

Inspection report

November 2003



# Corporate Governance Progress Inspection

Kingston upon Hull City Council

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# Introduction

## Background

- 1 This is the Audit Commission's third report on corporate governance in Kingston upon Hull City Council. It follows the original corporate governance inspection in April 2002 and a subsequent corporate assessment report, published in December 2002 as part of the Comprehensive Performance Assessment ('CPA'). As a result of the first inspection the Audit Commission concluded that the City Council was failing to comply with its duty under Section 3 of the Local Government Act 1999. The CPA assessed the Council's capacity for improvement as 'poor'.
- 2 In April 2002, the Audit Commission undertook a corporate governance inspection ('CGI') of Kingston upon Hull City Council and published its findings in a report dated July 2002. The Audit Commission concluded, in the light of significant identified weaknesses, that the City Council was failing to comply with its duty under Section 3 of the Local Government Act 1999 to:

*'make arrangements to secure continuous improvement in the way its functions are exercised having regard to a combination of economy, efficiency and effectiveness.'*

The original corporate governance inspection highlighted concerns about failings in the following areas:

- ◆ relationships between officers and councillors and councillor behaviour;
  - ◆ financial planning and management;
  - ◆ decision-making founded in a proper consideration of alternative options; and
  - ◆ failure to tackle the complexity of the housing problems before it, which were on a major scale. Those needs were urgent and of a complex, strategic nature involving over-supply against collapsing demand, private and public sector decline and overall financial intractability.
- 3 The Audit Commission therefore recommended that the Secretary of State exercise his powers under Section 15 of the Local Government Act to issue a direction to the City Council. In the Audit Commission's view the objective of such a direction might, in particular, be to support the Council's progress in forming and delivering its overall corporate improvement plan, and urgently to address its housing problems. In response to the Audit Commission's referral, the Secretary of State decided not to issue a direction but instead put in place a number of supervision and support arrangements designed to assist the City Council to make improvements.
  - 4 The inspection report indicated that failure to achieve the progress planned would lead to further consideration by the Audit Commission and, if appropriate, further recommendations for intervention by the Secretary of State.
  - 5 In all, there were 74 recommendations arising from the CGI. These are set out in full in Appendix 1, grouped under the headings of:
    - ◆ community leadership;
    - ◆ structures and processes;

- ◆ risk management and internal control;
- ◆ service delivery;
- ◆ standards of conduct; and
- ◆ political leadership and culture.

## Methodology

- 6 Although the original CGI recommendations set the broad scope, the main focus of this current inspection was on:
  - ◆ Governance - including political leadership, community leadership through partnership and member/officer relationships, and standards of conduct;
  - ◆ Corporate management - including structures, processes and financial management; and
  - ◆ Housing - a case study to assess the impact of any improvements on the issue which was identified as the top priority by the CGI.
- 7 This approach was agreed with the Council. It enabled the inspection team to address the key issues identified by the original inspection as well as relevant recent developments. On 18 June 2003, the Minister of State for Local Government and the Regions wrote to the Council expressing concern about proposals for significant changes in the management structure. The inspection team incorporated this issue into its work by looking at the way in which this matter was handled, including how the proposals were developed and implemented, communication, option appraisal and decision making, together with the impact of the proposals internally and externally.
- 8 Shortly before the inspection commenced the Council suspended its Chief Executive. Whilst the inspection considered the impact of that decision, for example, on the morale of staff and on the confidence of partners, the merits and demerits of the decision itself are outside the scope of our current work. Those matters are being considered by the independent QC who will report in due course.
- 9 The inspection team used the same key lines of enquiry as used in the original CGI. A member of the original team was also included in the current inspection to ensure continuity. In addition to the standard inspection activities of document review, observations and interviews, a desktop assessment of service improvement was undertaken using performance indicators and recent inspections by Ofsted<sup>1</sup> and the Joint Review team<sup>2</sup>.
- 10 The site work for this inspection took place in the week commencing 22 June 2003. The Council was also given an opportunity to submit further written evidence of improvement covering the subsequent period up to 19 September 2003 and this has been taken into account in our findings.

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<sup>1</sup> Inspection of Kingston upon Hull Local Education Authority. Ofsted, January 2003.

<sup>2</sup> Report published September 2003.

## Findings

- 11 The Audit Commission's judgement is that the Council is still failing to comply with its duty under Section 3 of the Local Government Act 1999.
- 12 The Council has been slow to respond to the failings identified by the original CGI. It has progressed 43 of the 74 detailed recommendations made at that time but to date this has made little real difference to the lives of the people that it serves. The fundamental cause of the Council's continuing failure to get to grips with the difficult issues which it faces is poor political leadership and governance:
  - ◆ relationships between officers and members and member behaviour remain poor;
  - ◆ financial planning and management continue to be weak;
  - ◆ decision-making is weak and not consistently founded in a proper consideration of alternative options; and
  - ◆ the Council has not tackled its housing problems.
- 13 The Council has a political culture which is immature and confrontational. Councillors lack trust in each other and staff. This is a considerable barrier to improvement. The manner of the implementation of early actions of the new political administration in relation to housing, the suspension of the Chief Executive and the initial handling of the proposed new management structure have exacerbated political differences. This has heightened instability and distracted councillors from the real challenge of driving improvement.
- 14 The adversarial nature of Hull's politics is characterised by the high incidence of complaints referred to the Standards Board for England. Those that are upheld signify the continuation of inappropriate behaviour and those that are not are indicative of a culture that places political point scoring above the reputation of the city or the desire to have services that meet the needs of local people. Since the CGI, there has been little meaningful progress in supporting political leadership and decision making through training and development.
- 15 The foundations have been laid, in the form of a revised constitution, for improvements in member/officer relations and a more appropriate division of responsibilities. There has, however, been little corresponding cultural and behavioural change necessary to make this a reality. The Council has breached its own principles of conduct and decision-making in a number of key areas.
- 16 Change management has been poorly handled. The previous administration demonstrated ineffective leadership, for example, by failing to obtain the necessary consensus to drive through housing reform. The manner and timing of proposed changes to the management structure, initiated by the current administration, has been damaging to staff morale and to confidence amongst external partners. The current absence of a proven chief executive means that the Council lacks the necessary professional leadership to drive improvement.
- 17 Corporate financial management is still inadequate. The protracted absence of a substantive chief financial officer (CFO) means that the Council has lacked key strategic financial leadership and capacity at a crucial time. Budget monitoring and controls are weak and provide no assurance that budget discipline can be maintained. The budgetary position itself is uncertain and there is still no medium term financial plan to guide budgetary decision making. Consequently there is a

substantial risk that the Council will be unable to finance improved services or address local improvement priorities.

- 18 There are no satisfactory corporate arrangements in place for driving and managing performance. Members do not receive corporate performance reports to enable them to ascertain whether the Council is meeting its priorities or to assess the impact of their policy decisions. The absence of such basic arrangements is a major barrier to continuous improvement.
- 19 Decisions are being taken without the benefit of robust appraisal of all options against pre-determined and appropriate criteria. Recent examples include the consideration of free school refreshments and meals for pupils and the continuation of the home energy programme.
- 20 There has been insufficient progress on the pressing strategic issue of housing stock reduction. There is still no long term plan for tackling fundamental problems associated with surplus capacity, developed in consultation with partners and local people. The absence of a shared vision, ie one developed and owned jointly by all stakeholders, for the city further prevents the Council and its partners from devising a coherent strategic framework for tackling the most serious physical, economic and social problems faced by local people. Lack of movement on the housing issue has also served to delay progress in developing a strategic response to the over-supply of school places.

