


Cheshire East Council

Corporate Peer Challenge Report

25-28 March 2024

Feedback report





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1. Executive summary:

Cheshire East Council (CEC) needs to address a number of significant issues, the most immediate being the organisation's financial sustainability which is in jeopardy. This will require concentrated and coordinated activity to resolve challenges of capacity, governance, and organisational culture over the coming months, as well as developing long-term transformation and improvement plans. Whilst the scale and complexity of these challenges cannot be understated, there is a shared desire and appetite for change by both Councillors and Officers which provides an important foundation for this work.

This Peer Review was completed in March 2024 following the appointment of a new permanent chief executive in January 2024. Prior to arriving the Peer Team were aware that the Council had recently applied to central government for exceptional financial support of £17.6 million and that the Council had just completed an OFSTED inspection earlier that month (report published on 16 May 2024) which confirmed that services had been downgraded from Requires Improvement to Inadequate. In this context, it is hoped that the Corporate Peer Challenge (CPC) will support the organisation in managing its concurrent challenges of financial sustainability and service improvement, recognising the relationship between these issues.

It is to the Council's credit that they have pro-actively engaged with the wider sector for support to identify and define these issues, including through the Corporate Peer Challenge process. However, given the scale and complexity of the challenges, the Peer Team believe that the Council would benefit from continued external input to provide support and ensure the necessary grip and pace in addressing the findings and recommendations identified. It is recommended this should be done through an independent and externally chaired Improvement or Assurance Panel: a model which has been effectively used elsewhere in the sector.

Throughout this review, the Peer Team have met with many committed, engaged, and hardworking staff and Councillors who have demonstrated their investment in the future of the organisation and their appetite for improvement. The Team also heard first-hand praise and appreciation from residents for examples of good service delivery in the borough. The Team would encourage the Council to build on these assets through a more cohesive engagement strategy, aligned to the Council's vision in order to extend good practice, empower staff, and create the trust required to deliver change.

Cheshire East Council was established through the process of Local Government Reorganisation in 2009, replacing three previous District Councils and the County Council services in the area. Historically, the organisation has had external investigations into the actions and conduct of senior Officers and Members regarding issues of procurement and

the treatment of whistleblowers. These issues have damaged the reputation of the Council, lowered the morale of staff, and in many respects stifled the organisation's ability to move on and focus on the future and areas of improvement. The Peer Team strongly encourage the Council to use the Public Interest Report covering 2012-2018 that was published in January 2023 to draw a line under this history, and proactively shift their focus, effort, and capacity to addressing the organisation's current challenges and ambitions for the future.

This focus should be built around a refreshed Council Plan that sets out the vision, priorities, and behaviours which the organisation will deliver against. The Team appreciate that the current Council Plan runs to 2025. The Team would recommend a new Council Plan is developed through to 2028 incorporating political priorities, necessary improvement, and longer-term transformation reflecting the Council's financial context and providing overlap with the Council's electoral cycle. This Plan should facilitate increased understanding with staff regarding prioritisation of resources and the alignment of their work and responsibilities to the organisation's goals. The Plan will need to be accompanied by an appropriate performance management framework, appraisal process, and medium-term financial strategy. This update should be aligned to a wider review of policy and procedures such as Workforce Strategy, Communications Strategy, and the Council's approach to Equality, Diversity, and Inclusion, to ensure that they are up to date, effectively communicated and embedded.

The Peer Team are seriously concerned about the immediate financial stability and sustainability of the organisation. In 2023-2024 the Council have used £11 million of their reserves to set a balanced budget and has a savings requirement of £20 million for 2024-2025. If these savings are delivered, it will still only leave the organisation with £2.1 million in reserve by the end of this financial year. In this context of low reserves, historic departmental overspends, and a lack of organisational confidence regarding the delivery of existing saving plans, if there is not significant change at pace, it is very likely that the Council will be required to issue a section 114 notice in the near future. Whilst the Council has been successful in applying for exceptional financial support for 2024-2025 (subject to development of a transformation plan), there is further work required to understand the implications of this capitalisation, including the accounting implications of the associated borrowing and increased pressure on future years' revenue budgets.

The immediate financial challenges facing Cheshire East are compounded in the medium-term as a consequence of the Council's Dedicated School's Grant Deficit which is currently forecast to be £89.6 million for the end of 2023-2024. Whilst the Council have engaged with the national Project Safety Valve¹ and developed a seven-year plan to address these

¹ Project Safety Valve is a national programme from the Department for Education which provides additional support (including finance) to Councils to support the reform and redesign of Special Educational Needs and Disability Services to promote long-term sustainability.

issues, with the deadline of the national override being 2026, current assumptions would be that this issue would also require the Council to issue a section 114 notice, unless the override is extended. Central to addressing the immediate, medium, and long-term financial issues facing the Council is the requirement for the 'voice of finance' to be heard, respected, and responded to across the organisation. Given the current vacancies that exist at the Executive Director level of the Council, the Team would recommend the Council ensure that there is strong senior sponsorship for the financial health of the Council in their 'top team'.

The Peer Team were concerned by the variation in understanding that was heard regarding the Council's financial health, whilst recognised by senior political and managerial leadership, there are some staff and members seemingly comfortable with the current position. An important step in developing an organisation wide understanding of the Council's financial position is the necessary simplification of the Council's financial reporting and planning. The Peer Team were struck by the length, detail, and complexity of reports and believe that this undermines the clarity of messaging required and is to the detriment of constructive engagement, and scrutiny on content. These challenges are exacerbated by the Council's transition to a new finance system, which was a recurrent theme and frustration raised by staff through this review.

The Peer Team heard consistent feedback regarding three related cultural challenges facing the organisation. First is the siloed nature of the Council with poor joint working across (and within) departments contributing towards challenges of service delivery and communication. Secondly, where there have been poor working relationships across services, this has resulted in a lack of compliance with corporate requests and direction. Finally, this lack of compliance has resulted in gaps in information and delays in action which have weakened the Council's assurance framework undermining the organisation's ability to provide internal scrutiny, challenge, and assurance as a consequence. Moving forward, there is a need to reset expectations and behaviours at all levels of the organisation to support increased respect, compliance, and appropriate challenge.

