

Budget Scrutiny Working Group

Monday, 2 December 2019

MINUTES

Present:

Councillor Jennifer Wheeler (Chair), and Councillors Michael Chalk, John Fisher and Yvonne Smith

Also Present:

Professor Peter Latchford OBE (Black Radley)

Officers:

Chris Forrester and Guy Revans

Senior Democratic Services Officer:

Jess Bayley

4. INTERVIEW WITH PROFESSOR PETER LATCHFORD OBE (BLACK RADLEY)

Members welcomed Professor Peter Latchford OBE from Black Radley to the meeting. During the meeting Professor Latchford delivered a presentation in respect of commercialism and Black Radley's work to enable the Council to operate in a more commercial manner.

The following matters were highlighted in this presentation for Members' consideration:

- Black Radley had been working with the authority since September 2018.
- The Council had sought help in a challenging financial context and at a time when the Section 24 Notice had been issued to the authority which had demonstrated that action was needed.
- Black Radley had adopted a whole systems approach to advising businesses, including the Council.
- Members were informed that Black Radley had been established 20 years' previously and specialised in enterprise and governance. The company had experience of working with organisations in both the public and private sectors.

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Chair

Budget Scrutiny

Working Group

Monday, 2 December 2019

- The focus of the work of Black Radley was not on making money but rather on helping the Council to deliver quality services more efficiently.
- A key role of Black Radley would be to help senior officers and Members to think about the services the Council was providing and any tensions that the authority faced.
- A balance needed to be secured between meeting the needs of the local community, taking into account the socio-economic structure of the local community, and working in a commercial manner, which could involve generating income for the authority.
- Staff could struggle with working commercially as frequently local authority employees reported that they had opted to work for a Council in order to serve their community and not to generate income.
- However, there wasn't necessarily a conflict for staff and frequently some of the most innovative ideas were generated by people working in the public sector.
- Civic enterprise could be financially astute and staff needed to be enabled to recognise that a social enterprise that generated income could help to cover the Council's overall costs.
- In the private sector some of the most successful entrepreneurs were often passionate about solving a problem and it was this, rather than generating profits, that was the focus of their work.
- Local authorities were typically quite risk averse. However, in order to become more enterprising the Council needed to adopt a more risk oriented environment as this would enable the authority to operate in a more commercial manner.
- There was a need to plan when embarking on a commercial enterprise but the Council needed to be prepared for failure as business activities often failed. The Council could learn from failure but needed to take the time to consider the lessons that had been learned.
- There was significant complexity within the public sector which was interconnected; in particular the financial, political and operational elements. Sometimes one of these elements was not taken into account when staff worked on a particular project and this could impact on the success of that project.
- J. P. Kotter, an academic specialising in management theory, had written 'Accelerate' about management structures. In the twentieth century he had reported that this tended to be bureaucratic and was an ideal system for providing cheaper standardised products. However, in the twenty-first century organisations needed to be responsive to a constantly changing environment and a new network style approach had been developed. This built on working relationships but didn't necessarily result in an increase in productivity. A balance therefore needed to be struck between the two approaches.

Budget Scrutiny

Working Group

Monday, 2 December 2019

- This had highlighted the importance not just of physical assets, such as buildings, but soft assets, like working relationships, in operating an efficient business.
- The Council's assets needed to be aligned with the wants of the customer. This was essential to ensure that assets were used in a way that would meet the requirements of customers. Sometimes what the customer wanted would not necessarily correspond with what they needed.
- The Council would not secure innovation without investment. There needed to be a budget for innovation and the payback for any commercial activities could take two to three years. Therefore Members were asked to note that it was unlikely that the Council would secure a financial return from commercial enterprises arising from the work with Black Radley in 2019/20 or 2020/21.
- Staff had been encouraged to approach Black Radley to discuss their ideas and a number had taken up this opportunity. There were many good ideas that had already been brought forward through this process and the role of Black Radley was to coach the staff to enable them to progress with their ideas.
- Some staff would need a lot of encouragement to enable them to have the confidence to take their ideas forward.
- A key issue that had been identified at Redditch Borough Council was with the strategy that had historically been set by Members. Members tended to be keen to continue to deliver a lot of services despite the fact that the Council no longer had the budget to support all of these services.
- At a difficult financial time for the Council Members needed to allocate funding to address key priority areas in line with Council strategy.
- Issues had also been identified with some managers' financial management and motivational skills, which was impacting on their ability to take their staff with them when attempting to change service delivery. Managers needed to take more responsibility.
- New training opportunities were in the process of being offered to existing managers to enable them to develop the skills needed to address these weaknesses.
- There was also the possibility that over time the Council would identify that the skills of particular staff were not being used and that they might perform better in a different department.
- Culture change was one of the biggest challenges facing the Council. A lot of work had already been undertaken at the Council in respect of this matter. A key area that remained to be addressed was to clarify what was expected of staff.
- The Corporate Management Team (CMT) had identified a number of areas where action could be taken in the short-term which would have a positive impact on productivity.