## Recommendations to the Council

- 21 A key aim of the Audit Commission is to use its inspection powers as a catalyst for change to bring about improvement in how councils operate and how services are delivered to local people. In view of the Commission's judgement that the Council has made little progress in tackling the issues identified by the CGI, there are no additional recommendations to the Council in this report. The Council still needs to focus on outcomes and prioritise its action to resolve the fundamental issues around political leadership, governance and housing.

## Recommendations to the Secretary of State

- 22 The Council has failed to make substantial or sufficient progress since the corporate governance inspection in 2002. It continues to be in breach of its duty under the Local Government Act 1999 ('the Act') to secure continuous improvement. In the light of this, the Audit Commission proposes to make formal recommendations to the Secretary of State under the powers in Section 13(4) of the Act, that he should exercise his powers in Section 15 of the Act to give a direction to the City Council. We set out below our views as to the objectives which such a direction might seek to achieve and our suggestions as to means of achieving those objectives.
- 23 **Changes to the culture and behaviour of councillors from all parties and in particular the political leadership:** There is general agreement between the Commission's inspectors, the City Council, ODPM and other agencies as to the need of the Council for substantial support in order to achieve the necessary changes. A great deal of support and assistance is available to the Council, from IDeA and other agencies, in the form of training, mentoring, partnering and other arrangements. The Council's elected members, and in particular its political leadership, must show a willingness constructively to engage with that support. They must rapidly develop and implement a support programme, participate in that programme fully and ensure that the Council devotes the necessary resources and facilities to enable the programme to succeed. Councillors at Hull must be willing to learn from the skills and experience of others and demonstrate

significant and lasting changes in their behaviour and culture. A statutory direction should, in the Commission's view, reinforce this requirement.

- 24 **Ensuring the presence of a proven chief executive:** - To bring about and sustain the necessary level of improvement, the Council needs the skills and experience of a chief executive with a proven track record of achieving, bringing about and embedding improvement in large and complex organisations. In the Commission's view, this requirement cannot await the outcome of the current proceedings concerning the suspended chief executive. The Audit Commission recommends that a direction under Section 15 of the 1999 Act should require the Council to contract with a person nominated by the Secretary of State, pending the outcome of these proceedings and the long term resolution of the position.
- 25 **Additional support to the Council in respect of change management, financial and performance management, and decision taking:** The Audit Commission recommends that a statutory direction should address the need for the Council to achieve substantial improvement in its management as well as its political leadership. In addition, noting the concerns in this report over the Council's decision-taking in relation to management restructuring, school meals policies and the appointment of the acting chief executive, a direction should require the Council to seek additional support provided via the ODPM, which could include the provision of additional staff, with the objective of improving its arrangements for decision taking, financial and performance management and change management.

- 26 **Urgent resolution of the surplus housing stock:** The Audit Commission recommends that any direction include a requirement for the Council to consider alternative arrangements for managing its housing stock. In addition, the Commission recommends that the Secretary of State consider the provision of additional support, which could include staffing resources, to work with the Council to help deal with issues of regeneration and selective demolition in order to secure sustainable housing provision.

**Dates of site work: 22 June to 27 June 2003**

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# Report

- 27 This report has been prepared by the Audit Commission ('the Commission') following an inspection under Section 10 of the Local Government Act 1999, and issued in accordance with its duty under Section 13 of the 1999 Act.

## Context

- 28 The city of Kingston upon Hull is situated on the Humber estuary. It is a leading port and has a ferry terminal, linking it to the continent via Rotterdam and Zeebrugge. The decline of the local fishing industry has led to prolonged economic decline and the city is now seeking to promote itself as a centre of digital communications technology.
- 29 The population of the city is just under 250,000 and declining. There is a small but increasing ethnic minority community. The latest census identified the proportion of the population of minority ethnic origin at 3.6 per cent in 2001. In particular, there are small but significant numbers of asylum seekers in the city - mainly Kurdish but also from Iran, Afghanistan and Eastern Europe. There have been recent reports of local tensions indicating that community cohesion is a live issue in the city.
- 30 Deprivation levels are high, with unemployment running at more than twice the national average at just under 7 per cent. Overall, the city is ranked as the 14th most deprived council area, according to the indices of deprivation and half of the city's wards are amongst the 10 per cent most deprived in England. Educational achievement remains low, although there have been recent improvements in primary pupils' attainment.
- 31 The city has high levels of council housing and sustainability of the housing market is a major issue for the community. There has been a collapse in demand for both public and private housing and this has resulted in decay and dereliction in some parts. Vacancy levels in council property are the highest in England at 8.5 per cent in 2001, well above unitary (2.8 per cent) and regional (3.7 per cent) levels. Private sector housing vacancy levels are similarly high and the whole of its area is earmarked for a Government-sponsored housing market renewal pilot.
- 32 Population decline and migration to schools in neighbouring East Riding have also created problems for educational provision. In 1999, the city had one of the highest levels of primary school surplus places nationally at 21 per cent. This has now been reduced to 12 per cent, a position described in January 2003 by Ofsted as 'satisfactory but fragile'.

## The Council

- 33 At the time of the CGI in April 2002, Labour had been in power since the creation of the Council in 1996 and had a significant majority. Since then, there has been a period of political turbulence and changing political priorities. The Liberal Democrats took control of the Council in May 2002, forming a coalition with the Independents. At the time of this inspection, a minority Labour administration was back in power, due to a combination of electoral changes in May 2003 and the departure of some former Liberal Democrat councillors to join the Independent group. The current composition of the Council is: Labour with 27 seats, Liberal Democrats with 22, eight Independent Group, two Conservative and Unionist and one Independent.

- 34 The Council has a leader and cabinet model which has been in place formally since 2002 having been introduced informally in 1999. There is a 10 member, all Labour, cabinet with eight thematic portfolio responsibilities in addition to the Leader. These are: Quality Services (held by the Deputy Leader); Housing; Social and Health Care (shared); Quality of Life; Learning Services; Economy; Finance and Administration; and Transport.
- 35 At the time of the CGI, the Council had just appointed a new managing director/chief executive designate. Subsequently, interim managers were appointed, pending agreement of a new organisational structure and selection of a new corporate management team. The recruitment of the corporate directors had just been completed when the Labour administration came back into power in May 2003 and immediately announced plans for restructuring the Council. The Chief Executive was suspended by the Council pending independent investigation on 3 June 2003. At the time of this inspection, the current senior management team was led by an Acting Chief Executive.
- 36 Five corporate directors form the corporate management team under the leadership of the Chief Executive. Their current roles are a combination of functional and corporate responsibilities. Areas of responsibility at corporate director level are: regeneration and renewal, economy and resources, learning and culture, social care and health, and operations and public services.

## Recovery planning

- 37 As a result of the critical CGI and the poor CPA score, the Office of the Deputy Prime Minister has initiated a process of formal 'engagement' with the Council, to oversee the recovery process. An important dimension of this is the development of the Council's recovery plan. At the time of this inspection, the Council had just produced a document called the Combined Plan, which incorporated the corporate plan, recovery and development action plans, best value performance plan, corporate strategy and draft asset management plan. This is the third CGI Action Plan produced in the 12 months following the publication of the CGI report.
- 38 In addition to the formal Monitoring Group, a Partnership Liaison Board has also been put in place to support the Council's recovery process. This is chaired by Lord Best and includes a combination of local stakeholders and external advisers. This group met for the third time in July. Since our site work, two sub-groups have been established to consider governance and housing issues.