In May 2021 the Council transitioned from the Leader/Cabinet model to the Committee System which now operates with seven service committees. In this context there is an additional challenge to the organisation to coordinate activity across these committees and ensure appropriate strategic oversight, to avoid Committees contributing towards siloed approaches, as illustrated by the Council's approach to budget disaggregation at a committee level. Throughout this review, the Peer Team have heard from senior Political Leaders about the need for improved approaches towards key aspects of governance. This should include ensuring that structures are appropriate but should begin with prioritising 'quick wins' regarding issues of process, report quality, and levels of decision making, alongside a wider programme of training and development.

The Council is required to develop a Transformation Plan by late August as a requirement of their application for Exceptional Financial Support. This programme of work will obviously be a corporate priority, and progress has been made in the procurement process to appoint a transformation partner. This work will require careful definition, scope, and alignment of capacity in order to progress at the required pace. The Peer Team understand there are a number of notable capacity gaps within the organisation, including vacant senior posts at the Executive Director and Director level, and recommend the gaps within the senior management structure are addressed as a priority. Finally, the delivery of a successful transformation programme is built on accurate and timely information and the ability to do the basics well (including budget reporting, performance management, and organisational establishment tracking). Therefore, it will be essential that the Council's transformation programme incorporates wider improvement work including the issues identified through this review. To this end, it is recommended that the transformation programme is reported to the external improvement board to support management of interdependencies and address transformation in the wider sense.

Cheshire East Council is led by a Labour and Independent joint administration that has been in-place since the all-out elections of May 2019, with a Labour Leader and Independent Deputy Leader. These leadership arrangements were renewed following the May 2023 elections, with the Council remaining no-overall control and the current distribution of seats being: Conservative 34, Labour 28, Independent 18, Liberal Democrat two. The Council operates on a four-yearly election cycle, and therefore is afforded some additional stability regarding their medium-term political framework.

2. Key recommendations:

The Executive Summary and main body of this report contain a range of findings and recommendations that are relevant to Cheshire East Council, many of these the Council will be able to address as "quick wins". The following are the Peer Team's key recommendations which have been prioritised on grounds of urgency, sequencing, and importance:

- 1. Recommendation One: Adopt a crisis management approach in responding to issues raised:** Given the pace required to address these issues, the Council should consider moving towards a more 'command and control' approach to provide clear ownership, oversight, and grip through a clear hierarchy and rhythm.
- 2. Recommendation Two: Urgently agree and recruit to the Council's Permanent Senior Leadership Officer Structure:** The Council needs to consider the corporate capacity, requirements, and stability necessary to support their improvement and transformation, including where statutory officers sit within this structure.

3. **Recommendation Three: Engage with external challenge, support, and oversight through an externally chaired Improvement / Assurance Panel:** The Council should establish an external assurance board, initially for a two-year period to provide additional grip and oversight of the Council's transformation improvement, with representatives from across the sector providing focus on issues of finance, governance, culture, and transformation. The LGA can support this work, including the establishment of the board and consideration of potential members.
4. **Recommendation Four: Promote increased compliance across the organisation through visible senior leadership for the 'basics':** Establish stronger senior leadership and managerial 'grip' across a range of key corporate processes and systems including budget and performance management and reporting and risk management.
5. **Recommendation Five: Consistently apply principles of people and performance management for the year of 2024-2025:** The people management arrangements need to be refreshed and consistently embedded. This includes clarity around expected behaviours of both staff and managers at all levels.
6. **Recommendation Six: Develop a customer focused Transformation Plan to support longer-term improvement:** The Council is required to develop this plan in order to access Exceptional Financial Support, and it needs to be completed by August. Whilst the completion of this Plan (and work with a transformation partner) will support the Council in the medium-term, it cannot be at the expense of focusing on the delivery of immediate budget savings and the short-term improvements and cultural changes required.
7. **Recommendation Seven: Develop and agree a new multi-year Council Plan:** The current Council Plan is due to expire in 2025, presenting the opportunity to articulate clear priorities and the Council's vision for the future. This should be an outcome focused document supported by an updated performance management framework. There will need to be a clear relationship between the Council Plan, Improvement Plan and Transformation Plan to avoid causing confusion and the necessary read across and alignment with the Council's Medium Term Financial Strategy.
8. **Recommendation Eight: Urgently review the Council's decision-making framework:** The Council needs to streamline current decision-making arrangements to avoid siloed working across committees, ensure that Committees are working through effective work programmes, and reduce confusion and lost capacity caused by the current system. This should include consideration of governance structures, schemes of delegation, and report approval arrangements ahead of committee meetings.

- 9. Recommendation nine: Empower the Corporate Policy Committee to lead on financial recovery:** The Corporate Policy Committee should have ownership for monitoring and recommending the budget to Full Council. The current disaggregation of the budget across Committees creates confusion and a loss of oversight. Empowering the Corporate Policy Committee would be in line with the Council's Constitution, as well as the oversight of the Council's wider transformation programme.
- 10. Recommendation 10: Give more time and emphasis to Scrutiny across the Council:** The Council would benefit from increased Scrutiny of decisions through their existing governance structures. This should include more consistent approaches to Scrutiny at Committee, and improved forward planning and agenda setting to maximise member input into the decision-making process.
- 11. Recommendation 11: Improve the quality and clarity of reports presented to Committees:** This should include report writing training for officers and increased compliance with the Council's desired structure and length of reports.
- 12. Recommendation 12: Improve financial reporting mechanisms and training:** Given the Council's financial context there is a need for accurate, timely and regular financial reporting. Financial training should be rolled out to officers and members to support their regular engagement with and scrutiny of this information.
- 13. Recommendation 13: Review delivery and issues associated with the Council's new finance system:** The challenges associated with the Council's implementation of its new finance system should be reviewed, and an urgent action plan agreed for improvement.
- 14. Recommendation 14: Launch a programme of training and development for members and officers:** Deliver appropriate training for elected Members regarding roles and responsibilities, as well as leadership and management development training for officers.
- 15. Recommendation 15: Adopt a corporate approach to programme and project management:** Implement a standardised approach towards change management and programme management across the Council. A consistent approach, methodology, documentation and reporting framework will support the Council to progress.
- 16. Recommendation 16: Develop a clear communication and engagement strategy to support the Council's improvement and transformation proposals:** Large sections of the organisation are keen to support this work, and good communication and engagement will be central to galvanising their support. This should include revisiting

and refreshing the Council's use of the Brighter Futures Programme. As well as internal communication for staff, the Council should review external communication and engagement to support open dialogue with residents.