Budget Scrutiny

Working Group

Monday, 2 December 2019

- These big ticket items included housing, particularly in respect of meeting local housing needs.
- Use of Council properties was another priority area, considering how the Council acquired and exploited its property assets in a commercial way.
- There was more that could be achieved in respect of the work of Rubicon Leisure and the Council's objectives needed to be clarified.
- Contracts was another priority area. A lot of work had already been undertaken over the preceding 18 months in respect of contracts. A balance needed to be achieved between the Procurement team ensuring compliance with procurement rules and over policing procurement arrangements in a way that removed any flexibility.
- Governance was an important consideration for Members in respect of commercialism. It was important to ensure that Members did not attempt to micro-manage Officers. The Officers were appointed to manage the operational element of service delivery and needed flexibility to do this effectively.
- More work needed to be undertaken to hold people to account where mistakes were made but without having a blame culture. Lessons could be learned from failure and if blame or bullying emerged staff would not feel confident about raising their ideas.

Following the delivery of the presentation Members discussed a number of points in detail.

- The stage at which an optimum point would be reached in terms of the Council's service delivery meeting demand in an efficient and cost effective manner. Members were advised that no public sector organisation had reached an optimum point though progress was being made.
- The potential for Members to provide senior Officers with more delegated powers to enable them to innovate and the extent to which this was desirable.
- The potential to raise living standards, including the quality of housing, for some of the most deprived communities in Redditch and the extent to which this objective was compatible with a commercial approach to service delivery. It was noted that Housing Associations served a similar demographic and yet managed to operate in a more commercial manner than the Council. The Council could therefore learn lessons from housing associations.
- The action that would need to be taken in practice to apply commercial approaches to work at the Council and the need to ensure that the Council's strategy was to align expenditure with the Council's priorities moving forward.

- The Council's work in respect of commercialism and how this linked to previous initiatives such as service transformation. Officers advised that commercialism was a natural extension to business transformation and both focused on operating the Council as a business.
- The likelihood that the Council would want to continue to subsidise some services, particularly in cases where a service matched the Council's strategic priorities.
- The issues with housing and action that could have been taken to date to enable the service to operate more commercially. It was noted that the Council could have taken a more proactive approach to building new Council houses. Furthermore, it was suggested that when the 1% rent reduction had first been announced over the previous four-year period the Council should have produced a business case focusing on which parts of the service would remain sustainable during that period.
- The extent to which milestone points had been built into the Council's contract with Black Radley. Members were advised that there were no key milestones. However, specific senior officers had taken responsibility for working on the main opportunities that had been identified by CMT and they would need to meet deadlines.
- The arrangements for receiving progress reports in respect of the work initiated by Black Radley. The group was advised that progress reports would focus on the big ticket areas.
- The necessity for action to be taken to address the concerns raised by the external auditors in the Section 24 Notice and the extent to which staff and Members recognised the seriousness of the situation.
- The extent to which Black Radley had met with elected Members to date. Members were advised that Black Radley attended meetings of CMT on a monthly basis and meetings had been held with the Leader and Deputy Leader of the Council but no further meetings with Councillors had taken place to date.

At the end of the discussions around this item Members concluded that the presentation had been both interesting and revealing. There was general consensus that all Members would benefit from an opportunity to meet with representatives of Black Radley and to learn about commercialism. This could result in the Councillors identifying potential commercial opportunities for the Council as well as enabling Members to make some of the difficult decisions that were required in order to balance the authority's budget. In this context Members agreed that a briefing should be provided to all Members in respect of commercialism by Black Radley.

Budget Scrutiny

Working Group

Monday, 2 December 2019

The timing of this briefing was briefly discussed. Officers noted that previously the group had suggested a briefing in respect of the new enterprise finance system but as this had taken place in March 2019 only six Members had attended as the others had been campaigning in the local elections. It was therefore agreed that the briefing would need to take place early in the New Year to avoid a similar outcome with the briefing in respect of commercialism. In addition, Officers explained that should the Council fail to identify actions that could be taken to balance the budget early in the New Year the Section 151 Officer might need to issue a Section 114 Notice which would result in serious action in respect of the Council's budget. There was general consensus that this situation needed to be avoided and therefore the group agreed that if the Executive Committee was minded to approve an all Member briefing in respect of commercialism this should take place in January 2020.

RECOMMENDED that

there should be an all Member briefing from Black Radley in respect of commercialism in January 2020.

ACTION: Members of the Budget Scrutiny Working Group to persuade other Councillors in their political groups to attend the all Member briefing in respect of commercialism, should this be approved by the Executive Committee.

The Meeting commenced at 6.00 pm
and closed at 8.50 pm