## What progress has the Council made in improving its approach to governance?

- 39 Effective governance is an essential pre-requisite for sustained improvement and effective service delivery. Hull City Council has yet to make sufficient, significant, sustained improvements in its governance. There has been some activity and two changes of political control but the fundamental barrier to recovery persists: the absence of clear, consistent political leadership focused on improvement and working in partnership with the community and other stakeholders.
- 40 There remains resistance to operating in a different way and a reliance on confrontational political styles and behaviours rather than a more collaborative approach, based on dialogue and joint working. There are the beginnings of a voiced acceptance for the need to work differently but these are fragile, very new and yet to have any impact on how services are delivered. It is not yet clear how real or robust these promised changes are.

## Political leadership

- 41 At the time of the CGI Hull's political leadership was inexperienced, fragile and riven by internal division but with emerging strengths. Recommendations in the first report were focused on building leadership capacity within all political groups, reducing isolation and raising awareness of good practice elsewhere and the achievement of open and purposeful scrutiny of council policies and outcomes. Specific recommendations included political mentoring, building links with local, regional and national networks, strengthening scrutiny arrangements and promoting an inclusive culture.
- 42 CGI recommendations sought to achieve change through training and development for councillors. There has been mixed progress in supporting the development of political leadership and decision making through training and development. In particular, the Council has been slow to put in place its Performance Support Package with the Improvement and Development Agency (IDeA). As a result, there has been little training and development activity to support the role of councillors in recovery planning and improvement. There has been some progress in establishing scrutiny training and political mentoring for the former and current Leader through the IDeA. However, this inspection found little commitment from the Leader to cabinet member training and development.
- 43 In the Council's current circumstances, effective, consistent political and managerial leadership is critical in establishing some stability to underpin improvement of the Council over the medium term. The achievement of consensus, or at least a shared understanding, on the key issues is a necessary precursor to lasting improvement. In particular, the Council requires champions for service improvement and for cultural change at both political and organisational level.
- 44 The Leader is the most important political role model in any council, particularly a failing one: his behaviour is critical to signalling the way forward and providing a focus for members, the Council and the wider community. A key part of this role is forging agreement first of all around the key issues and on the ways forward for tackling them. External partners are not confident that the current Leader will demonstrate a sustained commitment to improvement and changing the culture of the Council. This is also the view of opposition groups. It is still relatively early in the life of the current administration but to date the Leader has not done enough to demonstrate these values in action. The need to secure the confidence of key stakeholders remains a priority.

- 45 It is not yet clear that there is a genuine understanding or acceptance of the need for the new administration to work in different, more collaborative ways. The current Leader and cabinet members talk about an emerging political consensus in Hull and a more inclusive political culture but this is yet to be demonstrated. In opposition, the Labour group refused to take part in the Change Management Board. By declining to participate in the appointment procedure for the corporate directors, they politicised a routine but important part of council activity. Consequently early actions of the new administration, such as the suspension of the chief executive, the appointment of the acting chief executive and proposed organisational changes, were perceived by staff and external partners to be more a continuation of old behaviours rather than evidence of a new, more collaborative way of working.

## Standards of conduct

- 46 The CGI found that:

*'standards of behaviour by elected members continued at the time of the inspection to fall short of the consistent level of professional respect that would get the best from the Council's workforce.'*

To support the identified but fragile recent improvement the report recommended that the terms of reference of the Standards Committee be reviewed and its profile raised.

- 47 The role of the Standards Committee has been reviewed and it has been publicised within the Council. Councillors are now well aware of its role. However, they continue to make high levels of referrals to the Standards Board for England. In January 2003, there were 18 outstanding complaints to the Standards Board for England and a further 11 complaints being considered for referral. In April 2003 a further 21 were awaiting referral. Some of these are multiple complaints, relating to the same incident.
- 48 The high level of referrals can be viewed in two ways. Those that are upheld indicate the continuation of inappropriate behaviour and the Council's failure to stamp it out. Those that are rejected by the Standards Board demonstrate the failure of the Council to put its own house in order and deal with such issues locally. Failed complaints are a sign that political and personal points scoring is more important than the reputation of the city or the desire to have services that meet the needs of local people. Either way whilst the current administrative arrangements provide a sound infrastructure for the conduct of council business, this has not yet been matched by corresponding, consistent improvements in behaviour.
- 49 Relationships between members and officers continue to be poor. The previous administration made some progress in establishing appropriate boundaries between the role of officers and members by greater delegation to officers. The early behaviour of the new administration undermined these limited improvements. Recently both officers and senior councillors talk about developing positive relationships between current cabinet members and corporate directors, and report that there is the beginning of real change. This change is yet to make itself consistently and robustly visible in the actions of the Council.

- 50 The Council's constitution sets out principles of decision making and general principles of conduct. In particular, the constitution<sup>3</sup> states that all decisions of the Council should include:
- ◆ due consultation and taking of professional advice from officers;
  - ◆ a presumption in favour of openness; and
  - ◆ clarity of aims and desired outcomes.
- 51 General Principles of Conduct in the constitution<sup>4</sup> also include the following standards in the way councillors should conduct themselves:
- ◆ Objectivity: 'members should make decisions on merit, including when making appointments, awarding contracts, or recommending individuals...';
  - ◆ Respect for others: '... They (councillors) should respect the impartiality and integrity of the authority's statutory officers, and its other employees'; and
  - ◆ Leadership: 'members should promote and support these principles by leadership and by example, and should act in a way that secures or preserves public confidence'.
- 52 Early actions by the current administration have breached these principles. Good practice and the Council's own constitution suggest that any major proposals should be developed jointly between senior officers and councillors. This approach was not followed in early June when the Labour group introduced proposals for a fundamental restructuring of the management of the Council. The proposals were presented to the Council's management team, announced to a staff meeting and released to the press on the same day. Senior managers were initially given just three days to come up with alternative proposals.
- 53 The proposals were presented by the Leader and Deputy Leader, at a meeting of the Council's 'top 100 managers' without the involvement of the Chief Executive or corporate directors, further undermining the role of officers. The Chief Executive was suspended on the same day and the press conference was used to announce his suspension. In the apparent lack of support for corporate management, disregard of necessary professional advice or the principles of good decision making and failure to consult, the political leadership breached the principles of the Council's constitution. Their actions were perceived by staff and external partners as a continuation of old behaviours and undermined any claim to be behaving differently.
- 54 Since these events there is a suggestion that the cabinet may be changing its approach. There are some indications that the cabinet is more inclined to consult with the corporate management team. For example, they jointly developed a shared approach to specific budget issues at a workshop. However, examples of such co-operation are very limited and change has not yet penetrated all levels of decision making and interaction.
- 55 Little progress has been made in establishing a less confrontational style of politics to enable the Council to focus on tackling the major external challenges

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<sup>3</sup> Para 13.2 Constitution, Kingston upon Hull City Council, March 2003.

<sup>4</sup> P207 Constitution, Kingston upon Hull City Council, March 2003.

which it faces. The previous administration made an attempt to operate in a different way by establishing a coalition. They also attempted to establish a more inclusive style of operation. However, this attempt was short-lived due to the collapse of the coalition and the subsequent change in the administration.