17. Recommendation 17: Act on the issues identified through the LGA's Decision

Making and Accountability (DMA) tool: The Council have recently undergone a DMA review of senior structures and responsibilities; the Council should consider how best to incorporate these recommendations into their wider improvement work.

18. Recommendation 18: Consider the corporate capacity required to support the

Chief Executive: As part of the review of the senior officer structure the Council should consider what additional capacity will be required to specifically support the Chief Executive in Leading what is a significant organisational transformation agenda.

3. Summary of the peer challenge approach

3.1 Background and Overview:

Corporate Peer Challenge (CPC) is a well-established, respected, and rigorous process designed to support improvement and assurance in local government. This was reflected in the draft Best Value Standards published by the Department for Levelling Up, Housing, and Communities in 2023. This guidance set-out the expectation for all Local Authorities to have a peer cheer challenge every five-years, recognising the benefit of external perspectives, ideas, and challenge. The Peer Challenge process is designed to support experience and expertise to be shared across the sector to enable sector-led improvement. Ultimately, the CPC process is locally led, with Councils requesting Peer Challenges, engaging actively in the process, and findings and the Council's response being locally owned.

3.2 The Peer Challenge Team:

Each Peer Team is designed to reflect the context and scope of the review, drawing on relevant experience and expertise from across the sector. Ahead of the Cheshire East CPC, the LGA discussed the requirements for this team, including experience of working in the committee system, the implications of exceptional financial support, with dedicated peers to consider issues of governance, finance, and transformation. Reflecting the political make-up of Cheshire East, three political peers were included on the Team through Labour, Conservative, and Independent Councillors. The team for this review included:

- Jackie Yates (Chief Executive, Reading Council).
- Councillor Nick Kemp (Leader, Newcastle City Council).
- Councillor Adam Paynter (Cornwall Council).

- Councillor Rob Waltham MBE (Leader, North Lincolnshire Council).
- James Binks (Assistant Chief Executive, Manchester City Council).
- Cecilie Booth (Executive Director of Corporate Services, Peterborough City Council).
- Sharon Bridglalsingh (Monitoring Officer, Milton Keynes City Council).
- Ruby Peacock (Shadow Peer, Local Government Association)
- Matt Dodd (Peer Challenge Manager, Local Government Association).

3.3 The Peer Challenge Methodology:

Peer Challenges are not inspections, and as such, the process is not designed to provide a technical assessment of specific plans, proposals, or individual services. Instead, the Peer Team drew on their experience to reflect on the information presented, documents reviewed, meetings and focus groups, and the culture they saw.

The Peer Team prepared for this work by reviewing the Position Statement which the Council produced specifically for the review, encouraging self-assessment and reflection across the organisation. Alongside this document, the Team reviewed key documents regarding the Council's operating context, priorities, and local issues. Independently, the LGA also completed a desktop assessment of the Council, this included benchmarking Cheshire East's performance in key service areas, produced through the LG Inform Intelligence tool. The LGA also commissioned an independent evaluation of the Council's Finances completed using publicly available documents. As part of this review, the Peer Team completed the following stages of the CPC process:

- Completed one-to-one phone calls with Council colleagues to support our understanding of local issues before arriving for the review.
- Benchmarked performance and finance information against 'statistical neighbours' through the LG Inform tool.
- Reviewed the Council's Position Statement which 'self-assessed' where the Council currently is, and where it is aiming to get to.
- Reviewed key documents, including a mixture of strategies, policies, and assurance framework reports provided by the Council.
- Gathered information and insight from approximately 48 interviews and focus groups.
- Spoke to approximately 165 people including a mixture of Councillors, Officers, Partners and Residents.

The Peer Team provided immediate feedback to the Council on the afternoon of Thursday

28 March. This session was attended by political Group Leaders and the Council's Senior Officers. A copy of the slides which were delivered during this meeting were shared with the Council to support their communication of findings and development of an Action Plan ahead of being provided the Team's written report.

3.4 The Peer Challenge Scope:

The peer team considered the following five themes which form the core components of all Corporate Peer Challenges, which are key to councils' performance and improvement:

- **Local priorities and outcomes:** Are the Council's priorities clear and informed by the local context? Is the Council delivering effectively on its priorities and achieving improved outcomes for all its communities?
- **Organisational and place leadership:** Does the Council provide effective local leadership? Are there good relationships with partner organisations and local communities?
- **Governance and culture:** Are there clear and robust governance arrangements? Is there a culture of respect, challenge, and scrutiny?
- **Financial planning and management:** Does the Council have a grip on its current financial position? Does the Council have a strategy and a clear plan to address its financial challenges?
- **Capacity for improvement:** Is the organisation able to support delivery of local priorities? Does the Council have the capacity to improve?

4. Feedback:

4.1 Understanding the local place and priority setting:

Cheshire East was established through local government reorganisation in 2009. The Council serves a population of 398,800 residents and covers an area over 1,100 square kilometres, making it the 17th largest unitary authority in England. The Council borders Greater Manchester to the North (Trafford, Manchester, Stockport), Cheshire Councils to the West (Cheshire West and Warrington), as well as the Peak District, Staffordshire Moorlands, and Shropshire to the East and South. The Borough is well-connected to these wider regions, with the M6 motorway running north-to-south, and Crewe train station being a major junction on the Westcoast mainline, and Manchester airport bordering the north of the Borough.

Despite strong external transport connectivity, journeys within the Borough can be more problematic, with travel by public transport between towns being particularly challenging. The Borough contains 12 market towns with populations over 10,000 residents, the largest

of which are Macclesfield and Crewe with 57,000 and 55,000 respectively, with other major conurbations in Knutsford, Sandbach, and Wilmslow. Throughout the review, the Peer Team were told that Cheshire East is a 'place of places' and recognise that these strong local communities create a challenge regarding identity and prioritisation at a Borough and Council level. In the context of the Council's relatively recent creation, this can contribute towards a nostalgia for the simplicity of district identities.

According to the most recent Census, only 5.6% of the population came from a black or minority ethnic background, however, many diverse communities have settled in the Borough with 108 languages being spoken. In this context, engagement with this small and diverse range of communities will continue to be an ongoing challenge.

