

LGA Corporate Peer Challenge

Lancaster City Council

16th – 18th April 2024

Feedback report



Corporate Peer Challenge



Contents

- 1. Introduction 3
- 2. Executive summary..... 3
- 3. Recommendations 7
- 4. Summary of peer challenge approach 8
- 5. Feedback 10
- 6. Next steps 26

1. Introduction

Corporate Peer Challenge (CPC) is a highly valued improvement and assurance tool that is delivered by the sector for the sector. It involves a team of senior local government councillors and officers undertaking a comprehensive review of key finance, performance and governance information and then spending 3 days at Lancaster City Council to provide robust, strategic, and credible challenge and support.

CPC forms a key part of the improvement and assurance framework for local government. It is underpinned by the principals of Sector-led Improvement (SLI) put in place by councils and the Local Government Association (LGA) to support continuous improvement and assurance across the sector. These state that local authorities are: Responsible for their own performance, Accountable locally not nationally and have a collective responsibility for the performance of the sector.

CPC assists councils in meeting part of their Best Value duty, with the UK Government expecting all local authorities to have a CPC at least every five years.

Peers remain at the heart of the peer challenge process and provide a 'practitioner perspective' and 'critical friend' challenge.

This report outlines the key findings of the peer team and the recommendations that the council are required to action.

2. Executive summary

Located at the far north of Lancashire and the 2nd largest of the County's 12 districts, Lancaster City Council (LCC) has a varied geography, incorporating the university city of Lancaster, the seaside resort of Morecambe, the historic market town of Carnforth, a rural span of relatively sparsely populated villages, and bordered by two areas of outstanding natural beauty. This distinction between 'city, coast and countryside' brings with it varied challenges, but also opportunities, with the Council committed to making the most of the district's many attributes as a great place to live, work and visit.

Lancaster is an ambitious Council, with a 'let's do it' culture and a clear vision for the district as set out within the Council Plan 2024-27. There is an ambition that

increased prosperity must be for the benefit of the whole community, which runs alongside an aspiration to help and enable a low carbon future, providing the foundations for future sustainability.

The Council's commitment and actions towards reaching net zero aspirations have resulted in it being recognised as the top performing district Council in the country by Climate Emergency UK.

There are a number of ambitious capital projects, including for example the Canal Quarter regeneration programme in Lancaster and the Eden Project Morecambe, for which £50m of Levelling-up Funding has been secured, which bring both significant and important opportunities to transform the area.

The peer team believe however that the vision for the district and particularly the principle for Inclusive Prosperity is not currently set within the context of a clear economic strategy for the district. The peer team recommend that the Council develops a clear and pragmatic narrative for growth and an economic strategy that all parties can sign up to and which facilitates the development of quality housing, unlocks skills and jobs, contributes to tackling climate change, enables community wealth building, and promotes pride in the place. It should also identify mechanisms to address the forecasted loss of business rate income arising from the future decommissioning of Heysham nuclear power plant located in the district. The strategy should be complemented by a prioritisation framework that helps to bring focus and target resources where they will have greatest impact.

To help ensure that the developing Local Plan is fully utilised as an opportunity to shape and deliver the Council's priorities, including those emerging from the developing Local Area Energy Plan and Economic Strategy, the Council should incorporate a "call for sites" earlier than the Local Plan process would otherwise allow. This provides a pragmatic mechanism to control development and ensure that the emerging Local Plan is fully utilised as an opportunity to shape and deliver the Council's priorities.

Lancaster City Council has well respected political and managerial leadership. The coalition arrangements (Labour, Green and Liberal Democrat) put in place after the last election in May 2023 have had a year to become established. There is evidence of a stronger, trustful set of relationships between the political groups. A coalition

agreement is in place which helps to ensure issues are resolved. The Group leaders are to be commended for this cross-party approach and members are encouraged to continue to work together pragmatically to continue to capitalise on opportunities for the three years leading up to the next set of elections in 2027.

The Council is held in high regard by a wide range of key stakeholders, with its convening power being utilised to renew the Lancaster District Strategic Partnership. The peer team recommend that the Council's strong reputation as a collaborative and proactive place leader is used to bring to fruition the aspiration (shared with partners) to deliver shared outcomes. This should include further energy and capacity being invested to work with partners where traditionally the relationship has not been as productive.

There is strong, visible direction from the Chief Executive and a new Chief Officer structure that it is viewed as accessible and welcoming. Peers heard and saw that the Council is a supportive, professional and friendly place to work, with a strong emphasis on staff wellbeing and development. The peer team were informed that work is underway to support the development of the new chief officer team, including a series of leadership development sessions with an external training provider. Peers recommend that this continues to evolve, enabling Chief Officers to collectively 'step-up' into the strategic partnership space, take accountability for and own organisational improvements and in turn maximise the reach and convening influence of the Council.