- 56 This inspection identified a worrying level of allegations of inappropriate behaviour including bullying. Allegations were made by both officers and councillors and a widespread perception of bullying and inappropriate behaviour persists. This inspection did not include any investigation of the substance of these allegations. However it is clear that neither the current nor previous administrations have been successful in tackling these perceptions or building a culture of mutual respect.
- 57 The CGI found evidence of division within the ruling (Labour) group and a lack of agreement between the political groups on key priorities for the city. Senior cabinet members referred to an emerging consensus between the group leaders, but this was contradicted in our interviews with opposition councillors, where the situation was described as 'consensus is what the Leader says it is'. This raises doubt about the Council's ability to reach workable political consensus on the way forward in relation to difficult issues.
- 58 Recent actions have damaged stakeholders' confidence in the willingness of the Council to work in an open and transparent way. One example is the introduction of policy advisers for cabinet where the Leader sought to second named officers, without an open selection process. A further example is the appointment of the Acting Chief Executive selected by a member panel; apparently without the benefit of clear and appropriate selection criteria.

## Scrutiny

- 59 The CGI found scrutiny arrangements to be weak. Some progress has been made in tackling this although it is too soon to assess what impact these changes will have or whether the improvements can be sustained. Scrutiny has just been the subject of the second structural review in 12 months. The latest review undertaken was the first to be scoped and conducted solely by scrutiny members. Scrutiny commissions are chaired by opposition members. Membership has been reduced and themes have been altered to ensure that the work of the Executive is properly covered. Scrutiny is not yet properly supported through the management structure of the Council, although arrangements have improved over the last 12 months. The recent management restructure proposals are intended to improve it further.

## Community leadership

- 60 The CGI found that the absence of an overarching strategy and long term vision for the city was a major weakness. Progress has been made in launching the community strategy but there is little real ownership of the document by the community, the Council, its staff and its partners.
- 61 Members of the Local Strategic Partnership complain of a failure to engage with them in the development of a systematic vision. Managers identified the community strategy as a key document but acknowledged that it had been devised in haste and needed to be more effectively grounded in robust consultation with the community and other key stakeholders. The absence of such a shared vision hampers the Council and its partners in devising a coherent strategic framework within which they can begin to tackle the most serious physical, economic and social problems faced by the people of Hull.
- 62 There is still no clear, comprehensive and coherent picture of the Council's role and responsibilities in securing a more collective vision for the city and little ownership of council priorities among staff. The Council has recently declared its ambition of becoming an 'excellent' CPA authority within five years but this is

inadequate to give sufficient focus to the drive for improvement. The current administration is clear about its manifesto commitments but it has yet to demonstrate leadership around the long-term priorities facing the city. It has not articulated how the manifesto commitments will make a contribution to progressing the priorities and not operate to deflect attention from them.

- 63 The recently produced Combined Plan is an attempt to bring together in one document the Council's improvement plan, a corporate plan, and the BVPP. It contains reference to vision, mission and values for the Council but does not offer a clear and manageable set of priorities. There is no ownership of the document throughout the Council and stakeholders and there are no plans to develop this. Whilst some groups have been informed about the plan through formal presentations, there was no inclusive consultation process for its development. This lack of ownership results in an absence of shared focus, inhibits the strategic development of specific services, and impedes the development of a co-ordinated approach to cross-cutting issues such as social inclusion, regeneration and community safety.
- 64 Limited progress has been made in developing a coherent and systematic corporate approach to community engagement. A framework for community engagement has recently been developed but has yet to inform important processes such as community planning and the development of priorities. On the contrary, in key areas such as housing demolition, the Council's approach has been reactive, disjointed and duplicative. This view was supported by a recent study<sup>5</sup> which found a lack of a strategic approach in engaging with the public, especially hard to reach groups. There is also a Citizens Panel in place which the Council uses regularly but it is not clear what changes as a result of consultation.

## Partnership

- 65 The CGI found some strengths in the way the Council works with partners and examples of successful partnership working, on regeneration projects and also in some operational areas. There was, however, a lack of clarity about the role of the Local Strategic Partnership (LSP). Little has changed and the assessment by the Government Office for Yorkshire and Humberside of the LSP is that it is underdeveloped compared to other cities<sup>6</sup>.
- 66 The promised changes in behaviour by councillors have yet to have any impact on partnership working. For example, the LSP has had limited involvement in discussing and agreeing key city-wide priorities such as housing or priorities for the Neighbourhood Renewal Fund. There are plans to undertake further development work, but this does not address the fundamental problem of council engagement. Prospects for partnership working are being damaged by the Council's failure to involve partners appropriately at a strategic level.

## Diversity and equalities

- 67 The CGI found a number of weaknesses in the Council's approach to equalities and made recommendations for the Council:
- ◆ to adopt and implement a diversity strategy;
  - ◆ improve multi-agency work with asylum seekers; and
  - ◆ improve accessibility.

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<sup>5</sup> Kingston upon Hull City Council's area committee and decentralisation arrangements, University of Hull, May 2003.

<sup>6</sup> Letter from Government Office Yorkshire and Humberside to LSP Manager dated 17 March 2003.

There has been some progress in tackling the diversity and equality issues identified by the CGI, such as the adoption of a diversity strategy, but this has been patchy and slow.

- 68 Work undertaken in connection with the development of the Council's Supporting People programme has included consultation with some hard to reach groups but there is no evidence of the results being used to inform policy or service development. An external consultant has recently been engaged to take forward the requirements of the Race Relations Amendment Act with the cabinet, CMT and managers and to conduct a community consultation exercise, the results of which have yet to be fed back to stakeholders.
- 69 Interviews with senior councillors revealed low levels of awareness in this area and the Council itself has provided little effective steer on race equality. A framework is in place but the Council has made little progress in developing its policy approach to race relations. The community leadership elements of the race relations scheme are under-developed; baseline measurement and monitoring, regular reporting and publication of monitoring information is inadequate. Until recently there has been little support or encouragement to ensure that diversity issues are addressed. For example, progress on taking forward diversity has been inhibited by the Council's failure to fill its vacant race equality officer post. The new organisational structure is intended to strengthen capacity in this area.
- 70 A draft access strategy has been produced but this is well behind schedule. As a result the Council has not made progress in systematically improving access to council buildings such as the Guildhall.
- 71 Some progress has been made in addressing the needs of asylum seekers and refugees. The asylum and refugee support team are working with a number of agencies to improve the support mechanisms for both groups. There are examples of how processes have been examined and changed with a view to delivering an improved service. Inter-racial tension is being tackled by organising public events which attempt to change attitudes through engagement. To date these have been successful and more are planned although signs of tension still remain.

## What progress has the Council made in improving corporate management?

- 72 Real improvement has been hampered by the prolonged uncertainty around the corporate management structure. Although this has now been partially resolved, decision making continues to be weak, based on inadequate information, and advice and often lacking consideration of options. There is a continuing reliance on in-house provision of services and no progress on the development of strategic procurement. There is a continuing absence of any consistent corporate approach to performance management. Neither CMT nor cabinet receives sufficient information to enable it to manage performance effectively. Financial management is weak and the Council's budget is precarious. New financial monitoring arrangements have been introduced recently but these are unproven. Risk management remains under-developed.

## Change management

- 73 There has been no significant progress in tackling some of the key change management issues identified by the CGI. In summary, the Council needed to:
- ◆ gain and sustain focus on its key priorities;
  - ◆ drive consistent improvement in those areas; and
  - ◆ develop a co-ordinated approach across the Council.
- 74 After a period of operating with interim directors, the Council has appointed a new team of corporate directors. However, no sooner were they in post, than further radical changes were announced, including, on the same day, the suspension of the Chief Executive. The combined effect of these events has been to damage morale among staff and erode confidence among partners and the public. Significant energy and resources have been deflected from improvement.
- 75 The corporate management team (CMT) are starting to work as a team. However, they lack the leadership of a proven chief executive, who enjoys credibility both inside and outside the Council and has demonstrable skills and wide experience. Significant CMT energy has been focused on fire-fighting and putting basic systems in place, such as performance management arrangements. Consequently, there has been insufficient progress in addressing the external challenges facing the Council. CMT recognises that there is generally a lack of capacity at the most senior levels of the Council and there is a need to engage additional resources and expertise from outside to speed progress.