The Council was able to evidence the needs of the Borough through their Position Statement, and this is further supported by their Joint Strategic Needs Assessment which is structured around: healthier places, starting well, mental wellbeing, and ageing well. This has illustrated some of the key social issues that exist locally:

- **Ageing population:** 22% of residents are over the age of 65, compared to 17.5% nationally, and forecast to grow by a further 20% by 2030.
- **Pockets of Deprivation:** The Council was ranked 228/317 authorities against the index of multiple deprivation. However, nearly 8% of lower super output areas are rated in the 20% most deprived areas nationally (and nearly 2% in the 10% most deprived).
- **Household Income Inequality:** Household incomes at a ward level vary significantly, from £56,000 in Prestbury to £18,000 in Crewe St Barnabas,
- **Life Expectancy Inequality:** There is a life expectancy gap of 14 years for women and 11 years for men between wards across the Borough.

The Council has a Corporate Plan which runs from 2021-2025 and is built around a vision of an open, fair, and green Cheshire East. Alongside this, the Peer Team heard of the Council's ambitions regarding climate change and addressing health inequalities as a priority. The Council began the process of developing a new Council Plan following all-out elections in 2023, recognising the potential for an updated plan to reflect post-election priorities and the new operating context of the organisation. This process was paused in October 2023 as a result of the Council focusing on 'the increasing risk in relation to delivering a balanced budget for 2023-2024' and a lack of corporate capacity to take this work forward.

The Peer Team heard from a number of sources that there was uncertainty and lack of clarity regarding the Council's vision which was well summarised as: "*we've got the pieces of the jigsaw but need the picture on the top of the box*". Therefore, the opportunity exists for the Council to refresh its Council Plan to provide a consistent and clear narrative

regarding its priorities and the difference it is seeking to make to the life of residents. This process will support staff, partners, and residents to be able to articulate and understand the ambitions of the organisation and will also support the Council to coordinate and corral organisational and individual contributions towards these goals. Given the strong social assets that exist in the Borough, the opportunity exists for the Council to enable community engagement and contributions towards their priorities through a social-value approach.

As previously planned, the updated Council Plan will need to incorporate the post-election priorities of the Council as well as reflect the organisation's new operating context. Clearly, the refreshed Plan will also need to be fully aligned with the Council's Improvement and Transformation Programme to ensure coherence, alignment and focus on key issues. This Plan has the potential to galvanise and support the Council in focusing on the future of the organisation and avoid energy being lost as a result of historic issues. However, how it is communicated and embedded will be key.

A central theme to the Council's updated Council Plan will be the requirement to improve Children's Services following the Inadequate OFSTED rating in the March 2024 inspection. Engaging the whole Council in Children's Service improvement with a focus on corporate parenting will not only support pace in this important area but create a platform from which to start to change behaviours. Underpinning delivery of the Council's priorities is the need to consider 'how' the Council works on issues and the wider support given to these services. The opportunity exists for the Council to use their new Council Plan and wider transformation programme to clearly set out the pillars and ways of working they want to see, including collaboration (both internally and externally), use of digital approaches, and increased focus on resident outcomes. There is strong cross-party support for this agenda which will enable its inclusion, but it will require visible leadership, the coordination of existing capacity as well as incorporation where appropriate, into staff performance frameworks.

It is good to see that the Council currently report progress against their Council Plan on a quarterly basis to their Corporate Policy Committee alongside financial information. These reports provide a great deal of detail against the priorities included in the 2021 Council Plan but would benefit from simplification and being more outcome focused. The current report structure is text based and reports activity against "key actions". However, there is a lack of milestone reporting which does not enable the reader to easily review progress against timelines, more importantly, the format does not report against genuine outcomes of performance. Moving forward, the Council would benefit from reviewing its reporting framework so that it is clearly able to track progress against delivery of the priorities included in their new Council Plan. Given that these reports are being presented alongside financial reports, the Council would also benefit from incorporating key metrics linked to saving delivery to support a more integrated approach to financial and performance management. Finally, the Peer team noted that the level of detail provided in the Council's

quarterly performance was inconsistent, as illustrated by only seven of 24 updates being provided for the priority of '*A Council which empowers and cares about people*' in their January 2024 report.

As part of the process, the Peer Team enjoyed meeting the Council's Young People's Panel who spoke highly of the services that they had first-hand experience of, and their appetite to engage with and support the Council more. The Team also met with two resident focus groups and heard praise for a number of specific service areas (e.g. library and leisure services) as well as positive feedback from many who had engaged directly with Councillors. Unfortunately, this feedback is not consistent with the Council's 2023 satisfaction levels which illustrate the Council performing below national averages in a number of key areas:

- 24% of residents very / fairly satisfied with how the Council run things (60% national average).
- 20% of residents very / fairly satisfied with value for money (42% national average).
- 26% of residents felt the Council acted to address concerns of residents (52% national average).
- 33% of residents feeling informed about the Council and their activities (55% national average).

These results illustrate the need for the Council to develop active two-way models of communication and engagement with residents, ensuring that this work is more focused, visible, and proactive. Integral to this new approach will be the ability to move beyond a broadcast communications model which is built around press releases and consultations towards a more informed model of co-design and engagement. To take this work forward the Council should consider the potential alignment of communication and engagement functions within their structures to maximise the capacity in these areas and support joint working. This will also require communications professionals being empowered to lead on some of these areas of engagement on behalf of wider services. Finally, the development of a new Council Plan presents the opportunity to give an increased emphasis to customer and resident outcomes and for the Council to refresh its Communication Strategy around its new priority issues, shared narratives, and key outcomes. The current Strategy is aligned to the previous Council Plan, and further work is required to ensure that the Council's priority outcomes are understood across the organisation.

4.2 Organisational and place leadership:

The Peer Team recognise that the organisational leadership of the Council has been impacted by instability in permanent roles at a senior level. This is illustrated by the Council's current Corporate Leadership Team (CLT), with four of the seven most senior officer roles vacant or occupied by interim's, new appointments, or officers who are leaving the organisation. As well as creating a sense of instability, it has also led to a lack of capacity to support and sponsor priority work programmes, with one of the participants of the review asking, *"who is going to lead us through this change or give us the tools to do the job?"*.