Staff and Councillors that the peer team spoke to are proud to work for and represent Lancaster City Council, and officers and members work well together. Feedback from members that the peer team spoke to illustrate that Democratic Services is viewed as helpful and supportive. There is, however, a need to strengthen member development, with a particular requirement to enhance the induction package for newly elected members. The peer team also believe that members could be more ambitious in how they hold the Executive to account through constructive scrutiny. There is an opportunity for Councillors and officers to build a better understanding of the role and function of overview and scrutiny, its purpose and effectiveness.

Lancaster City Council's finances are in a relatively reasonable but tightening position with a balanced budget of £25m set for 2024/25. The Council has a plan to

address its budget deficit with the 'Fit for the Future' savings and transformation programme, including for example a rationalisation and review of assets and use of 'flexible capital receipts' regulations to enable investment in transformation to deliver savings. Completion of the asset review and delivery of the asset management programme should be prioritised to reduce costs, maximise income and reduce the need for future borrowing. There is also a need to further develop the Fit for the Future programme with a focus on the creation of a Digital and ICT strategy, along with consideration of alternative models of service delivery.

The peer team note that LCC should ensure that the Fit for the Future (and wider budget planning) process is driven by the Council Plan and that Council ambitions are reduced to fit resource availability. In addition, whilst the Council has made good progress at reviewing and reducing its capital programme, the implementation of a prioritisation framework (as noted above) would help ensure that resources are targeted where they will have greatest impact and mitigate any financial risks.

The Council currently has 4 years of unaudited accounts due to an objection to the accounts that has taken time to resolve. This presents a risk to the Council as there is no assurance over its opening balance sheet position for the current financial year. As the situation is likely to require additional audit procedures on the 2023/24 and possibly future years accounts, the Council should assume that this will have a significant resource impact on the Council's stretched finance service. The Council should consider whether it temporarily needs to invest in additional capacity in the finance team to meet the audit requirements whilst continuing to support the delivery of the Council plan.

The peer team were impressed to see that the Council has been on a rapid two-year improvement journey, making significant changes to the operation of the Council and its governance and assurance processes. The peer team believe that there is a need however to enhance the internal management of the organisation by the implementation of a whole Council strategic approach to the use of data, performance management and financial monitoring. This should be complemented by improvements in the approach to project management, including the implementation of internal boards to increase oversight and accountability.

There is commitment to reduce inequalities and deliver services that are inclusive

and accessible to a diverse community, including examples of best practice, such as the development of a Fair Work Charter that aims to reduce inequalities in the local labour market by promoting equal and fair employment practices. However, it is recognised that there is a need to refresh the equality policy and associated objectives to ensure that inclusive opportunities are delivered internally and externally.

The peer team believe that the Council should use the findings from the corporate peer challenge to reflect on the significant improvement journey that has been made over the last two years; acknowledge and celebrate this progress; take the opportunity to use the CPC to reinvigorate the organisation and then move forward.

3. Recommendations

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

- 3.1 **Develop a clear narrative for growth and an economic strategy** that facilitates the development of quality housing, unlocks skills and jobs, contributes to tackling climate change, enables community wealth building and promotes pride in the place.
- 3.2 **Incorporate a “call for sites” earlier than the Local Plan process would otherwise allow.** This provides a pragmatic mechanism to control development and ensure that the emerging Local Plan is fully utilised as an opportunity to shape and deliver the Council's priorities.
- 3.3 **Use the Council's strong reputation as a collaborative and proactive place leader to further develop partnerships.** This should include additional energy and capacity being invested to work with partners where traditionally the relationship has not been as productive.
- 3.4 **Continue to invest in the learning and development of the new chief officer team.** This should involve senior officers operating in the strategic partnership space, taking accountability for, and owning organisational improvements. Further senior officer capacity in this space will maximise the

reach and convening influence of the Council.

3.5 Take steps to strengthen and further develop the Fit for the Future savings and transformation programme by:

- a) Strengthening the alignment of budget planning and Fit for the Future process to the Council Plan and service planning.
- b) Implementing a prioritisation framework to inform the delivery of the Capital Programme, ensuring resources are targeted where they will have the most impact.
- c) Accelerating the completion of the asset review and delivery of the asset management programme to reduce costs, maximise income and reduce the need for future borrowing.
- d) Focusing on the creation and implementation of a Digital and ICT strategy.

3.6 Implement a whole Council strategic approach to the use of data, performance management and financial monitoring. This will help to better inform the decision-making process, support the effective management of Council business and ensure a focus on the delivery of priorities is maintained.

3.7 Build on recent improvements in the approach to project and programme management ensuring greater consistency, oversight and accountability.

3.8 Invest further in member development to support Councillors (particularly new members) in their Council and community leadership roles.

3.9 Engage with Councillors and officers in work to enhance and embed a culture of effective overview and scrutiny across the Council.

3.10 Accelerate the production of a refreshed equality policy that incorporates clearly defined objectives – this will help to ensure that inclusive approaches are developed internally and externally.