## Organisational structures

- 76 The Council's recovery has been hampered by prolonged uncertainty about organisational structures. The debate about structures began following the first CGI and in September 2002 a new management structure for the organisation was agreed. There was no consensus that this represented the best way forward and it was only approved on the casting vote of the Lord Mayor. This only tackled the top tier of the organisation. In March 2003 the Council deferred proposals to deal with the next tier, the heads of service posts.
- 77 Lack of pace has created inconsistency across departments and in some cases has been destabilising as heads of service and their staff have become unclear and impatient about the future. On 3 June 2003, the incoming Labour administration presented its own proposals for management restructuring. The effect of this most recent series of events has been to reinforce feelings of uncertainty, poor morale and instability among staff. There is a view amongst staff that these conditions are chronic within the organisation.
- 78 Following correspondence from the Minister of State and the consultancy report<sup>7</sup> commissioned by the Council's Partnership Liaison Board, the Council has now agreed a new management structure. It considered three options and decided to implement one of these, a 'hybrid' option prepared by the corporate directors. The Partnership Liaison Board report viewed this option as 'perhaps the stronger of the three' and it was adopted by the Council unopposed.

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<sup>7</sup> Report to Hull Performance Liaison Board, PriceWaterhouseCoopers, 15 July 2003.

- 79 It is far too soon to judge the effectiveness of the new structure in delivering improvement as it is yet to be implemented. It is clear, however, that this process has diverted energy and caused considerable uncertainty. It also exposed a number of weaknesses in how the Council makes decisions and in member/officer relations.

## Taking decisions

- 80 Little progress has been made in strengthening the Council's decision making processes. Some examples exist of options being brought forward for consideration by councillors but the Council still does not make use of rigorous option appraisal to support informed decision making. There are examples of critical decisions being taken without the benefit of full consultation or consideration of the impact of the proposed decision and without sufficient assessment of cost implications.
- 81 For example, the new administration is currently considering how to implement a manifesto proposal to introduce free school refreshments and meals for all primary school children in the city. The initial decision was taken on the basis of limited information about potential costs and how the effectiveness of the policy would be measured. Weaknesses in the suggested legal powers to be relied upon were not discussed fully. The lead role in developing and implementing the proposals was given to the Council's direct labour organisation with no consideration of alternatives. This means the Council has no means of effectively budgeting for the service and no means of demonstrating that it is receiving value for money. By failing to undertake proper financial appraisal, evaluation of available legal powers and assessment of options for delivery in key decisions, such as this, the Council is failing to comply with the principles of sound decision making contained in its constitution.

## Area committees

- 82 The CGI report recommended that the Council should undertake an external evaluation of area committees and clarify their role. Little progress has been made since the inspection. The Council commissioned an external evaluation which reported in May 2003 and identified four key areas of weakness. These included the need for a strategic approach to engaging the public, and the lack of a strategic link between the localities and the corporate centre. Following discussion of the report by Area Chairs in July, the whole matter of area committees was referred to one of the scrutiny commissions for consideration. The role of area committees remains unresolved.
- 83 Area committees are not sufficiently resourced to fulfil all that is expected of them. In particular, the dual roles of supporting area partnerships, linked to the LSP and ward forums, that link to council decision making are too onerous for the present level of staffing. The changing of the area boundaries by successive political administrations has also caused problems for partner agencies that had realigned their organisational boundaries to collaborate with the Council at a local level.
- 84 Despite these problems, area committees retain cross-party support and there are some examples of community issues being addressed. As a result of the lack of progress in resolving the weaknesses, the strategic potential of area committees to strengthen the Council's community leadership role remains underdeveloped.

## User focus

- 85 The CGI team found that Hull's focus on its service users is weak though improving. Currently, there are good examples of responsiveness by individual service departments and some corporate progress in consulting with users on specific issues, but no progress in systematically involving users in developing strategy. The recent Joint Review of social services found that the Council was responsive to comments and complaints from users but lacked a coherent strategic approach to user involvement.

- 86 A similar pattern can be identified in housing, where customer satisfaction levels are monitored following planned maintenance and there is consultation with tenants and residents about planned demolition but no systematic involvement in developing an overarching strategy. The Council has agreed a service level agreement with the tenants' organisation, Hull United Residents and Tenants (HURAT), which provides office premises and support through a tenant participation officer. However, relationships and trust remain embryonic and fragile and tensions have developed between the Council and HURAT over the way in which consultation has taken place. The interim housing strategy includes the planned introduction of a number of measures including tenant-led inspection of the housing service designed to develop a closer partnership with tenants. These initiatives have not reached the implementation stage.
- 87 There are other examples of effective service delivery partnerships in several areas, including education and social services, but progress has been limited in making linkages between service needs and wider quality of life issues.

## Managing performance

- 88 There has been little progress in developing a culture of performance management. On the positive side, development plans and supervision arrangements are in place for staff. They are generally aware of the Council's ambition to become a top performing council but have no clarity about how it will be achieved. There is no corporate performance management system in place and no consistent arrangements for monitoring performance, although there are satisfactory arrangements in place in some individual departments such as housing, education and social services. Neither the corporate management team nor cabinet receive regular corporate performance reports and consequently have no means to ascertain whether the Council is on track to deliver its priorities. The absence of effective corporate performance management arrangements is a major barrier to rapid or continuous improvement.
- 89 Since the CGI, there has been limited progress on implementing an effective corporate approach towards human resources management. Some progress has been made in developing a strategy, in adjusting the Council's early retirement scheme and putting some corporate systems and processes in place – such as the staff appraisal scheme. However, the changes that have been made are inadequate to meet the Council's duty of delivering continuous improvement. For instance, the current approach to vacancy management maintains the practice of internal recruitment and no compulsory redundancies. This fails to develop the capacity of the Council by recruiting from the widest possible skill, experience and knowledge base. Further development has been restricted by the constraints of managing in a climate of political and organisational change. Consequently, little progress has been made on resolving difficult workforce issues around single status or job evaluation, or in matching resources to priorities.
- 90 Despite corporate weaknesses, improvement has been achieved in some service areas. The ICT strategy has been published, and the key performance indicator in this area shows there has been some improvement in performance. Social services show six out of seven indicators where data was available showing improvement. Education has improved in some areas, although performance is variable and overall remains unsatisfactory. There has been some overall improvement in key performance indicators in the last year, with over half improving. However, in many cases improvement was modest from a low base as performance was in the bottom quartile in 2001/2002.

## Procurement

- 91 The CGI identified significant weaknesses in the way the Council was using procurement and recommended a number of improvements, including the development of a procurement strategy and the establishment of new commissioning arrangements.
- 92 No progress has been made in implementing strategic procurement or challenging deep seated assumptions about the direct provision of services. The head of strategic procurement was appointed in June 2002. Since then there has been no further progress in tackling any of the issues identified in the CGI report. This is acknowledged in a recent internal discussion document. Currently, there is no effective corporate procurement function, strategy or practice within the Council. Procurement activity is fragmented across the Council, with no idea of procurement costs or defined standards for anything the Council buys. There is no understanding of the potential impact of strategic procurement, little or no separation between commissioners and procurers and virtually no transparency of process.
- 93 The introduction of the Oracle business suite was intended to improve the purchasing of goods within the Council. However, the implementation of this has been problematic so progress has been limited. The Council is therefore failing to use procurement systematically to achieve service improvement and better use of resources.

