

Corporate Peer Challenge **London Borough of Waltham Forest**

2nd -4th October 2018

Feedback Report

1. Executive Summary

Waltham Forest is a financially well-led Council. People speak appreciatively both of the Chief Executive and the Leader of the Council. It is evident that financial targets have been given a high priority over a long period. The Council recognised early that austerity would require tough decisions and made some of those at the outset, which has stood the council in good stead. This has been assisted by strong financial leadership, marshalled by a highly respected and experienced Strategic Director of Finance & Governance and his deputy chief finance officer who has recently retired. The whole leadership team has also shown appropriate 'grip' to deliver on the Council's plans. The senior leadership comes across as a highly collaborative and self-supporting team with a 'can do/ shall do' approach.

The result is that Waltham Forest is in a relatively strong financial position compared with other similar local authorities; a position, in fact that other authorities would envy. The council has also taken early decisions about its savings plans for 2019/20 in order to give itself the best chance of delivering. This is not to say that there are not challenges the council needs to face, and it is another positive that the council has recognised this and begun to put ambitious measures in place to take the authority further forward, including a developing approach to outcome-led decision making. The staff we met seem to be motivated and up for the challenge of further change.

A minor caution related to all of this is that, just as some organisations talk too much about their challenges and things that might go wrong at the expense of taking action, there is the opposite danger – that a council with a 'can do' approach like Waltham Forest doesn't talk about these things enough and might be drawn into a reluctance to acknowledge bad news. The council needs to be wary of falling into this trap.

Amidst this overwhelmingly positive assessment, the council is faced with continuing pressure on spending and uncertainty of funding. The council cannot therefore rest on its laurels and the opportunity presents itself to tighten and refresh things in a number of areas. The council's relatively strong position and current political stability provides it with the opportunity to think further ahead and develop a powerful 'vision of place' for, say, the year 2030, which will also help it to make sensible infrastructure and capital investment decisions in the coming period.

As financial resources tighten further, there will be a need for more pointed discussions about priorities. The council seems to be up for taking some more tough decisions, but to help it do so, members (and senior officers) will need to be equipped with greater detail relating to the options facing them, backed up by greater clarity in reporting. The council also needs to nail down its understanding of future demand growth especially in the key demand-led services of adults and children's social care and high needs education, and to integrate these forecasts fully into its Medium Term Financial Strategy (MTFS). Accordingly the council's risk strategy also needs to reflect increasing complexity in the organization and in the outside world.

The top team is strong but has undergone some changes recently, and it may be time to revisit the work done some years ago to ensure the structure is fit for purpose in the coming period. In particular we found that many people in the organization are not clear about the respective roles of the two new finance directors who have recently been appointed but not yet started in post.

No small part of the council's position is that its reserves are currently adequate and compare very favourably with those of other similar authorities. It is appropriate that with so much risk in the system, the council should have a financial cushion to manage risk and fund further developments, but reserves are of course ultimately taxpayers' money set aside to manage risk and there needs to be greater clarity over how and when reserves will eventually be used.

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 to the conversations onsite, many of which provided ideas and examples of practice from other organisations. The following are the peer team's key recommendations to the Council:

1. Confirm a vision for Waltham Forest as a place in 2030 and consider what that means in terms of developing a capital strategy for investment.
2. Make sure organizational structures are fit for purpose and roles such as the two new finance directors are understood throughout the organization to maximize the benefits of the Borough of Culture legacy.
3. Ensure service demand is understood and accurately reflected in the MTFS
4. The council needs to consider how the reserves strategy supports the delivery of the vision
5. Agree corporately how commercial income will contribute to the MTFS
6. Review transparency and timing of reporting in response to greater risk
7. Recognize the value of internal challenge of financial decisions and results
8. Recognise the importance of financial grip alongside the importance of return on investment
9. Ensure there is a prioritisation model which enables objective decisions to be made about both financial and non-financial outcomes
10. Focus on outcomes but not necessarily on outcome based budgeting

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 your requirements and the focus of the peer challenge. Peers were selected on the basis of their relevant experience and expertise and agreed with you. The peers who delivered the peer challenge at Waltham Forest were:

- Amanda Deeks, Lead Peer. Chief Executive, South Gloucestershire Council
- Cllr James Lewis, Lead Member Peer. Deputy Leader, Leeds City Council
- Jackie Belton, Strategic Director Corporate Resources, London Borough of Lambeth
- Andrew Page, Head of Finance- Children, Families and Education, Essex County Council
- Alan Gay OBE, LGA associate
- Alan Finch, LGA Peer Review Manager

Scope and focus

All finance peer challenges cover the five themes set out in the table below:

Financial leadership	Does the authority have plans for its long-term financial sustainability, which are owned by its members and officer leaders?
Financial strategy, planning & forecasting	Does the authority understand its short and long term financial prospects?
Decision-making	Are key decisions taken in the understanding of the financial implications, risks and options?
Financial outcomes	Are financial results (including those of the Council's investments and transformation projects) monitored and acted upon so as to realise the authority's intentions?
Partnership & innovation	Is finance at the cutting edge of what the authority is working to achieve , working with partners and seeking innovative approaches?

