LGA Corporate Peer Challenge

Southampton City Council

7-10 January 2025

Feedback report

Contents

1. Introduction

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

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

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

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

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

After the peer team were on site, it was announced that Southampton City Council is on the Devolution Priority Programme, the organisation has appointed a new chief executive and that the council has balanced its budget. The peer team's recommendations are based on findings prior to these announcements being made.

2. Executive summary

Southampton's immediate priority has been to avoid a section 114 notice and financially stabilise the council over the last 12 months.

In October 2023, the council established an Internal Improvement Board consisting of experienced officers and members from across the local government sector, who

have appropriately challenged and advised the organisation.

The council has also experienced a change of political and managerial leadership with the appointment of new leader in December 2023, followed by a new interim chief executive appointed in January 2024 who reset the direction of the council with a new transformation programme called 'adapt | grow | thrive' focusing the organisation on achieving the savings required. In addition, the council has received in-principle government approval to capitalise revenue expenditure (either borrow or use capital receipts to fund) up to £122m in 2024/25 under the EFS scheme (Exception Financial Support). Since the peer team were on site, the government approved in principle a revised figure of EFS of £89.9m to support 2024/25 and 2025/26, and to cover the 2024/25 budget deficit, transformation and restructuring costs, and £52m towards the impact of equal pay claims

Beyond the council's priority to find savings, the peer team saw little evidence of a shared vision with clearly defined priorities informed by the local context of Southampton. The council's corporate plan lacks a clear, shared vision, with political priorities and resource allocation not aligning. While the peer team heard ambitions such as being a 'City of Culture' and a 'Child Friendly City', there was no unified direction. A review of the corporate plan is needed to set clear priorities linked to the financial strategy and a programme of delivery.

The council has a responsibility to ensure that its corporate plan reflects diversity of those who live in Southampton's population and is underpinned by values and behaviours which are inclusive, and that are coproduced by staff, members, and partners. However, there was little evidence that resident feedback shapes council priorities. While the council is aware of its growing cultural diversity, the equality, diversity, and inclusion (EDI) agenda was not raised as a priority for the council. There is a need for better EDI representation at senior levels of the organisation.

Performance at Southampton is mixed. Children's Services Ofsted rating is "Good" with "Outstanding" leadership. While the council's recent Social Housing Landlord judgement is C3 with 47% of Southampton's 18,000 council homes below Decent Home Standards (DHS).

Waste collection performance has been an ongoing issue with crews working to a 'task and finish' arrangement which ended in January 2024. The current percentage of recycling is below the national average with 27.40% at Southampton compared to its CIPFA neighbour average of 34.60%.

The use of data for performance monitoring is inconsistent at Southampton, with concerns raised over data integrity and its application in decision-making. A more robust performance management system and better benchmarking are essential for improved governance and transparency.

Over the past year, the interim chief executive and leader have brought stability and direction to the council. The council has seen high turnover in senior roles over the last seven years, including five chief executives, six directors of adult social care and two directors of children's services. This instability raises concerns, and the organisation would benefit from a "lessons learned" exercise to prevent future issues and help to rebuild staff confidence.

At the time of the peer team's visit, the council was recruiting a new chief executive to replace the interim chief executive who was committed to working at Southampton for 12 months. There was widespread concern about appointing the right person, particularly one who is committed to the city and can drive growth. It is crucial that the recruitment process is transparent, and that the new chief executive has time to assess the organisation and shape its future direction before further senior management appointments are made.

The council's Improvement Board, established in October 2023, has played a key role in stabilising the organization, but opinions differ on when the board should step back. Relationships between members and senior leaders need strengthening, with a focus on creating space for joint development. The peer team identified a reluctance within the organisation to make difficult decisions, which has led to a lack of clarity around priorities. The housing service in particular requires significant support and a more comprehensive strategy to address the challenges.

The leader of the council is highly regarded for being visible and influential, particularly in partnerships. Partners and community are supportive of the council

and want the authority to succeed but expressed concerns about the lack of clarity on the council's priorities and future plans. The cabinet, composed of both experienced and newly elected members, requires support to build a more cohesive team with clearly defined roles. It is crucial that cabinet members understand their responsibilities and collaborate effectively, regularly engaging with their directorates to make informed decisions.