## Risk management and internal control

- 94 At the time of the CGI financial management was weak, the revenue budget and housing revenue account were precarious and the management of capital, although improving, had significant weaknesses. The Council was recommended urgently to tackle shortcomings in corporate controls.

## Stewardship and financial management

- 95 Limited progress has been made in establishing a robust, balanced corporate budget and securing financial stability by matching resources to needs within tight budgetary constraints. The previous cabinet demonstrated a commitment to asserting financial discipline by establishing the principle of delivering a balanced budget without using general fund reserves. At year end the budget was found to have underspent by £3 million. The budget for 2003/2004 is based on significant assumed savings.
- 96 The latest position in relation to 2003/2004 financial performance shows that about £5.6 million of the £18.4 million of savings required to deliver the budget are in doubt. Although additional savings of £1.9 million have been identified, this still leaves a gap of £3.7 million which the Council currently plans to bridge through the use of balances. The £3 million of savings from 2002/2003 mean that this may be achieved without reducing balances below their target level.
- 97 Even if the Council manages to keep within its 2003/2004 budget, its tendency to rely on the use of under-spending to balance its budget is clearly not sustainable in the longer term and further indicates an inability to manage its finances effectively. The risks to the Council are heightened by the absence of a medium term financial plan. The most recent report to cabinet on financial prospects before the budget round in the autumn of 2003 identified funding gaps from 2004/2005 to 2005/2006 rising from £15.3 million to £22.6 million. The Council consequently risks continuing to spend resources on non-priorities thus failing to

deliver services to the desired level or quality and failing to address the Council's priorities.

- 98 The reasons for the current uncertainty around the budget are that:
- ◆ it is not yet clear how the Council will make all the savings;
  - ◆ proposed savings from e-business and vacancy management are unrealistic. For example, savings have been projected at £1.7 million in the first year from staff reductions in finance and personnel. The Council's policy of no compulsory redundancy means redeployment is the only route for implementing change and there has been limited success so far;
  - ◆ the lack of a corporate infrastructure and the problematic implementation of the Oracle e-business suite mean that potential savings from improved procurement are being lost;
  - ◆ the implementation of single status or equal pay remains a serious risk. For example, cabinet has been told that implementation could cost anywhere between £0.7 million to £9 million depending on the option chosen;
  - ◆ the Labour manifesto commitments have not been fully costed or incorporated into the budget; and
  - ◆ the 2002 Housing Revenue Account (HRA) business plan assumes a loss of income which is based on the demolition of 1,500 or 1,000 units per year as opposed to the 450 units which are likely to be demolished under recently approved actions. As there has been no significant progress on demolition to date, these projections are not robust.
- 99 The long term sustainability of the HRA is also still in doubt. It is currently in balance, but this has been helped in 2002/2003 by a combination of unplanned factors including better than anticipated levels of occupancy, and technical adjustments to government subsidy. In May 2003, the financial diagnostic commissioned by the ODPM concluded that, on present projections, the HRA would be approaching deficit in the near future and that the Council could still be even more adversely affected by small changes in the assumptions it has made. In the absence of a strategic view of the problem and an agreed forward plan, there can be no confidence that recovery will be achieved.

### Medium term planning

- 100 The Council still does not have a medium term financial strategy. Some progress has been made on short term financial planning but there are no longer term plans in place, linked to corporate goals. The financial planning process itself is not linked to other corporate processes, such as prioritisation and performance management. Attempts are being made to align the capital programme with corporate objectives but the links are tenuous. Whilst there are examples of individual projects being considered from both a capital and a revenue perspective, there is currently no systematic attempt to appraise the revenue consequences of the capital programme or to include them in budget forecasts.

### Maintaining standards of financial management

- 101 Little progress has been made on strengthening the arrangements for maintaining strong financial discipline across the Council or dismantling the independent service culture. The key role of the Section 151 Officer, although now held by a relevant corporate director, has changed hands three times in the last 18 months. This coupled with the prolonged absence of a suitably qualified substantive finance director at management team level, means that the Council has lacked consistent strategic leadership in this area.

## Financial monitoring

- 102 At the time of the site work, reporting lines, accountabilities and responsibilities for financial performance across the Council were unclear. Budget monitoring was not routine, nor was it effectively co-ordinated or validated corporately. Budget monitoring was taking place within some departments such as housing, although processes needed further development. The introduction of a new financial management computer system has led to the absence of comprehensive and detailed budget monitoring in the first few months of the 2003/2004 financial year.
- 103 Monitoring standards for reporting to CMT have just been introduced including profiling budget and projected outturn on a monthly basis from July 2003. Changes in working practices are beginning to provide the basis for financial discipline and more clarity about financial roles and responsibilities. However, it is too early to assess the effectiveness of these changes and there is still no certainty that the budget can be delivered.
- 104 Co-ordination of central finance functions has improved over the last 18 months and further planned improvements from the e-enabled systems are beginning to come on-stream. The formation of a cross-directorate finance liaison group has managed to address some of the issues around duplication and information sharing. Improvements have been noted in routine reconciliation of feeder systems. Statutory reporting failures have also been addressed.

## Risk management

- 105 There has been some progress in starting to address risk management but this has not yet been incorporated into regular policy, planning or management processes. The Council has begun to redress the gap with the appointment of a risk manager who has objectives for 2003/2004 which include finalising and monitoring the risk register for the combined plan. A draft risk management strategy has been prepared with an implementation plan and timescales. 2003/2004 is the first year of implementation.
- 106 Risk awareness sessions have been conducted with directorates and head teachers but not yet with CMT or councillors. Members of the relevant scrutiny commission have taken an update on progress in this area and noted the need for urgency in ensuring that issues of risk management are raised with all relevant officers. At a corporate and service level, business continuity plans have not been developed. Middle managers noted that external training packages such as PRINCE2 were beginning to influence the way that they operate by introducing concepts of managing risk, particularly in a project context. There is, however, little evidence of a consistently robust approach to project management. The Council still has some way to go before risk management behaviour becomes embedded as part of the culture.