4. Summary of peer challenge approach

4.1 The peer team

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

- Michelle Sacks - Chief Executive, Huntingdonshire District Council
- Cllr Martin Fodor - Bristol City Council
- Alan Waters - Previously Leader at Norwich City Council
- Phil Mason - Strategic Director: Economic Growth and Development, Cornwall Council
- Claire Morris - Executive Head of Service: Finance and Strategy and S151 Officer, Mole Valley District Council
- Joseph Lewis – Improvement Officer, Welsh LGA
- Rachel Robinson - Peer Challenge Manager, LGA

4.2 Scope and focus

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

1. **Local priorities and outcomes** - Are the council's priorities clear and informed by the local context? Is the council delivering effectively on its priorities? Is there an organisational-wide approach to continuous improvement, with frequent monitoring, reporting on and updating of performance and improvement plans?
2. **Organisational and place leadership** - Does the council provide effective local leadership? Are there good relationships with partner organisations and local communities?
3. **Governance and culture** - Are there clear and robust governance arrangements? Is there a culture of challenge and scrutiny?
4. **Financial planning and management** - Does the council have a grip on its current financial position? Does the council have a strategy and a plan to address its financial challenges? What is the relative financial resilience of the council like?
5. **Capacity for improvement** - Is the organisation able to bring about the

improvements it needs, including delivering on locally identified priorities? Does the council have the capacity to improve?

As part of the five core elements outlined above, every Corporate Peer Challenge includes a strong focus on financial sustainability, performance, governance, and assurance.

4.3 The peer challenge process

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

The peer team prepared by reviewing a range of documents and information in order to ensure they were familiar with the council and the challenges it is facing. This included a position statement prepared by the council in advance of the peer team's time on site. This provided a clear steer to the peer team on the local context at Lancaster City Council and what the peer team should focus on. It also included a comprehensive LGA Finance briefing (prepared using public reports from the council's website) and a LGA performance report outlining benchmarking data for the council across a range of metrics. The latter was produced using the LGA's local area benchmarking tool called LG Inform.

The peer team then spent 3 days onsite at Lancaster City Council, during which they:

- Gathered evidence, information, and views from more than 50 meetings, in addition to further research and reading.
- Spoke to more than 130 people including a range of council staff together with members and external stakeholders.

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

5. Feedback

5.1 Local priorities and outcomes

Lancaster is an ambitious Council, with a clear vision for the district as set out in the Council Plan 2024-27. The plan recognises what the Council can directly deliver, but also sets out an ambitious view of how the Council will use its community leadership role to align the Council's priorities with those of other organisations and communities to deliver key outcomes.

The plan sets out four principles which are the cornerstones of all that the Council does: A Sustainable District; An Inclusive and Prosperous Local Economy; Healthy and Happy Communities; and, A Co-operative, Kind and Responsible Council. These are underpinned by the outcomes that the Council is seeking to deliver, along with a set of 24 clearly defined ambitions, that have been prioritised by the coalition administration.

LCC is committed to working "in partnership with our communities, creating a district where people can flourish". The Council plan was developed in collaboration with partners. It drew on a rich evidence base developed in collaboration with Imagination Lancaster, a design-led research lab at Lancaster University, which included a Life Survey undertaken with local residents.

There is a clear vision that increased prosperity must be for the benefit of the whole community, that runs alongside an aspiration to help and enable a low carbon future, providing the foundations for future sustainability. There are a number of ambitious capital projects, including for example the Canal Quarter regeneration programme in Lancaster and the Eden Project Morecambe, for which £50m of Levelling-up Funding has been secured, which bring both significant and important opportunities to transform the area.

Members of the peer team witnessed how the Council is making improvements for people and place, with practical examples shared including:

- the introduction of new tenancy health checks for all new Council housing tenants;
- enabling £2.3m of investment in the arts by arts organisations supported by the Council (£10 is secured for every £1 invested by the Council);
- and, facilitating 4,000 children to access free activity sessions in partnership

with the School Sports Network at Salt Ayre Leisure Centre.

Feedback from staff supported the view that the Council is empowering and trusting staff to be creative when meeting the needs of individuals and identifying new ways to deliver services, embracing a 'let's do it' culture.

The Council's commitment and actions towards reaching net zero aspirations has resulted in it being recognised as the top performing district Council in the country by Climate Emergency UK and has enabled successful external funding generation. For example, the Council has secured almost £10m funding in the last 3 years (including £1.9m from the government's Public Sector Decarbonisation Scheme) to decarbonise Council-owned buildings. Peers were impressed at how the approach to climate policy is being embedded across the Council. For example, from the success at reducing the overall energy usage at the Salt Ayre Leisure Centre site from 4.3GWh (gas and electricity) to 2.7GWh of green electricity, to working nationally to lobby for the setting of energy efficiency standards for new housing and seeking to construct a solar farm within the district at Burrow Beck.