There is a need for a unified vision for the city, with shared priorities that both staff and residents can understand. Stronger collaboration and communication between group leaders and cross-party consensus on key issues are essential, especially when difficult decisions arise. The peer team also noted that backbenchers, who play a vital role in engaging with residents and feeding back information, sometimes feel undervalued. Their contributions should be acknowledged more consistently. Additionally, regular updates and strong relationships with MPs are crucial for effective lobbying.

In terms of growth, the council has significant potential due to its diverse assets, such as its port, airport, and cultural offerings. However, the council is perceived as passive in growth discussions, lacking a clear, visible growth strategy. While there is ongoing activity, including the Renaissance Board and city master plans, these need to be focused on delivering tangible results. The council's Local Plan, which is crucial for housing growth and inclusive economic development, is at a critical stage. Strong leadership in the Growth and Prosperity directorate is in place, but further investment and resources are needed to achieve the city's growth potential. A clearer, unified narrative about the city's growth opportunities will help attract external investment and support.

The council exhibits an inconsistent culture, with positive change noted in children's services, where staff are motivated and productive. However, many staff remain passive, waiting for permission to act, contributing to a "procrastination culture" with limited outcomes. A low response rate to staff surveys suggests a lack of engagement and trust in the council's ability to act on feedback. Although the 'golden triangle' of statutory officers meets regularly, there is little evidence of effective collaboration to maintain the corporate health of the organisation.

Governance is a widespread concern, with universal frustrations around slow decision-making and a bureaucratic process for getting reports to cabinet. Members and officers have limited opportunities to collaborate outside formal structures, making it difficult to present transformative options. There is a perceived lack of accountability, with governance leadership seen as parochial and hindering necessary transformational changes. The council commissioned CfGS (Centre for Governance and Scrutiny to conduct a Governance Review to address a number of the concerns raised. Several attempts to agree a scope by CfGS have been delayed due to Southampton's internal sign off process, which has understandably caused frustration across the organisation.

Member development is inconsistent, with attendance patchy and training often disconnected from key issues. A more tailored approach to development, considering different learning styles and needs, would improve engagement. The council also faces confusion over cabinet members' roles and responsibilities, which affects decision-making. Scrutiny is active, but concerns exist about its focus on less critical issues. Strengthening scrutiny and involving a wider range of stakeholders could improve decision-making. Additionally, the structure of the Audit and Governance Committees needs to be reviewed due to overlapping responsibilities.

The council's financial position is well understood by staff, members, and partners, with significant progress made in addressing the revenue gap over the last year. The council received £121.58 million in Exceptional Financial Support (EFS) in February 2024 and identified £50 million in potential savings, including nearly £30 million for 2025/26. The 2024–2025 budget is balanced, and at the time the peer team were on site, a £16.1 million underspend was forecast for month eight, contributing to a reduction in borrowing costs. However, the council's reserves are limited and cannot be relied upon to balance the budget; expenditure must be reduced to align with resources. Equal pay remains a significant risk, with estimated costs potentially reaching £52 million or higher.

Service managers now have more accountability for their budgets, and finance training is in place. While external partners are helping to deliver necessary savings, concerns exist about sustaining these savings after their support ends. The council

must move quickly on debt recovery and consider raising additional income through fees and charges.

The capital programme is significant but lacks the same level of scrutiny as the revenue budget. Asset sales are essential to reduce EFS borrowing. The Housing Revenue Account needs a revised financial plan to support decency improvements and estate regeneration. The council's risk register should be more visible, and external audits have flagged weaknesses in financial management, governance, and capacity to respond to internal audit reports.

The corporate centre is well-resourced, but its capacity for improvement is hindered by a lack of clear vision and unity of purpose. The transformation plan, 'adapt | grow | thrive' is not fully understood, with minimal staff engagement beyond its launch. Staff are aware of the financial challenges but unclear about the council's future direction. To avoid transformation fatigue, it is essential to involve staff more and celebrate progress. The new chief executive must take ownership of the transformation narrative, build momentum, and recognise staff contribution to the collective effort to improve the organisation.