In addition Waltham Forest Council particularly wanted to be assured that it is not 'missing any tricks' in relation to its budget strategy. The peer review therefore paid particular attention to the council's plans for achieving financial sustainability and its specific proposals for closing the revenue funding gap.

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 3 days onsite at Waltham Forest Town Hall, during which they:

- Spoke to more than 40 people including a range of council staff together with councillors and some external partners and stakeholders.
- Gathered information and views from more than 20 meetings, visits to key sites in the area and additional research and reading.
- Collectively spent more than 250 hours to determine their findings – the equivalent of one person spending more than 7 weeks in Waltham Forest.

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 (2nd-4th October 2018). In presenting feedback to you, they have done so as fellow local government officers and members, not professional consultants or inspectors. By its nature, the peer challenge is a snapshot in time. We appreciate that some of the feedback may be about things you are already addressing and progressing.

4. Feedback

4.1 Financial leadership

There is clear, ambitious, confident leadership among both members and officers in Waltham Forest, and the Cabinet and corporate management team operate collegiately and collaboratively. Accordingly the leadership prioritises financial outcomes, and takes ownership of financial challenges and has done for some time, going back at least to the start of the austerity period when the council made some difficult decisions early in the process. Political and managerial leadership expressed trust and confidence in each other and across the organization the people we spoke to recognized the priority that needed to be given to balancing the books. There has been strong capacity and financial acumen at senior levels. Both the Strategic Director of Finance & Governance and the Deputy Director of Finance are spoken of appreciatively by their colleagues. The recent retirement of the Deputy Director was specifically mentioned as a potential source of risk.

This strong base stands the council in very good stead; finances are well managed, reserves are relatively healthy, recognizing the risks facing the council in the forthcoming period, and this is part of a record of success generally, including for example the Council's improvement journey in relation to its performance on Children's Services and achieving the accolade of being named London's first Borough of Culture for 2019. The council has also ensured that it has taken decisions relatively early in each cycle, so that, for example, the majority of savings for the 2019/20 financial year were agreed by July 2018. This has the beneficial effect of allowing a long lead-in time for the delivery of some difficult savings.

This relative strength is an opportunity. Rather than living 'hand to mouth' as some councils now find themselves doing, the council is in the fortunate position of being able to think further ahead and plan strategically. This is done, as for example with the 'Think Family' strategy and the ambitious programme of environmental improvements around the Borough known as 'Enjoy Waltham Forest', but could be pushed further. The council could, for example, articulate in greater detail the vision for the longer term (say to 2030), building on the Borough of Culture opportunity.

To further strengthen its support for financial management, the Council has appointed two senior officers to replace the Deputy Director of Finance and strengthen its strategic financial capability, a Director of Return on Investment and a Director of Financial Services. However we found widespread lack of understanding of the relative roles of these two new finance directors and how these roles interact with related roles such as those concerned with commercialization, transformation and digital. One interviewee described the role as an 'invest to save manager'. This confusion exists among both elected members and staff and this needs to be rectified before these officers take up their posts.

Similarly, while it was not within the remit of the peer team to review the officer structure, we noted overlapping responsibilities in some areas of the top team. The same observation was fed back to us by Waltham Forest officers in interviews. This does not mean to say that roles are unclear in practice but there is potential for uncertainty and it may be that the time is ripe for the council to review its top structure to ensure synergy with the objectives in the new corporate plan.

While the council is in a strong financial position, as risk exposure grows, decisions will become riskier and potentially more difficult for officers and members. This was evident as much in what people did not say as in what they did. Risk was mentioned relatively little and while the council has a comprehensive risk approach, it is also fairly traditional. To help manage this process, it is important that comprehensive and clear information on specific financial risks and on the council's financial position in general is available to decision makers and wherever possible that this is in the public domain. The council should use this period to move towards greater clarity and detail in financial reporting.

4.2 Financial strategy, planning & forecasting

As indicated in the previous section, finances are strong and stable, with greater capacity for risk than is currently enjoyed by many other similar authorities. Uncertainty is recognized in financial plans, especially in relation to uncertainty in levels of funding from 2020/21 onwards, which are subject to the forthcoming Spending Review, and this has been recognized eg in the level of reserves.