## What progress has the Council made in tackling its housing problems?

- 107 The most pressing service issue identified by the CGI was the Council's failure to deal strategically with a declining population and falling demand for public housing. The Council was recommended to reach an overarching strategy that articulates a long term vision of the economic, social and physical future for Hull, and in particular to tackle over-provision of public housing and school places, low tenant involvement and intractable housing finance problems.
- 108 There has been some improvement in tenant involvement, some short term actions to tackle the level of vacant properties in the city and a recent recognition of the need to improve strategic planning. However, overall; the Council has made little progress since the CGI in resolving its housing problems. The strategic decisions necessary to secure the future of housing and communities have not yet been taken and the consensus necessary to ensure their successful implementation not yet developed. The draft interim housing strategy currently being developed offers some potential to move forward but progress since the CGI has been slow and disappointing.
- 109 Hull has a community strategy which sets out high level aspirations for the city and also a Neighbourhood Renewal Strategy. Neither of these documents addresses the major strategic challenge of the city's housing problems. The city contains pockets where housing is attractive with strong demand but there are also significant areas of decay and dereliction with resultant challenges for sustainable communities.
- 110 The Council's current housing strategy and housing revenue account business plan were assessed as being the worst in the region by the Government Office for Yorkshire and Humberside and well below average. Decision-making capability is limited by the absence of adequate information for planning purposes and the Council has been slow to tackle this. The last housing needs survey was carried out in spring 1996 and previous stock condition data does not provide details of the Council's position in terms of compliance with the decent homes standard (DHS). Stock condition data is being updated currently and will address this significant gap.
- 111 Delays in resolving the housing issue continue to cause uncertainty and continuing social problems for tenants, landlords and owner occupiers. Although some linkages are now being made between housing policy and school organisation the lack of movement on the housing issue has also delayed a strategic solution to the over-supply of school places.
- 112 There has been no effective debate with key stakeholders over the future of housing in the city. The main reason for the lack of progress has been the lack of effective leadership to drive solutions based on a clear consensus. During the Liberal Democrat administration, the Council appointed external consultants to work with Hull United Residents and Tenants (HURAT) and to develop a property reduction strategy. At the same time officers and elected councillors engaged in a series of discussions to devise a way forward. The two groups, working in isolation, produced different proposals. The Council's report, 'Reshaping the City', intended for cabinet consideration in January 2003, was withdrawn when the housing portfolio member refused to support it.
- 113 Anxiety and misinformation were heightened by extensive press speculation. Local public meetings focused on negative suggestions of 'mass demolition'. Relationships between officers, councillors and tenants have deteriorated as a result with a corresponding loss of confidence in the Council and the consultation

process. For example, HURAT representatives recently refused to attend a meeting to discuss the interim housing strategy as it considered the consultation period to be inadequate and unrealistic.

- 114 One of the early decisions of the Labour administration provides a good illustration of the way housing investment decisions are currently being made. Despite previous criticisms of the home energy programme in the CGI report, on 10 June 2003, cabinet agreed to its extension at an additional cost of £1.2 million. The explicit rationale for this decision was maintaining continuity of window and door manufacture by the direct labour organisation rather than stock condition requirements or the need to meet the DHS. 'Sustainability' is being used as a key criterion for this investment but there is no definition of what this means in practice. This could result in improvements to homes that subsequently require demolition. The limitations of the Council's approach mean that it is unable to target resources effectively or to ensure that its investment is safeguarded.
- 115 The new cabinet has recently agreed a series of short term actions to tackle the number of vacant properties in the city. Whilst this is a welcome development, the Council acknowledges that it is not a comprehensive response to the housing oversupply problem. No overall total figure has been stated but resultant demolitions are likely to be in the region of 450. Cabinet also agreed to consider a longer term strategy linked to the emerging Urban Renaissance strategy. They also recognise the need to work with communities at neighbourhood level to implement area-based plans for stock reduction.
- 116 The Council has engaged consultants to address some of the weaknesses highlighted in the previous housing strategy and business plan. The interim housing strategy and business plan will be considered by the government office for Yorkshire and Humberside soon. Both documents offer the potential for the Council to overcome the previous lack of strategic planning in this area. However as the real test has to be in implementation rather than planning it is too soon to be confident that the corner has been turned.
- 117 The Council has yet to realise the potential created by its identification as a housing market renewal pathfinder with the East Riding of Yorkshire. The ODPM has set aside a significant financial package against which pathfinders can bid. In comparison with other pathfinders, the Council and its neighbour have been slow to respond. The Hull and East Riding of Yorkshire Housing Market Renewal Pathfinder was approved on 9 September 2003. The partnership has been set the task of developing a scheme which aims to tackle the low demand and abandonment experienced in the Hull housing market by 30 September 2004. If its plans are considered satisfactory, the partnership will qualify for a grant to assist it in tackling the demand issues.
- 118 The housing position serves to illustrate clearly the long term impact of the political and corporate climate in Hull. Political leadership has not been sufficiently focused and the drive necessary to achieve a consensus has been lacking. There are recent signs of the potential for improvement but activity and action has not yet developed into successful outcomes. Until it does, many residents and tenants continue to face an uncertain future.

# Appendix

## Summary of recommendations as set out in the Corporate Governance Inspection report, July 2002

Specific recommendations for the Council have been confined to key priorities to form an immediate and manageable agenda.

The first recommendation is the highest priority, to reach a unified strategy for remedying the over-provision of housing and to link this to plans for the provision of other services to residents. Other recommendations are to make internal improvements to the effectiveness of the Council's leadership, management, systems and culture, so that it can achieve the main recommended priority and pursue its existing aims more effectively.

### Community leadership

To reach an overarching strategy that articulates a long term vision of the economic, social and physical future for Hull, and in particular to tackle over-provision of public housing and school places, low tenant involvement and intractable housing finance problems, the Council should, *immediately*:

- ◆ initiate a public debate on the future of the housing stock, including a strategic approach to reducing further the total number of homes to a sustainable and manageable level;
- ◆ discuss financial options with DTLR and GOYH;
- ◆ start to build capacity in tenant groups to take a greater part in decision-making;
- ◆ link the debate with the provision of school places and the shape of other services;

*within three months:*

- ◆ produce an action plan with a timetable for taking forward a debate, reaching decisions and implementing them;

*within 12 months:*

- ◆ take a decision on the future of the stock, for implementation to start in April 2004;
- ◆ link plans for excess housing, surplus school places, and poor transport provision in parts of the city;
- ◆ agree proposals to balance school places with existing and future demand, so that primary and secondary school places are within 10 per cent of demand overall and there is good local match to need with no school having more than 25 per cent surplus places; and
- ◆ include more explicitly higher and further education in the vision and plans for the city including incorporating student needs for accommodation and services into service plans.

## Regeneration and partnership

To clarify its position, aims and strategy for regeneration, the Council should, *within three months*:

- ◆ establish clearer priorities that integrate social, economic and physical regeneration; and
- ◆ clarify and communicate the Council's intentions about whether it believes that CityVision, CityProjects and CityImage have a future part to play or, conversely, that the Council intends its involvement to cease with completion of current projects.

## E-government

To engage departments and to ensure the potential benefits for service users are realised, *immediately*:

- ◆ proceed with the procurement of an external partnership for support services, to include planning, project management and infrastructure for e-government.

## Diversity and equality

To demonstrate that it is committed to celebrating diversity within its community, the Council should, *within three months*:

- ◆ adopt a diversity strategy to link with and be included in all relevant plans;
- ◆ set up further multi-agency work to tackle tensions between asylum seekers and their communities; and

*within six months*:

- ◆ plan an approach to making the city more accessible to those with disabilities.

## Structures and processes

### Change management

To give the incoming managing director the power to secure rapid change, the Council should, *immediately*:

- ◆ resolve the duplication of authority between the Chief Executive and managing director;
- ◆ review the aptitude and capability of all senior managers;
- ◆ give the MD delegated authority to hire and fire at director-level;
- ◆ create a budget to recruit and establish a strong corporate management team;
- ◆ risk-assess and review the procurement decision on financial systems with a view to including them within e-government partnering initiatives;

*within six months*:

- ◆ review delegations to officers to achieve a proper balance between member and officer roles, including levels of financial and operational delegation to officers that are in line with well-run councils of this size and full delegation to officers for staffing decisions and office management;
- ◆ move to a system of cash limits as the control mechanism for services, giving managers delegated authority to manage staffing and other resources to ensure policy priorities are delivered to best effect within available resource limits;
- ◆ break down departmental barriers, including the close link between portfolio holders and strategic directors;
- ◆ review officer workloads;
- ◆ adopt a more structured approach to long-term staff planning which would enable more consideration of alternatives to early retirement as part of an overall HR strategy that links to planned service needs;
- ◆ progress plans for a strategic partnership for the provision of support services to the Council, for implementation no later than April 2003; and

*within two years:*

- ◆ assess staff and member skills formally; train, support and if necessary move people on to secure the best possible match to needs.