However, despite these successes the peer team believe that there are some potential barriers to the successful delivery of the Council Plan. The vision for the district and particularly the principle for Inclusive Prosperity, is not currently set within the context of a clear narrative and economic strategy for the district. This leads to key opportunities and projects being developed without the background of a clear strategy for the wider ambition. This was a point made by a wide range of partners and officers that the peer team spoke to and is perhaps borne out through the reliance on many disparate capital projects to deliver the vision, which brings inherent risks particularly with continuing financial pressures.

The peer team noted that in recent years the Council has made good progress at reviewing and reducing its capital programme. However, the implementation of a prioritisation framework and clear articulation of priorities (which may involve compromise) in the Capital Strategy could mitigate these risks. Peers were pleased to note however, that work is underway to develop an Economic Strategy, new Local Plan and Local Area Energy Plan for the district, which are critical tools to facilitate and enable the development of Lancaster in line with local ambitions.

As key enablers to the successful delivery of the Council Plan, it was felt by peers

that there is a need for the Council to move forward with the review of the asset management programme to help reduce costs, maximise income and reduce the future need for borrowing by generating capital receipts. Peers also noted a need to accelerate work on an ICT / Digital strategy that defines, coordinates and supports transformation, channel shift and more efficient ways of working.

The Council has a good understanding of its financial position and an aspiration to align budget and resource to deliver the ambitions detailed in the Council plan. LCC has recognised the need to address the budget deficit with the 'Fit for the Future' savings and transformation programme, which incorporates an Outcome Based Resourcing (OBR) process. However, the peer team would question if the OBR process is being used to its full potential in driving the alignment of resources to deliver priorities and organisational savings. Peers believe that the Council could benefit from setting out an annual business plan that articulates the specific outcomes it will deliver for the forthcoming 12-month period in line with the delivery of the Council plan. The annual plan could then be used for budget (revenue and capital) and service planning purposes to ensure that budgets, resources, service objectives and performance metrics are fully aligned to the delivery of the Council's ambitions and should lead to priorities which cannot be resourced being de-prioritised for a period of time.

An annual plan may also assist with ensuring that all staff have clarity as to the vision and priorities of the Council and their role in achieving this; something that the peer team identified was not always consistently understood.

LCC has been on a significant improvement journey over the last two years and there is a need for the organisation to recognise, celebrate and communicate its successes, both internally to acknowledge the achievements of staff and externally to demonstrate to residents the impact that the organisation is making to local communities. In this regard, the peer team suggest that the recommendations from the recent LGA Communications Health Check undertaken in Lancaster are implemented at pace.

5.1.1 Performance

The peer team considered Lancaster City Council's latest [LG Inform Headline Report](#), along with the [LG Inform OFLOG Report](#), which outline key performance

data and how this compares to the Council's Chartered Institute of Public Finance and Accountancy (CIPFA) nearest neighbours.

It shows how the Council performs strongly across a suite of metrics that assess the skills levels of the local area (60% of the working age population are qualified to level 3+ and the rate of further education and skills achievements is better than average). This can be attributed in part to the Council's commitment to collaborative working with Lancaster and Morecambe College (for example, the peer team heard how the Council has utilised the UK Shared Prosperity Fund allocation to work in partnership with the college to tackle skills gaps, training 400 people in green skills and retrofitting).

The Council's performance across the collection of waste service and planning metrics are generally in line with or better than the CIPFA average, suggesting steady service delivery and reflecting the findings of Lancaster's recent LGA Planning Advisory Service peer challenge.

Of note is the Council's performance in relation to the proportion of Council tax that is collected, which at 94.5% is below the CIPFA average (96.9%) and therefore impacting the revenue accrued by the authority. It is understood that investment is planned into software that will free-up officer capacity and enable it to be redirected into Council tax recovery. It was also noted that business rate collection at 98.9% is better than average.

The peer team identified that there is an evolving approach to performance management, which needs to be further developed and aligned fully to the Council Plan.

Corporate performance reports highlighting progress against strategic projects and providing an overview of the position against 25 key performance indicators, are reported quarterly to Cabinet and the Budget and Performance Panel. However, accountability, responsibility and ownership of performance, finance and Fit for the Future delivery does not appear to be well-established across all services and pockets of good practice are not shared. Plans are in place to make improvements over the next 12-18 months that will begin to address this, including the introduction of benchmarking data and an enhanced approach to service-level performance management; enabling indicators to be reported centrally to the management team.

In addition, there is recognition of the need to strengthen the 'golden thread' from the Council plan through to the continued development of service plans and setting of individual staff objectives (via annual conversations). A uniform approach to the production of service plans is currently being implemented across the Council, setting out how the aims of the corporate plan will be met in the short, medium and long term, along with associated performance metrics.

The peer team believe that whilst improvements have recently been made to the project management approach, including the introduction of project initiation documentation that is used as a baseline for progress reporting, there is a need to address the inconsistency in project and programme management. This should include a continuation of the implementation of recommendations from a recent internal audit of project management. This is particularly important across all major capital and Fit for the Future projects. Peers suggest that this could also incorporate the use of internal project/programme boards that include representation from key enabler services such as legal, finance, IT and procurement and can act as a mechanism to enhance oversight and accountability.