The Council's financial leadership guides the council's financial planning effectively. The Council has a detailed and considered Medium Term Financial Strategy (MTFS) which is regularly refreshed during the year and which identifies the key financial risks bearing upon the council. The narrative MTFS identifies the key demand pressures bearing on the authority though in less detail than is afforded to income forecasts. The amounts set aside for demand growth are stated in round numbers and are generally less than those reflected in the plans of other similar authorities. This may be because the council is managing demand effectively or because of relatively favourable local factors. However, in contrast to income forecasts, which are currently subject to central government review, demand pressures are more predictable and the council should confirm that its long term demand pressures are fully understood, financially modelled and reflected in all financial (and other) plans. Some good work has already been done in this area, including for example the research commissioned from Dartington on understanding children's services outcomes, of which the council intends to make full use.

The Council has taken steps to ensure that its strategies are informed by business intelligence. However it seemed to the peer team that the functions associated with the collection and reporting of data, business intelligence and insight are managed in different parts of the organisation and are therefore likely to be relatively uncoordinated. The Council should ensure that it is making best use of

insight and business intelligence on its communities and its own performance by coordinating the collection, analysis and reporting of data.

It is good practice for a council to have a capital strategy to identify investment priorities and provide the basis for its capital financing decisions for the forthcoming period. If the Council accepts the need and recognizes the opportunity for a longer term vision for place, The Capital Strategy should look ahead over the same period as the vision of place to reflect that vision and in so doing allow the council to plan investment over this longer period so as to work towards the vision. This is an opportunity that exists because the council is relatively financially stable and in the peer team's view the council should not overlook it.

The team found evidence that the council deals effectively with risk at project level and also has a strategic risk register which is kept up to date and allocates responsibility for the management of risk. There is less evidence that the council is able to articulate at strategic level its appetite and capacity for risk as an organization and the council should consider this further.

Also related to risk, the council has recognized the strategic importance of holding reserves and has ensured that it has maintained reserves at a sufficiently high level in view of the uncertainty in funding levels currently reflected in the council's plans. However holding reserves is not an end in itself and in the longer run it is important for the council to be clear about why it is holding reserves and when they are likely to be spent.

4.3 Decision making

Waltham Forest comes across as a financially well governed organisation. The organization understands the imperative to balance the books. Reporting is regular and timely and members speak highly of the advice they get from officers. The council has recognized that it needs to move to a more evidence based approach to priority setting, taking account of outcomes. There has been a pilot project around Outcome Based Budgeting (OBB) which has produced mixed results. In the peer team's view a culture and ethos of prioritizing and managing on the basis of outcomes for residents is much more important than having a process of Outcome Based Budgeting. The council may therefore wish to consider whether the *process* of OBB is the right way to address outcomes for residents.

Scrutiny processes function well and scrutiny members are keen to add value and make a difference. There is a dedicated Budget & Performance Scrutiny Committee which is well attended by officers and which appears on the basis of its minutes to deliver appropriate challenge. The value of scrutiny could be further enhanced by encouraging scrutiny committees to consider the planning and delivery of the main corporate programmes. As well as the obvious benefit of ensuring public scrutiny, this could have the benefit of recognizing the valuable insights of a wider group of members as part of the governance of these programmes and also ensuring that non-Cabinet members have full awareness of the importance of these programmes.

Financial governance appears strong and the peer team particularly liked the council's 'ground rules' for budget managers which are a clear and accessible guide to what budget managers can and cannot do. Decision making may benefit from more clarity in reporting to members, reflecting more of the detail included in business cases. In particular we found that officers and members were unable to articulate clearly how judgements and trade-offs will be made between financial and non-financial outcomes. This will clearly be crucial in a council that is trying to balance dwindling resources with an ambitious programme of improving community outcomes. Such an approach will need to join up finance, performance and business insight in making decisions about priorities and projects, so it brings together a number of the themes in this report. Work has been commissioned from PWC in this field and it will be important, but making these recommendations 'real' within the organisation is still likely to be a challenge. It is, perhaps, the first job for the Director of Return on Investment to put such a cost-benefit mechanism in place.

The council has a number of internal officer boards which support financial decision-making (for example, the Return on Investment Board, Capital Strategy & Asset Management Board, Strategic Commissioning Board, Infrastructure and Investment Board). On the face of it a number of these have potentially overlapping remits. We were unable to judge the effectiveness of these arrangements in practice but we were unclear about the purpose of all the various boards. As the Council moves into delivery of the new corporate strategy it would be an opportunity to review the role of internal boards.

The council has developed and launched a number of new commercial ventures and has recognised the need to develop a commercial culture ('a culture of enterprise') throughout the organization. It was not immediately evident how the commercial strategy links back to the Medium Term Financial Strategy, so as part of its work the council should devise a common strategy for fees and charges and the generation of commercial income which forges that link.