### Achieving a sustained focus

To achieve a sustained focus on what matters, the Council should, *within the next three months:*

- ◆ identify a few, key strategic objectives;
- ◆ engage services in working collaboratively towards these objectives;
- ◆ restrict new initiatives for the next three years to those focused on achieving the strategic priorities;
- ◆ require the incoming Managing Director to review capacity and workloads to address imbalances and match resources to the strategic priorities within medium term plans; and
- ◆ choose six key service PIs, matched to the objectives, that must be significantly improved within the next year, with six and 12 month targets.

### Area committees

To avert the danger of political fragmentation, give greater consistency for residents and better central monitoring of resources and statutory responsibilities, the Council should: *plan an approach and a timetable within three months, for implementation by May 2003, that:*

- ◆ secures external evaluation of the current strengths and weaknesses of the Council's decentralisation arrangements; and
- ◆ clarifies the role, powers and duties of area committees, securing greater consistency, learning from and building upon best practice in the current arrangements and other councils.

## Risk management and internal controls

To tackle urgently shortcomings in corporate controls the Council should, *immediately*:

- ◆ secure an interim chief financial officer (CFO) and recruit a permanent postholder;
- ◆ give the CFO a place in the senior management team;
- ◆ review the early retirement and vacancy control arrangements to secure the efficient operation of services alongside necessary savings;
- ◆ prepare a position statement on the revenue budget, the housing revenue account and the capital programme with options for a sustainable financial strategy;
- ◆ review plans for procuring new financial systems, and consider including them in the strategic partnering arrangement for e-government;
- ◆ secure interim arrangements for risk management;

*within three months:*

- ◆ prepare realistic three year capital and revenue budgets linked to medium term plans;
- ◆ resolve the reconciliation problems that endanger the integrity of the accounts;
- ◆ make departmental finance officers accountable to the CFO for S151 responsibilities;
- ◆ make departmental personnel officers accountable to the corporate personnel manager for delivery of national employment legislation and corporate policy;
- ◆ receive at SMG progress reports on the implementation of audit recommendations;

*within six months:*

- ◆ review personnel and finance policies, staffing, monitoring and control, including staffing structures, communication processes and performance measures;
- ◆ secure the consistent application of good professional practice, council values and policy;
- ◆ actively support the ability of service managers to manage and develop their operational responsibilities;
- ◆ put in place sound project management arrangements for the replacement of financial systems, whatever the outcome of the procurement decision;
- ◆ dis-aggregate corporate overhead costs and secure accurate accounting arrangements for them; and

*within 12 months:*

- ◆ negotiate service level agreements for central functions with individual services for 2003/2004.

## Service delivery

### Procurement

To ensure it can be demonstrated to be above suspicion and to contribute to the development of the local economy, the Council should, *within three months*:

- ◆ set up new commissioning arrangements for the acquisition of services, facilities and goods that are independent of in-house provision;
- ◆ develop a procurement strategy that involves service budget-holders as prime decision-makers and also recognises the Council's influence in the local economy;
- ◆ review controls to ensure demonstrable probity in the new procurement arrangements; and
- ◆ issue clear guidelines for officers and members.

### Information and communications technology (ICT)

The Council should do, or procure, the work to establish its requirements and plan the project to build e-government initiatives and improved information systems. It should, *within six months*:

- ◆ identify clear customer-focused service aims linked to the objectives of council's corporate plan, ICT strategy and IEG statement;
- ◆ identify, in consultation with users, the standards that they require from the service;
- ◆ develop and negotiate a schedule of user requirements to inform the procurement process;
- ◆ assess the current capacity of the Council to deliver these aims, including evaluating the staffing and structure of the ICT service;
- ◆ develop proposals for project management, security, business continuity, disaster recovery and risk management to be included within the partnering arrangement;
- ◆ tackle, where possible, short term improvements, including improving the corporate network reliability; and

*within two years*:

- ◆ set up monitoring and evaluation arrangements with the longer term aim of moving the Council's ICT service towards the top quartile performance by continually reviewing the quality and costs of ICT services against authorities who deliver a comparable level of service.

### Highways and transportation

To address problems caused by the claw-back of capital grant from the Local Transport Plan and the effect on workloads of early retirements, the Council should, *within three months*:

- ◆ review forward planning, capital finance, programme and workloads for highways and transportation to review funding, set achievable priorities and delivery dates.

## School meals

To enable schools to be informed purchasers of catering services, the Council should *within three months*:

- ◆ identify the charges to individual schools for meals and kitchen equipment; and
- ◆ provide details of alternative school meal providers and indicative costs to assist schools in making informed purchasing decisions.

## Standards of conduct

In order to increase confidence in the standards adhered to by members, the Council should, *immediately*:

- ◆ review the terms of reference of the standards committee and timetable it to meet regularly;
- ◆ ensure its presence and importance is felt throughout the organisation and that a work programme is set out; and
- ◆ define the role of the monitoring officer more broadly to identify and refer matters of concern.

## Political leadership and culture

To build leadership capacity among members of all political groups of the Council to enable them to deliver the recommendations on housing, the reduction of school places, a balanced budget and a businesslike managerial operation, the Council should, *immediately*:

- ◆ secure political mentoring support for all political groups.

To reduce isolation, raise awareness of good practice and to increase Hull's profile in policy-making circles, the Council should, *within three months*:

- ◆ forge and then sustain member (and officer) links with local, regional and national networks.

To achieve open and purposeful scrutiny of the Council's policies and their outcomes, the Council should, *within three months*:

- ◆ develop the culture, programme and officer support of the scrutiny process, including the role of opposition parties within it.

To achieve, incrementally through a clear five-year programme, a crisp, businesslike style of decision-taking and operation, become a learning organisation, respect viewpoints and ensure early involvement of those who have a part to play, value diversity and promote equality, and value and develop good staff (they are there!), the Council should, *within three months*:

- ◆ build on best practice in promoting an inclusive culture and equal treatment of people; make it mainstream; and

*within six months*:

- ◆ enter a partnership with an external agency to develop and monitor the organisational culture over the next five years building on the existing statement of values.

## Improving public services

The Government has placed a duty upon local councils to deliver services to clear standards – of cost and quality – by the most economic, efficient and effective means available. <sup>8</sup>Best value is a challenging framework that is designed to improve local services. Councils are required to assess their own performance and put in place measures to ensure continuous improvement in all of their services.

Councils must show that they have applied the four Cs of best value:

- ◆ **challenging** why and how a service is being provided;
- ◆ **comparing** their performance with others' (including organisations in the private and voluntary sectors);
- ◆ embracing fair **competition** as a means of securing efficient and effective services; and
- ◆ **consulting** local **taxpayers**, customers and the wider business community.

The Government has decided that each council should be scrutinised by an independent inspectorate. The Audit Commission performs this role.

The purpose of the inspection, and of this report, is to:

- ◆ enable the public to see whether best value is being delivered;
- ◆ enable the Council to see how well it is doing;
- ◆ enable the Government to see how well its policies are working in practice;
- ◆ identify failing services where remedial action may be necessary; and
- ◆ identify and disseminate best practice.

<sup>8</sup> This report has been prepared by the Audit Commission ('the Commission') following an inspection under Section 10 of the Local Government Act 1999, and issued in accordance with its duty under Section 13 of the 1999 Act.