Members of the peer team identified that there does not appear to be a consistent or co-ordinated approach to the use of data to inform decision making and would encourage the Council to build on the good practice highlighted in services such as Housing, Environment and Revenues and Benefits. There is also an opportunity to develop a more joined up approach that utilises intelligence more effectively to improve service level performance, drive transformation activity and enhance community outcomes.

5.2 Organisational and place leadership

LCC has well respected political and managerial leadership. There is strong, visible direction from the Chief Executive who is universally valued and recognised for his contribution both internally and externally amongst partners.

A new Chief Officer structure has been implemented over the last 12 months, with feedback from staff that it is accessible and welcoming. Peers heard that the Council is a supportive, professional and friendly place to work, with a strong emphasis on staff wellbeing and development.

LCC is made up of 27 wards with 61 Councillors who are elected every 4 years (with the last elections taking place in 2023). At the time of the corporate peer challenge the political make-up of the Council included the following breakdown - Labour 23, Greens 21, Liberal Democrats 7, Conservatives 5, Independents 4 and 1 vacancy. The coalition arrangements (Labour, Green and Liberal Democrat) put in place after the last election in May 2023 have had a year to become established. There is evidence of a stronger, trustful set of relationships between the political groups. A coalition agreement is in place which helps to ensure issues are resolved. The Group leaders are to be commended for this cross-party approach and members are encouraged to continue to work together pragmatically to capitalise on opportunities. The administration is bound together by the Council Plan, for which each of the political groups have had their own priorities included as part of the overall package. However, the team felt that the Council should do more to communicate how well they work together as a joint administration for the benefit of residents in the district by developing a 'one Council' ethos.

The Council is using its convening power to renew the Lancaster District Strategic Partnership and amplify collaboration for collective outcomes, with an initial focus on the delivery of the climate action plan. Peers were impressed to hear that an MOU has been signed by partners, including commitment to project delivery and the allocation of resources.

It is clear that the Council is held in high regard by a wide range of key stakeholders, including for example, Lancaster University, Lancaster and Morecambe College, Lancashire and South Cumbria Integrated Care Board and Lancaster District CVS, who spoke positively about the Council's open and inclusive approach, including a willingness to engage, listen and innovate. For example, as a mechanism to tackle longer-term inequality, the Council supported CAB to secure household support funds, some of which has been used to offer grants for replacement household appliances such as cookers and fridges to low-income households. Health partners spoke of the key role that the Council plays in place leadership and the proactive approach that it is taking in relation to tackling inequality.

Many partners praised the Council's unwavering response to the Supa Skips fire¹ in

¹ A fire that started during December 2023 at a former waste storage site (Supa Skips), which was dealt with by the Council.

December 2023 as an example of their proactive approach and community leadership role, which incurred in excess of £1.4m costs² despite there being no specific duty on the authority to respond to the emergency.

Whilst the ambition, focus and leadership to get things done has been recognised by partners, there is a need to manage expectations and set out pragmatic timescales for delivery. In this context there is also an opportunity here to continue to develop the new Chief Officer Team to operate across the strategic partnership and maximise the reach and influence of the Council.

LCC utilises a range of active mechanisms to consult and engage with residents, including traditional approaches, such as the Keep Connected site which is a public facing consultation and engagement platform that enables people to engage with consultations, share ideas and stay connected with the Council. More innovative approaches are also embraced, such as the Council's work with Shared Futures CIC that incorporated deep engagement and community research on climate change.

The Council has a strong focus on place leadership, with an approach that is active, and ambitious in economic development, skills, town centre regeneration, cultural venues, community wealth building and housing development. As noted above, there is a clear vision that increased prosperity must be for the benefit of the whole community, with an ambition to help and enable a low carbon future. The ambition for inclusive prosperity is based on a number of ambitious capital projects, which have the potential to be transformational. However, the peer team believe that an economic strategy that all parties can sign up to is needed. This will help to ensure joint focus on the development of quality housing, skills and jobs, tackling climate change, community wealth building and promoting pride in the place. It should also identify mechanisms to address the forecasted loss of business rate income arising from the future decommissioning of Heysham nuclear power plant located in the district.

The peer team view Lancaster as having all the pieces of the jigsaw – there are major anchor businesses with well paid jobs across the wider Bay area (although not all within the district) including Siemens, EDF, BAE systems and Rolls Royce, which

² An exceptional grant of £764,916 was received by LCC from the Department for Levelling Up Housing and Communities to meet costs incurred by the Council to demolish buildings and remove waste as part of the firefighting efforts.

are accessible by local residents. There is a significant programme of apprenticeships led by the University of Cumbria, and Lancaster and Morecambe College, along with Lancaster University that will be feeding qualified students into sectors at the forefront of a carbon neutral UK. Continued engagement with the sector and clarity of direction is needed to ensure that schools, further education and Universities align, where possible, their courses to the skills needed by the future workforce. Quality housing and access to good employers will also encourage students to stay once qualified.