The appointment of a new Chief Executive presents an opportunity to revisit structures and to build the sense of 'team' across the senior officers of the organisation. Addressing these gaps in the Council's CLT should be an urgent priority and is necessary to provide the senior leadership and capacity required to the organisation. The Council has undertaken a decision making and accountability review of the top five tiers of the organisation, reviewing the structures and responsibilities for these roles. The Council should consider the wider findings included in this work. Following these appointments, it will be important for the Council to invest time into developing this sense of team, ensuring that CLT is used as a forum so support effective challenge, oversight, and the coordination of cross-cutting approaches central to corporate improvement.

The Peer Team recognise that through the Council's current structures, the Section 151 Officer is at the third tier in-terms of seniority (reporting into a vacant Corporate Executive Director role). Given the issues of financial sustainability facing the Council, the Peer Team would encourage any new arrangements ensure that the voice of Finance is heard within the CLT setting and bolsters the organisational focus on these issues with clear reporting into the Chief Executive. Increased stability of officers at the senior level of the organisation is essential to enable relationships to be built, ways of working to embed, and for ideas to progress over time. This stability in senior roles will need to be accompanied by regular and consistent staff communication, including a focus on behaviours, priorities, and compliance to provide a rhythm of engagement on the culture that the Council is seeking to both avoid and embed.

The recruitment of a new Chief Executive in January 2024 was accompanied by the appointment of a new Deputy Leader of the Council in March 2024, who also acts as the Leader of the Independent Group in the Council's joint administration arrangements. This joint administration has been in-place since the 2019 elections, and was renewed following the all-out elections in 2023. It will be essential that the Leader, Deputy Leader, and Chief Executive are visible in the organisation championing the Council's improvement and transformation imperative and the underpinning behaviours that are required to deliver it,

collaboration, customer excellence etc. Presenting as a united team will be essential to driving forward the political and managerial activity required to make progress. Politically, this joint work across Groups will be essential for ensuring that improvement is visible and clear as a shared priority across the Council's Groups.

Reflecting the Borough as a 'place of places', Cheshire East has more than 100 Town and Parish Councils in the Borough, and it is notable that more than 60 Cheshire East Councillors are also members of these forums. Whilst this presents the opportunity for close working relationships across these tiers of governance, it also presents a risk that Cheshire East's strategic goals and ambitions are disaggregated. This was described to the team as: "*we are too often focused on the local rather than the strategic*". In this context, the Peer Team recommend that training is offered to all-members to support their understanding of the different functions and responsibilities across these forums, this is especially important in the context of 38/82 councillors being in their first year in office. The Peer Team was told that there were mixed relationships with Town and Parish Councils across the Borough, with relationships varying from positive and constructive to more challenging, a consistent finding with the Council's previous peer challenge in 2020.

The proposed training should be designed to support Councillors in distinguishing strategic issues from local and community matters, recognising the different geographies that Councillors are working across and the relationship between Ward and Borough level decision making and engagement. This wider governance training will support improved understanding of roles, responsibilities, and decision making at different levels. The Peer Team were provided with a number of examples whereby decisions had been made at a Council level but challenged locally, including issues of car parking. This training should be delivered as part of a wider programme of member development and training. The Peer Team appreciate that the Council undertook a review of member training in 2020, and their current approach includes support for newly elected Councillors, as well as wider training structured around foundation skills, committee skills, and planning committees. However, the Team believe that participation in these training offers should be made a greater priority within the Council and include increased reporting on attendance, with sessions organised regarding priority issues and responsibilities (e.g., Corporate Parenting). Further training and development would also support elected members (and officers working with them) in having the skills and capacity necessary to improve the performance of the Council's Committee System.

The Peer Team also heard frustration from Councillors regarding issues raised through the Member enquiry system not being resolved, and Councillors having to invest additional time into gathering information on these issues. Going forward, increased responsiveness and

compliance with this system will make the system more effective and reduce the capacity that is currently being spent in both using it and workarounds.

Through the Review the Peer Team were told of improvements that were needed to the Council's approach to Equality, Diversity, and Inclusion. Further training for both Members and Officers on the Council's requirements under the Equality Act would support the organisation in addressing these matters. This training will be an important first step, but the Council should also illustrate their organisational support for this issue through clear leadership and sponsorship of the agenda. The Peer Team were told of the networks and groups which have been established to support this work, but of instances when officers had not been allowed the time to attend meetings or support this work.

Finally, partners that the Peer Team met with, told us that the Council was a valued partner that contributed proactively to joint working on a number of priority issues. These partners spoke of the 'trust' that they had in their relationship with the Council. This was illustrated through the partnership working which is taking place across health and social care partners in the borough (and as part of the wider Cheshire and Merseyside Integrated Care Partnership) with particular progress being made against issues of hospital discharge. The Peer Team appreciate that the Council have engaged positively with their Place lead through the Integrated Care Partnership structure to play an active role in shaping this agenda. This positive contribution to partnership working is also reflected in the Council's contributions at a sub-regional level. The Peer Team appreciate that the Council is engaging with neighbouring Councils on issues of devolution and sub-regional growth and would encourage Cheshire East to be clear about the objectives it is seeking through this work, including the contribution of growth to the Council's long-term financial position. Given the assets of the borough and the positive sub-regional relationships that exist, this agenda has significant potential, but taking it forward will create capacity challenges that will need to be considered in the round.

4.3 Organisational Governance and Culture:

Despite instability and capacity challenges in senior roles, the Council has continued to deliver services to the benefit of local residents, often through significant contribution and commitment of officers and frontline staff. It is the view of the Peer Team that the opportunity exists to make substantial changes to corporate capacity, systems, and processes to better support these staff who are acting as the 'engine room' of the Council.

A striking feature of Cheshire East's organisational culture is the capacity which is being sapped by the long shadow that the Council's historic failings and issues has cast. The

Peer Team were regularly reminded of the long shadow of this history, and the impact it has on the current culture. Through the review the relationship between officers and members, as well as across political groups was described to the Peer Team as ‘cordial’, with one participant summarising it as: *‘it is not an unpleasant place to work, it’s just not ambitious.* To this end, the Peer Team strongly recommend that the Council uses the January 2023 Public Interest Report to draw a final line under these issues and that the Leadership support the organisation to focus on its future, again recognising the potential of a new Council Plan to establish this vision and ambition for the borough and place.

