes achieves better value for money whilst

improving services to residents. This is something the organisation should be particularly proud of.

Risk reporting appears to be comprehensive and well understood at strategic level across the authority and the council's robust financial monitoring processes are appreciated by a number of directorates. The council appears to have a very disciplined and structured financial governance process with several layers of checks and balances, contributing to the culture of a disciplined financial approach. Some areas of the council however felt that the balance between the ability to get things done and financial assurance was slightly off. Examples provided to the team included lengthy processes to complete low value procurement and recruitment decisions. Empowering budget holders to make these decisions without corporate oversight would support the release of capacity within the finance service to support the strategic aims of the council without having an impact on the council's assurance. Overall departments worked well with finance colleagues however it was felt that a subtle shift in focus from stewardship towards business partnering would be appreciated by service departments.

The Council's financial monitoring arrangements are robust, and there are many directorates within the council that benefit from this, particularly those with budgets that are subject to volatile in-year changes such as Children's and Adults' services. These arrangements seem to be uniform across all services at the council, and the peer team believes that there would be benefit in reviewing the frequency of financial monitoring of services where budgets are less subject to changes throughout the year. In reviewing these arrangements the council of course has to consider the balance between assurance and efficiency, although the team believes there would be capacity freed up both within some services and within the finance team from such a review. This additional capacity could be used both to ensure that the council as able to keep on top of its statutory reporting duties and to provide increased strategic support to the organisation.

4.5. Capacity to deliver

There is a huge amount of commitment and goodwill within the council from its staff. Staff felt that the internal review conducted in March 2019 was a positive step towards supporting them in their roles and welcome the suggested changes. There is a strong working culture of collaboration between staff, and the peer team noted many people going above and beyond to deliver the work of the council. Whilst there is much collaboration across the council, this sometimes appeared to be led by individuals' own initiative and could be better supported through the project and programme planning process. We highlighted earlier that the TOM process would benefit from a high-level vision/ambition to guide the objectives, however in terms of capacity the TOM model should be reviewed with teams to ensure that it is efficient, effective and encourages joint planning between services.

Staff that the peer team spoke to across the council feel that their ambitions and productivity are stifled by some of the unintended consequences of internal governance arrangements. Many teams spoke of small projects taking months to get through the planning stages and into delivery. There was also not always clarity over how projects and funding were prioritised, and the peer team were not clear how all 11 elements of internal governance each added value. Getting this right will be key to unlocking a lot of

capacity across the council, however the proposals for change did not have clear timelines for implementation and impact – there has been a 9-month gap between the recommendations being made in the internal review process and a list of recommendations with timescales for outcomes being presented to CMT. The council should look at the reasons for this and, as stated earlier, consider prioritising this element of the change programme and ensuring capacity is in the right place to implement changes faster. This would allow the rest of the activities to move at pace and also would ensure that staff keep faith that changes they have helped propose are being made. This is key given that the staff survey highlighted the need for the council to show commitment to change.

The council has a growing list of projects for corporate improvement including:
- Setting corporate priorities
- Providing clarity on "London's Best Council"
- Aligning budget allocation to corporate priorities
- Internal governance review
- Review capacity for devolved planning model
- Substantial changes to HR ways of working
- Substantial changes to IT infrastructure and ways of working
- Changes to the approach to budget setting
- Changes to service planning

These are key to Merton becoming a more modern organisation that functions efficiently. However there is a lot of change to manage in the short-term and the council needs to evaluate the capacity available to deliver all of these change programmes and prioritise accordingly to ensure that capacity is targeted in the right places to ensure that there is pace and rigour injected into the work. There would be value in understanding the sequencing of these initiatives and communicating this with staff.

The council recognises the need to produce a plan for future workforce requirements and succession planning, this will be critical for developing and retaining the skills within the organisation required to deliver a modern organisation. This should be developed with staff to understand what opportunities exist to support them in expanding their skills and using them more widely across the organisation.

Internal communications will be critical to supporting the effective rollout of your internal transformation programmes, both in terms of enabling uptake and awareness of new ways of working as well as keeping staff informed with overall progress of the changes that are occurring and how this will impact on them. This is not a current feature of the communications plan that the peer team has seen. The council needs to consider capacity and aligned planning for internal communications as part of its transformation programme.

5.   Next steps

Immediate next steps

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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As part of the peer challenge process, there is an offer of further activity to support this. The LGA is well placed to provide additional support, advice and guidance on a number of the areas for development and improvement and we would be happy to discuss this. Kate Herbert, Principal Adviser for London, is the main contact between your authority and the Local Government Association. Her contact details are: kate.herbert@local.gov.uk, 07867 632404.

In the meantime we are keen to continue the relationship we have formed with the council throughout the peer challenge. We will endeavour to provide signposting to examples of practice and further information and guidance about the issues we have raised in this report to help inform ongoing consideration.

Follow up visit

The LGA Corporate Peer Challenge process includes a follow up visit. The purpose of the visit is to help the council assess the impact of the peer challenge and demonstrate the progress it has made against the areas of improvement and development identified by the peer team. It is a lighter-touch version of the original visit and does not necessarily involve all members of the original peer team. The timing of the visit is determined by the council. Our expectation is that it will occur within the next 2 years.

Next Corporate Peer Challenge

The current LGA sector-led improvement support offer includes an expectation that all councils will have a Corporate Peer Challenge or Finance Peer Review every 4 to 5 years. It is therefore anticipated that the council will commission their next Peer Challenge before Winter 2024.

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