Peers believe that the developing Local Plan provides a key opportunity to set the spatial framework that enables the Council to deliver its current priorities, along with those that emerge from the Local Area Energy Plan and Economic Strategy. For example, renewable energy is creating further opportunities for decarbonisation across the district, so the next local plan could be used to set the spatial framework to further meet this priority.

Peers note that the Council has an ambition for quality housing that is quite rightly very high and acknowledge that creating new homes alongside other community infrastructure can enhance carbon neutral ambitions if the Council has control of the development agenda.

The Economic Strategy, Local Area Energy Plan and Local Plan are critical tools to facilitate and enable the private sector to develop Lancaster in line with the ambitions of the Council and to generate additional business rates. Peers suggest that the Council may therefore wish to consider using a pragmatic 'Call for Sites' to unlock new locations earlier than the Local Plan process would otherwise allow as a mechanism to control development.

The Eden Project Morecambe also has the potential to be a transformational moment for Morecambe, Lancaster and North Lancashire. A formal partnership has been established with representation from the Council, Eden, the University of Lancaster and Lancashire County Council to ensure that wider benefits are secured. Peers echoed the need for this partnership to collectively create the capacity that is needed to maximise the benefits of Eden for the wider community.

5.3 Governance and culture

Staff and Councillors that the peer team spoke to are proud to work for and represent LCC, and it is clear that officers and members work well together. The Chief Executive sets a positive tone for the whole organisation, including a proactive approach and strong working relationship with both the Leader and Deputy Leader.

Peers note that there is political maturity and pragmatism, along with improving working relationships within the coalition administration. There is evolving practice to accommodate multi-party working and a partnership agreement incorporating two key facets. Firstly, there is an understanding that all partners in the administration vote unanimously for the Council Plan and the Budget, which requires a lot of work to reach a consensus. Secondly, in relation to communications, all publicity / announcements go through the Council's communications team and it is the relevant portfolio holder who is quoted. In addition, each group can put out their own party-political press release should they wish.

Politicians need to continue to work together in this way to capitalise on opportunities. For example, as noted above there is a need for the Council to benefit from capital receipts and the disposal of assets that can then be reinvested in community infrastructure and housing, supporting community wealth building ambitions, contributing to the net zero agenda and helping deliver the Council's transformation programme. This will require consensus and compromise from all to optimise the achievement of ambitions.

Feedback from Councillors that the peer team spoke to illustrated that Democratic Services is viewed as helpful and supportive to members. There is, however, a need to strengthen member development and tailor it to the requirements of individuals, with a particular need to enhance the induction package for newly elected Councillors. The Council may wish to explore the range of external training opportunities offered for members by the LGA.

The peer team believe that members could be more ambitious in how they hold the Executive to account through constructive scrutiny. There is an opportunity to work with members and officers across the Council to build a better understanding of the role and function of overview and scrutiny, with clarity on its purpose and effectiveness, including the part it can play in shaping policies alongside Cabinet.

The Council's internal audit service, which is well regarded and operates in line with

best practice, has been provided by Mersey Internal Audit Agency (MIAA) for the last 2 years. It is evident that the Council has been on a journey of improvement during this time to provide a greater degree of assurance, following a limited assurance assessment during 2021/22, primarily due to issues with risk management.

Since this time the Council has made significant improvements in its approach towards risk management, which has been led by senior officers. Dedicated officer capacity has been directed to risk management and a management system has been implemented to capture risks from projects and operational services through to the strategic risk register. All strategic risks (including financial risks) have been mapped to the Council Plan and are reviewed quarterly by the Leadership Team before being reported into the Audit Committee, Budget and Performance Panel, and Cabinet. In 2022/23 the Council received a moderate level of assurance by MIAA, with identified improvements in governance and risk management.

The strategic risk register is instrumental in informing the internal audit work programme, which is reviewed annually, with regular reports and outcomes shared with the Audit Committee. Internal Audit confirm moderate assurance over the operation of key financial controls.

The Audit Committee itself is well served with reports on all key areas within its remit, including an appropriate focus on audit, risk and fraud. The relationship between key officers, such as the S151 officer, and the committee is positive and effective. There is regular attendance by external audit and an engaged Chair who meets regularly and independently with Internal Audit. Consideration could perhaps be given to having independent members on the committee to improve the breadth of knowledge and skills.

The Council's three statutory officers meet on a weekly basis to address governance risks and issues, and in line with previous LGA recommendations the Section 151 Officer now sits on the Senior Leadership Team, alongside the Monitoring Officer.

The peer team were pleased to note that the Council recognises the need to commission additional advice and expertise when required relating to large capital projects, with the solutions arm to MIAA commissioned to undertake specialised governance work in relation to the Eden Project and Mainway housing development.