The cultural challenges facing the Council are illustrated in the recent Staff Survey (October 2023) which set out that only 23% of staff felt positive about the future of the organisation, a 27% reduction in 12 months. This survey also illustrated that only 52% of staff felt well-informed regarding issues affecting the Council, and only 52% believing that they had opportunity for career growth with the organisation. These results illustrate the challenge that exists regarding staff engagement and communication. Worryingly, the Council is yet to develop an Action Plan in response to these findings as a result of capacity challenges. Furthermore, these results were submitted ahead of the Council’s application for financial support and downgrading of Children’s Services which will have likely had an additional negative impact.

Whilst progress has been made through the use of Chief Executive video messages and the weekly Team Voice newsletter, more work is required to move towards a two-way model of engagement with staff. In responding to these challenges, the Peer Team believe that the Council should develop a detailed Action Plan that incorporates the specific findings from the staff survey at a Directorate level. The Council should also consider the support required to reinvigorate the ‘Brighter Futures’ programme and network which had played a major contributory role in their previous programmes of behaviour change but has since stalled as a result of loss of focus and support (partially as a result of the COVID 19 pandemic and remote working). Sadly, instead of building on this forum’s previous contributions to develop ideas and embody values, it has often been used as sounding board or as a convenient model of staff engagement. The Council should also consider how the use of events can be used to share and shape key messages, the contribution of wider staff networks (including Equality networks) to all agendas, and the consistent use of communications channels. The Council should also revisit their approach to staff recognition, with opportunities existing for low-cost approaches to give increased focus to the achievement of staff.

Engagement with staff will require carefully crafted key messages, the use of repetition, and the creation of spaces and opportunities to submit and respond to staff questions and

queries. Importantly, the Peer Team met with many representatives who recognise that change and improvement is required at the Council, and whilst this will not mitigate their concerns for the future, and the personal impact that it may bring, it does create an important foundation for change and reform. Importantly, the majority of those that the Peer Team met welcome the prospect of change and are excited for the benefits that it could bring.

The Peer Team were concerned that a clear performance management culture is not currently in-place across the Council. This was illustrated by partial data regarding the Council's establishment and issues of staff absence, as well as the information that the team received regarding the lack of appraisals, one-to-ones, and team meetings taking place. These features are essential in understanding, managing, and communicating issues across the organisation, and their absence undermines the internal assurance framework and delivery of the Council. The Council must introduce and embed a clear and consistent performance framework for all-staff and promote a performance management culture with clear expectations regarding compliance with standards and systems, and acceptable behaviour towards others if it is to deliver its objectives.

The Governance of Cheshire East Council is managed through the Committee System which was implemented in May 2021. The Council's Committee structure is larger than other upper-tier organisations that use this model, with six Policy Committees and nine sub-Committees. The size of this system means that 78/82 Councillors are engaged in Committee roles, illustrating the time requirements associated with this model. Through this review, the Peer Team were struck by the administrative burden which the current system places on both officers and members, as well as the inconsistency that exists across Committee practice. Positively, there is recognition and appetite from many senior political leaders and officers of the need to streamline the governance structure and to improve the timeliness of decision making. The Peer Team also appreciate that a significant number of meetings were cancelled in 2023-2024, with 55 formal meetings not taking place due to cancellation in 2023-2024 which is not good practice.

Cheshire East's improvement should include consideration of the governance structures and practice of the Council, with the Peer Team being regularly told of the siloes and fragmentation that are caused by the challenge of coordinating strategic issues across multiple Committees. The Team also heard many examples of Committees being presented with minor decisions through formal papers, including a report for the approval of under £100 spend. It is important that these Committees are supported to focus on the political and strategic issues facing the Council, and that their time, capacity, and work-programmes are better aligned to support discussion in these areas (the officer scheme of

delegation has an important role to play here). This will be a particular issue for the Council's Children and Families Committee which will be responsible for the improvement requirements of Children's Services following the Council's inadequate OFSTED rating.

There is a need for Committees to make a more consistent contribution to the Council's internal assurance framework. The Peer Team appreciate that the Council's Scrutiny Committee is focused solely on external issues such as health, crime, and flooding, with internal scrutiny occurring concurrently with decision making at Policy Committees. Scrutiny varies significantly across Committees, ranging from removing the guillotine to enable seven-hour questioning, to strict adherence to three-minute question time limits. The Council would benefit from further training regarding the benefits of Scrutiny to ensure a more consistent approach and understanding of how it can be managed to support improved decision making without the need for excessively long meetings.

Beyond the Council's formal Committee arrangements, there are a number of 'quick wins' which could support the organisation. This includes the internal processes which are used to approve papers for Committees. The Peer Team were told that it was not uncommon for reports to take more than four-months from development to presentation, with stages including approvals at Directorate Leadership Team, Executive Director, Corporate Leadership Team, Policy Briefing, Lead Member Briefing, and Committee Briefing prior to the formal meeting itself. This process is a burden on officer capacity and creates a significant challenge for timely decision making and reporting. Therefore, it is important for the Council to develop a more streamlined approvals process ahead of reports being presented in public. Furthermore, the complexity of these current arrangements alongside the scale of the Committee System contribute towards confusion regarding the Council's decision-making framework, which was described to the Peer Team as 'frustrating', 'tiring', and 'tricky'.

The Peer Team were also struck by the considerable length of reports presented to Committees. For illustration, the Council's Medium Term Financial Strategy was presented to Full Council in March as part of a wider 1028-page agenda pack (which the Team was told was not uncommon). Whilst there is a natural balance to be struck between length of reports and volume of information, the current excessive length of reports makes them harder to navigate and interpret, and hence adversely impacts on scrutiny, the level of political discussion and ultimately potentially, the quality of decision making. It is essential therefore that officers writing reports become more comfortable with succinctly summarising issues, appending supplementary information if necessary, and focusing detail on key decisions. The Council should extend a programme of training to support officers with this, increased compliance with templates/style guides, and the robust engagement of statutory

officers to ensure adherence to appropriate practice.

Another important feature to the Council's internal assurance framework is the Council's use of audit. The Council's Audit and Governance Committee meets regularly and has engaged with national training and development offers, and the Council's risk reporting accurately captures some of the key challenges facing the organisation (dedicated school's grant deficit, delivery of the medium-term financial strategy, and increased pressure on demand led budgets). However, the Council would benefit from more proactive and constructive engagement from the wider organisation with these functions, as illustrated by the development of the Council's Annual Governance Statement, which, rather than being used as a process to share understanding and coordinate approaches, with key information and input not always provided from services following request.