4.4 Financial outcomes

As reflected elsewhere in this report, financial results have been very good, reflecting firm organizational grip and the priority given to finance. In contrast to many other London Boroughs there was a net surplus of £3.2m on the General Fund in 2017/18. In the latest monthly monitoring reported at the time of the review a spend in line with budget was forecast, although this is after management action to reduce overspending of £2.3m. Financial monitoring is reported monthly to Cabinet, which enables urgent action to be taken if necessary.

Demand led services such as children's social care and homelessness in particular are financially well managed and although overspends have been experienced and reported these are relatively modest in comparison with other authorities and the need for immediate action to address them is acknowledged in monitoring reports to members. This position is supported by good relationships generally between service

departments and the finance team and finance colleagues are generally considered to understand the business of the council.

The council needs to ensure this grip is maintained, especially over the period of change in the senior leadership in the finance function. While it might be tempting to place more emphasis on the more forward-looking work of the new Director of Return on Investment, the role of the Director of Financial Services is just as important and needs to be appropriately valued and influential within the organization.

The balance sheet is strong, with low levels of borrowing and good levels of revenue and capital reserves, meaning that once some of the financial uncertainties of the forthcoming period have been resolved, the council may have the scope to go much further in driving forward with its agenda than other similar authorities.

The Council has an emerging 'Enterprising Council' approach to developing and implementing new commercial opportunities, which demonstrates a thorough, analytical methodology. A number of promising new commercial ventures have also recently been agreed. As part of this it is important to ensure that form follows function in terms of service delivery models and that the financial benefits of commercial activity are captured. The council has a number of arms length companies established to deliver elements of its corporate plan. In terms of their contribution to balancing the council's books, arms length organisations have their part to play and the council should articulate the financial benefits expected from commercial organisations and set short term and longer term targets.

4.5 Partnership & innovation

There is a keen political appetite to work with other Boroughs and the London Mayor to manage costs down and good working relationships are in place at London level. At the same time, the council's ambition is valued and shared by local partners and the Leader's contribution to this is recognized. The Council recognises the financial and organisational pressures on partners. Building on its own commitment to improving outcomes for local people, the council is well placed to have detailed discussions with local partners about outcomes and develop a joint strategy to deal with these pressures. While the ambition of cross-boundary and cross-organisational working is there, this is a difficult thing to accomplish. It may be helpful to develop a stakeholder management approach with partners to help deliver the long term vision for the area.

A customer focused digital strategy is in place. The digital strategy has begun by looking at the foundations of the council's digital infrastructure and has moved on to an 'enabling' phase built around integrated solutions. On the basis that many services will in future be built around digital solutions, the peer team was left with the impression that the digital strategy could perhaps do more internally to support transformation and may be an area that the digital strategy needs to prioritise next.

The area has a challenging health economy and the council is felt to provide strong vision at member and officer level. However comments were less positive in terms of the resources and capacity available for day-to-day interaction and partners felt they could not always go running to 'the top'. For example, although the hospital project has top level sign off, partners seem to have felt that they needed to keep explaining the benefits to different parts of the council. In order to maximise the benefits from health integration, the council should consider how it works best with health partners across the piece and whether, for example, a relationship management approach may help partners interface with the council.

4.6 Other specific focus areas as appropriate

The council particularly wanted to be assured that it is not 'missing any tricks' in relation to its budget strategy. On the contrary, the peer team's impression was that the council is pursuing a lot of different initiatives and some interviewees expressed concern that the council might spread its capacity too thinly. We noted that £4m of the 2019/20 budget savings are RAG rated as 'red' and although that presumably does not mean they won't be delivered, the council will be aware of how quickly a healthy financial position can tip if appropriate grip is not maintained. Becoming the Borough of Culture is a magnificent achievement, but the council is aware that 'business as usual' will need to be maintained as well. We commend Waltham Forest on its ambition and its achievements and trust that this report is helpful to the council moving forward.

Quotes



[BP1]

5. Next steps

Immediate next steps

We appreciate the 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.

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. Alan Finch, Principal Adviser for London alan.finch@local.gov.uk is the main contact between your authority and the Local Government Association (LGA). He will be succeeded with effect from 1st December 2018 by Kate Herbert kate.herbert@local.gov.uk

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 Finance 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 or Finance Peer Challenge every 4 to 5 years. It is therefore anticipated that the Council will commission their next Peer Challenge before the end of 2023.

Examples of good practice

The Council's financial ground rules are a simple, plain language guide to the things budget managers must do and a guide to managing budgets well. These were cited within the organisation as a living document.

The Internal Audit review of the Medium Term Financial Strategy is not unique to Waltham Forest but neither is it universal practice. This is a good way for councils to sense check their planning assumptions.

The 'Mini MBA' that finance managers have taken on commercial practices is a good example of a council recognising a practical need for staff development and delivering it.