There is commitment to reduce inequalities and deliver services that are inclusive

and accessible to a diverse community, including examples of best practice, such as the development of a Fair Work Charter that aims to reduce inequalities in the local labour market by promoting equal and fair employment practices. However, it is recognised that work is needed to enhance the current approach, including a review, that is currently underway, of the existing Equality and Diversity Policy, which has not been updated since 2013 and creation of an associated action plan.

5.4 Financial planning and management

Lancaster City Council's finances are in a relatively reasonable, but tightening position with a balanced budget of £25m set for 2024/25. The Council has a relatively moderate level of unallocated reserves (£8.6m) which are above the minimum level assessed by the Section 151 Officer as being required for operating purposes. When added to further earmarked reserves (£10.5m), the estimated combined level of reserves totals £19.1m. The overall level of reserves as a percentage of expenditure is around average when compared to Lancaster's CIPFA nearest neighbour group.

When looking at the capital metrics and indicators identified by OFLOG, there are no specific areas of concern, although levels of debt as a percentage of core spending power (548%) are slightly above the average for the CIPFA nearest neighbour group (328%).

The Council faces a tightening financial situation, due to a range of factors such as national local government funding and cost of living pressures. However, there are also local factors, such as the impact of increasing capital programme borrowing costs (MRP and interest) on the revenue budget, which are rising significantly more than the amount by which the Council can raise Council tax income by. Over recent years the Council has made revenue and capital expenditure reductions, although there has been a mixed track record of delivering savings. As at the end of Quarter 3 2023/24 an overspend of £0.677m was projected. The Council need to take action to reduce this overspend.

The peer team were pleased to see that there is a good understanding among officers, Councillors and partners of the financial situation and the need to make savings and generate income. The Council has a comprehensive Medium Term Financial Strategy which includes scenario planning around key assumptions. This

demonstrates a projected deficit of £1.4m in 2025/26, with an estimated total shortfall of £4.6m up to 2028/29, which if not addressed will impact on the Council's overall reserve position (unallocated reserves will run out by 2027/28 without mitigations) making them more vulnerable in the future.

The Council has a plan to address its budget deficit with the 'Fit for the Future' programme incorporating an Outcome Based Resourcing (OBR) process, including for example a rationalisation and review of assets and use of 'flexible capital receipts' regulations to enable investment in transformation to deliver savings. The framework has been put in place to address the medium-term deficit and it is anticipated that it will take another 12 to 24 months to fully achieve its aims. An accompanying governance structure has been created incorporating member and senior officer involvement to oversee progress.

The peer team believe that there is a need however to ensure that the Fit for the Future (and wider budget planning) process is driven by the Council Plan and that Council ambitions are reduced to fit resource availability.

Members of the peer team identified that the Council has made limited progress to date on raising capital receipts through the disposal of assets. Completion of the asset review and delivery of the asset management programme needs to be prioritised to reduce costs, maximise income and reduce future borrowing.

In addition, the peer team believe that increased collaboration is needed between the finance and economic development teams to identify inward investment opportunities and therefore emerging National Non-Domestic Rates (NNDR) revenue that can be incorporated into the Medium Term Financial Strategy.

The Council has adopted the requirements of His Majesty's Treasury Green Book in its capital project business case development and appraisal, requiring all capital projects to be aligned to the strategic objectives of the Council set out in the Council Plan and a full and viable business case to be presented to committee before capital expenditure is approved. Nevertheless, the reliance on capital projects to deliver ambitions brings inherent risks particularly in a climate of continuing financial pressures. The peer team believe that a clear articulation of priorities (which may involve compromise) in the Capital Strategy and associated plan for disposals could mitigate these risks.

The peer team also felt that there is an unclear explanation of the financial risks of the Capital Programme and the associated mitigations. The narrative in the performance reporting and risk commentary is not clear when in reality the mitigations are understood, extensive and sound. As an example, peers were informed that Eden (an educational charity and social enterprise) is going to take responsibility for any capital overspend on the Eden Project Morecambe, an important mitigation for an inherently risky capital build – yet this is not clear in the performance reporting commentary.

The Council produces quarterly financial reporting, including performance data, which is reported through Chief Officers to Cabinet and the Budget and Performance Panel, although the timeliness of these reports could be improved. In addition, whilst there is monthly monitoring of 'hot areas' to the Strategic Leadership Team, financial governance could be enhanced by reporting against all service areas on a monthly basis.