4.4 Financial planning and management:

The financial position of Cheshire East is a significant concern to the Peer Team, with the context of low reserves, historic overspending, challenging saving targets and an Inadequate OFSTED rating creating an increasingly likely position whereby the Council will be required to issue a section 114 notice.

Cheshire East's net revenue expenditure is approximately £353 million, and the Council has a requirement to save £20 million in 2024-2025, with a cumulative gap of £81.5 million by the financial year of 2027-2028, with further work required to develop the savings proposals required for later years as these are not currently set out in the Council's Medium Term Financial Strategy. These savings are set in the context of the Council having substantially reduced their reserves (by 50%) over the past two-years, including the use of £11 million to set a balanced budget in 2023-2024. The Council's budget for 2024-2025 is presented as balanced through the further use of £12 million reserves, forecasting available reserves to be £3.8 million by the end year (with £1.7 million being Public Health reserves) leaving the Council with £2.1 million in General Fund balances, with reserves such as insurance and Private Finance Initiative being removed. This will provide the organisation with very little margin for non-delivery, overspending of demand led budgets. The Council's Section 151 Officer's budget assessment has stated that the minimum General Fund balance should be £14.1 million. Therefore, the Council's proposed levels of balances is inadequate to address the immediate risks facing the organisation, but the Council's Section 25 Report does not set out the conditions that would require the Council to issue a Section 114 notice.

These figures provide the financial background to the Council's application to DLUHC for Exceptional Financial Support which was submitted in March 2024. This application, of

£17.6 million, represents £8.6 million linked to abortive costs associated with High-Speed Rail 2023-2024, and £9 million to support interest payments on the Council's High Needs Deficit. This application has been approved in principle, subject to the Council's development of an appropriate Transformation Plan. The Council's application for this support was developed in parallel to their 2024-2025 budget approval, and therefore it is natural that further work is required to understand the accountancy implications of this support, as well as the increased pressure that it may contribute to the revenue budget in future years. These costs, specifically the borrowing costs of the capitalisation directive are not currently included in the Council's Medium-Term Financial Strategy. Importantly, whilst this application does cover incurred cost pressures facing the Council due to High Speed Two and SEND interest rates, it does not address the structural financial challenges facing the organisation.

It is important that the Council understands that this funding provides an artificial and expensive safety net for the Council's finances, and should these resources be used, it will further impact their Medium-Term Financial Strategy. Moreover, this support will also bring increased external oversight regarding the Council's financial sustainability, including from central government and local press. Therefore, it will be important that the Council's financial reporting is accurate and timely, with well-developed forecasts informing assumptions to enable progress to be reported in real-time. The Peer Team was concerned that there was a mixed understanding across the organisation regarding Exceptional Financial Support, including the appetite for its use and the financial implications for the Council. This reflects a wider discrepancy that exists regarding understanding of the Council's financial context, which does not recognise how these issues place the organisation outside of sector norms.

As part of the review the Peer Team considered the Council's Medium Term Financial Strategy. The Team found this document difficult to follow and navigate, this was due to the report being 464 pages, but also due to the structure which often disaggregated issues to a Committee level. The Peer Team recommend a significant simplification of this approach, including the use of clear summary tables to present an organisational wide overview. This will support an increased understanding of finances across the Council, and improved political engagement into key financial issues.

Through the review the Peer Team heard praise for members of staff working in the Finance Service, including the support that they provided to services on an individual basis. However, examples were provided whereby the advice, guidance, and direction provided had not been followed. This was summarised to the Peer Team through the analogy of a race "*with finance firing the starting gun, but no one deciding to run*". The Team was

provided with examples whereby this advice had been either misunderstood or ignored, including warnings about the in-year 2023-2024 overspend. It is essential that the Council respects the 'voice of finance' to support compliance, assurance and planning for future years. This should include more active engagement from budget holders with the department (with meetings currently happening quarterly) to support improved coordination, dialogue, and oversight, as this will enable budget holders to better respond to these issues. This will be further supported if the Chief Finance Officer has an equal standing amongst the Council's Senior Officer Leadership Team to ensure that financial issues are given appropriate consideration within wider discussions.

The Council's financial sustainability will be dependent upon the corporate ownership of its position and getting 'the basics' right (including reporting, budget management, and compliance). The Peer Team attended the Cheshire East Budget Emergency Recovery Team Meeting (CEBERT) during our time onsite and recognise the increased focus the Chief Executive is seeking to instil regarding the financial position. The Team encourage the Council to revisit this structure to move towards a broader crisis management approach towards budget management. This emergency footing is required to support the pace of oversight, compliance and decision making that is required. This structure will also support improved and consistent communications regarding the Council's financial context, addressing the mixed understanding that the Team found across the organisation.

The Council's current Committee System means that the budget is reported in multiple places, and therefore contributes to fragmented views of the overall position. The Council's Constitution places responsibility for the Council's budget framework with its Corporate Policy Committee. The Peer Team recommend that this is enacted to provide coordinated political oversight, and that it is reflected in the revised report clearance systems that are established.

The Council's external auditors updated the Council's Audit and Governance Committee that they expect to issue an unqualified opinion on the Council's financial statements, and that they were comfortable with the Council's value for money arrangements and internal controls having reviewed the activities of CEBERT. The Peer Team understand this is not a finalised position.

In addition to these short-term challenges, the Council is also facing a significant deficit relating to its Dedicated School's Grant. This figure has risen from a £26 million deficit in 2022 to £86 million by 2024. The Council has engaged with the national Project Safety Valve and have developed a seven-year sustainability plan regarding these services. However, the national override for this deficit is due to expire in 2026, and based on current

assumptions would require the Council to issue a section 114 notice. The Council's delivery of their seven-year plan is essential to their long-term financial viability, and similar to other authorities, they will be concerned by the 2026 deadline for the national override on this account.

Finally, the Peer Team heard a lot of frustration from officers regarding the implementation of new Finance and Human Resource System (Unit 4). The Peer Team understand this implementation started four years ago, and there have been delays and increased spending on the project. Whilst the time and cost of implementation are concerning, the most worrying issues are firstly, the direct impact that it has had on staff morale: the Team were provided with examples of delays on remuneration and recruitment, as well as overpayments being made, which then had to be recovered, and secondly, the confidence that the Council can place in its reporting of staffing costs. Given how important these systems are it is essential that improvements are made, either through the previous plans or a new approach.