The Council currently has 4 years of unaudited accounts, due to an objection to the accounts. This has taken time to resolve, as the Council has had to gain assurance from an external funding body that there will not be a requirement for the repayment of grant funding from Homes England. Whilst it is anticipated that accounts for 2019/20 and 2020/21 will be provided with an audit opinion soon, it is highly likely that the accounts for 2021/22 and 2022/23 will be subject to a disclaimed audit opinion to meet the 'backstop' date of 30th September 2024 for completion of outstanding audits. Whilst the Council is not alone in this position, it does present a financial risk to the Council as there is no assurance over its opening balance sheet position for 2023/24. As the situation is likely to require additional audit procedures on the 2023/24 and future accounts it would be prudent for the Council to assume that servicing the 2023/24 audit will have a significant resource impact on the Council's finance team and that further capacity in the finance team will most likely be required to support the audit and continue to support the delivery of the Council plan.

5.5 Capacity for improvement

The peer team were impressed to see that the Council has been on a rapid two-year improvement journey, making significant changes to the operation of the Council and

its governance and assurance processes, from the introduction of a new risk management framework and implementation of a revised complaints system to the reconfigured senior management team structure and establishment of the Lancashire District Strategic Partnership. This progress has been driven with strong, visible leadership and support from the Cabinet and Senior Leadership Team.

This openness to innovation and improvement was highlighted in discussions with the range of stakeholders that the peer team spoke to, such as Lancaster and Morecambe College and Lancaster District CVS. For instance, Imagination Lancaster (a design-led research lab at Lancaster University) highlighted the research partnership with Lancaster University that is exploring the impact of place-making for young people.

Staff too are empowered to try out new things, with evidence of a 'let's do it' attitude that is permeating the organisation, supported by the new and more dynamic leadership team. For example, frontline staff that the peer team spoke to highlighted how they are supported to be creative in meeting the needs of individuals, whilst back-office employees noted that there is a progressive approach that enables them to try out new ideas.

There is a clear focus on employee development and wellbeing. The Council has recently introduced a new 3-year People Plan, which has incorporated a range of new initiatives including the introduction of a leadership development programme, launch of a learning and development strategy, a refresh of the Council's values, implementation of a wellbeing strategy and establishment of an engagement strategy.

Peers heard that internal communications, such as the weekly staff newsletter and in-person Chief Officer briefings are well received and valued by staff, although there is a need to ensure that frontline staff who may not have access to ICT are able to see communications, along with wider Council policy documentation, etc. Expansion of the 'We're Listening' front line staff engagement group could present an opportunity to enhance this approach.

The peer team also heard a number of examples of digital transformation delivering improved outcomes and efficiencies. A new customer relationship management (CRM) system has recently been implemented within Customer Services enabling

channel shift for transactional work to an online offer. Since the launch there has been a 40% (33,000) reduction in telephone calls and email transactions, which has enabled resources to be redirected to provide increased opening times in the district's town halls in Lancaster and Morecambe, so that face to face support can be provided to residents as required.

It is apparent however that the transformation programme is not sufficiently developed and there is recognition of the need to accelerate the creation of an ICT / digital strategy to support channel shift and implement more efficient ways of working.

The peer team believe that the lack of capacity in the finance team to effectively support the organisation is a risk. There are a number of vacancies and there is limited scope beyond business-as-usual work and delivering draft and audited accounts by statutory deadlines to support the Council to deliver its Council plan and major capital projects. The anticipated additional external audit procedures likely to be needed (noted above), present a further challenge to capacity. Whilst recruitment in this area is underway, the use of interim resources to supplement capacity on a temporary basis should be considered.

In common with Councils across the country, recruitment to professional roles presents challenges to service delivery. There is therefore a need to effectively market the place and the Council to potential applicants.

In considering capacity and as indicated in previous sections of this report, peers believe that there is a need for further prioritisation of the Council's capital programme, so that timescales are more staged, which will help to prioritise the investment of staff time and resources, and release staff capacity to invest time in broader priorities, helping to meet the needs of the whole community.

Members of the peer team were keen to highlight and give encouragement to the Council's recognition of the role that partners can play in supporting joint delivery. The strong, collaborative relationships and shared priorities that have been developed with local organisations, including the voluntary and community sector, present many opportunities, with stakeholders ready and willing to deliver.

The peer team believe that the Council should use the findings from the corporate peer challenge to reflect on the significant improvement journey that has been made

over the last two years; acknowledge and celebrate this progress; take the opportunity to use the CPC to reinvigorate the organisation and then move forward.

6. Next steps

It is recognised that senior political and managerial leadership will want to consider, discuss and reflect on these findings. The LGA will continue to provide on-going support to the council. As part of the CPC, the council are also required to have a progress review and publish the findings from this within twelve months of the CPC. The LGA will also publish the progress review report on their website.

The progress review will provide space for a council's senior leadership to report to peers on the progress made against each of the CPC's recommendations, discuss early impact or learning and receive feedback on the implementation of the CPC action plan. The progress review will usually be delivered on-site over one day.

The date for the progress review at Lancaster City Council has been scheduled for 23rd January 2025.

In the meantime, Claire Hogan, Principal Adviser for the North West, is the main contact between your authority and the Local Government Association. As outlined above, Claire is available to discuss any further support the council requires and can be contacted via Claire.Hogan@local.gov.uk .