4.5 Capacity for Improvement:

The Peer Team were told of genuine commitment across all political groups to support improvement at Cheshire East. This will be essential to deliver improvement and to address the financial challenges the Council is facing and to ensure the best outcomes for residents.

The Council is demonstrating a willingness to engage in external challenge and learning. They have undertaken a range of 'diagnostic' exercises, including the Transformation reviews, Decision Making Accountability review, and inviting this Corporate Peer Challenge. Beyond commissioning these reviews, the Council needs to ensure that the outcomes from them are implemented in a co-ordinated and timely way.

Building on the above, looking outward more will provide the Council with wider insights and enable the organisation to capitalise upon the learning of others. The Peer Team heard from staff they felt unable to commit the time or were unable to prioritise joining regional networks or benefiting from national offers. Beyond the reviews, the Council also need to enable staff to learn from the wider sector and prioritise engagement in regional networks and wider learning opportunities.

As covered elsewhere in this report, there has been notable turnover and a high number of vacancies amongst senior officers at the Council, this has both impacted on capacity to deliver change and morale. Central to delivering improvement will be the timely definition of the Council's senior officer structure and recruitment to roles to support senior capacity and stability.

Beyond the top team, there are significant vacancies across the whole of the Council. Staff told the Peer Team of the impact, of teams having to share the same workload across a smaller number of staff, many people acting up into vacant roles for lengthy periods of time, and the use of agency staff. The Council need to address and understand their own establishment, including permanent structures, vacancy rates, and use of agency staff. Specifically, the Peer Team found the reporting of staff vacancies and the use of agency staff confusing and believe this may contribute towards a structural deficit in the Council's staffing budget. The Team were also provided with examples where attempts to permanently recruit staff had been subject to delays as a result of corporate processes which had exacerbated these issues and need to be addressed at pace.

The staff at Cheshire East are a key asset to the organisation, with talented people across the Council. There was a clear appetite from staff for improvement and transformation, but this will require visible leadership and effective communications. They need to be galvanised, focused, and clear about the priorities and behaviours that are expected.

Staff talked positively about the Brighter Futures programme and the changes it had delivered (this was also a key finding of the Council's 2020 Corporate Peer Challenge), but that this had not been prioritised in recent years. There is an opportunity to revisit and revitalise the Brighter Futures programme to support staff engagement with improvement and transformation across the Council. This will require sponsorship and corporate support but could deliver some 'quick wins' as well as contributing to long term programmes of improvement.

Enabling a more strategic approach to HR and organisational development (OD) will be important if the way the organisation functions is to change. At present there are just 25 staff within HR. It is unclear if the existing resource and skill set within the team will be sufficient to effectively carry out the workforce reviews and investment required in OD.

The challenge of capacity was a recurring theme throughout this review. Whilst the Peer Team can see the clear challenges of capacity that exist, illustrated through staff vacancies and temporary arrangements, there is also potential to better align existing structures and resources. There are skills and pockets of capacity in the organisation which could be brought together to support alignment, consistent oversight, and coordination across corporate functions. This should include consideration of the relationship between engagement, consultation, and communication. This issue will be important for the Council's progress on transformation, with resources currently dispersed across corporate and neighbourhood services, as well as a separate Programme Management Office. The Council also needs to consider the contribution that data analysis and performance information can bring to supporting their transformation objectives.

The Peer Team heard of multiple approaches to transformation and found across the organisation there was different understanding of transformation as a concept. Whilst the Council is embarking on a new corporate transformation programme, the Team were also told of sizeable programmes which had been commissioned at a Directorate level in recent years. There is a need to make sure that the Council's new programme builds on rather than duplicates previous findings, and that future approaches are gripped and owned at an organisational level.

The Council has delivered good examples of transformation, these were mainly from place-based or neighbourhood services, there was less of an understanding of transformation of people services. There were no clear or consistent corporate tools or approaches to service design to support a corporate approach to transformation across the Council. A more structured, systematic, and rigorous approach to programme management and reporting, including transformation will be essential for driving the progress required and supporting scrutiny and oversight requirements.


In the context of different definitions, understandings and appetites, there is a need for transformation to be clearly defined and scoped. This should be linked to a vision of improvement to support clarity and understanding across the whole of the organisation. Shifting to a corporate transformation programme, with the necessary resource to deliver it, would enable a more holistic approach to achieving major change that can contribute to addressing the Council's financial challenge.

Finally, it is important that transformation is not seen as the only approach to improvement at the Council. There is a need to create a permissive environment for officers to improve systems and processes beyond the scope of this programme, ensuring that the Council's approach to improvement is continuous and a shared cultural endeavour for the majority, rather than a methodology with milestones and measures that are owned by a minority.

5. Next steps

It is recognised that the senior political and managerial leadership of Cheshire East Council will want to consider, discuss, and reflect on these findings and recommendations. To promote the principle of transparency, it is a requirement of the Corporate Peer Challenge process that the final report of the Peer Team is published in-full within three months of the review being completed. In this instance, this requires the report to be published no later than 28 June 2024.

To illustrate the Council's responsiveness to the findings of this review, there is a requirement for the Council to develop and publish an Action Plan within five-months of the Peer Team being onsite, no later than 28 August 2024. This Action Plan should provide clarity on the



activity, milestones, and timelines that the Council will work to in responding to the Team's findings. The Action Plan will also be central to the Peer Team's re-engagement with the Council through a Progress Review which is due to be completed in the Winter of 2024.

The Department for Levelling Up, Housing and Communities has published draft Best Value Standards for Local Authorities. This guidance describes arranging a Corporate Peer Challenge or Finance Peer Challenge at least every five-years as a characteristic of a well-functioning authority. The Peer Team recognise that Cheshire East Council's previous Peer Challenge was completed in January 2020, meaning that this review has been completed within cycle. In this context, it is expected that the Council would commission to undertake their next Corporate Peer Challenge no-later than March 2029.

Finally, Claire Hogan (Principal Advisor for the North West) is the main contact between the Local Government Association and Cheshire East Council. Claire is available to discuss the content of this report, and any further support that the Council may require or benefit from, and can be contacted by email on: Claire.Hogan@local.gov.uk