The communications function is underpowered, with a need for stronger leadership to drive the council's strategic vision and engage residents more effectively. Fragmented resources and lack of a clear strategy hinder meaningful resident engagement. Feedback from residents highlighted dissatisfaction with one-way consultations, showing a need for better meaningful engagement.

Training and development opportunities are inconsistent, but the new HR leadership role is addressing this. Staff understanding of transformation is limited, with a focus mainly on cost reduction. There is also a lack of documented processes, leading to service inconsistencies. The council's reactive culture stems from poor prioritisation and forward planning. Staff are passive, waiting for direction.

The council has outdated systems and practices, and while a digital strategy is in place, it lacks measurable outcomes. The council needs to embrace digital solutions more effectively to support its transformation goals.

3. Recommendations

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

3.1   **Reflect, learn and celebrate the progress made from the 'Adapt' phase of your transformation programme:** Reflect, recognise and celebrate the progress made over the last 12 months and make sure that is secured and consolidated. Understand the learning from the council's transformation plan's 'Adapt' phase, before moving onto the 'Grow' stage of your transformation journey. Keep up the momentum and stick to the plans for transformation/savings.

3.2   **Recognise and mitigate the risk around your chief executive appointment and align senior management recruitment timescales:** Recognise the inherent risk around the chief executive recruitment process and mitigate this. Align future senior recruitment with timescales that allow the future chief executive to own the organisational structure. Create a strategy for stabilisation and retention to reduce current levels of churn.

3.3   **Agree the parameters that will trigger your Improvement Board's exit strategy:** Agree with the Improvement Board an objective set of parameters that trigger their exit strategy at the appropriate time

3.4   **Develop and deliver a Corporate Plan with a clear vision and key priorities:** Urgently develop and deliver a medium term sustainable Corporate Plan, with a clear vision and set of key priorities which are relevant to Southampton, underpinned by values and behaviours which are coproduced by staff, members, and partners. Ensure you have expert senior leadership in communications to lead engagement with residents and staff in shaping and telling the city story. Recognise your EDI responsibilities in this piece of work - make sure your priorities reflect the diversity of your population.

3.5   **Develop a delivery plan for growth:** It is essential to develop and deliver a clear plan for growth that draws together housing growth and renewal, connectivity, land use and skills with an appropriately resourced delivery plan

3.6   **Lead and embrace government agencies and investors to help deliver growth outcomes for Southampton:** Lead and embrace, but also hold to account, government agencies, anchor institutions and investors for helping to delivering growth outcomes for Southampton. A focused growth plan is one tool

3.7   **Urgently drive improvements in governance:** Urgently drive improvements in governance and decision making to solidify the future stability and growth of the organisation with a fast-paced plan that shows clear accountability. This will also attract inward investment to the city

3.8   **Drive your organisational development function, your culture change and customer service programmes at pace:** Centrally drive at pace the organisational development function and culture change and customer service programmes so there is a consistent approach which is realised across all services.

3.9   **Create a confident and an externally facing culture:** Move away from being an insular organisation. Be confident and embed an externally facing culture. As leaders of place seek good practice, learning from others to raise Southampton's regional, national, and international profile. This should be driven by both the senior political and officer leadership.

3.10   **Work with the Improvement Board to tackle the housing challenge:** Don't underestimate how difficult the housing challenge is. Work with the Improvement Board to improve member oversight, create capacity so that services are equipped to drive stepped change and tangible improvement. This will require organisational change.

3.11   **Resolve issues with the audit of your accounts:** Dedicate resources

across the council to ensure issues with the audit of the 2023/24 accounts are not repeated in future years and that Value for Money judgements do not indicate significant weakness particularly around housing.

4. Summary of peer challenge approach

4.1   The peer team

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

- Lead Officer Peer**: Ian Davis,** Chief Executive at LB Enfield

- Lead Member Peer: **Cllr Muhammed Butt**, Leader at LB Brent

- Opposition Member Peer: **Cllr Abi Brown OBE**, Stoke-on-Trent City Council and Chair of the LGA Improvement Board

- Officer Peer (Transformation): **Polly Cziok**, Executive Director of Change and Innovation at LB Merton

- Officer Peer (Growth): **Richard McGuckin,** Deputy Chief Executive and Executive Director of Place at Liverpool City Region Combined Authority

- Officer Peer (Finance): **David Smith,** LGA Finance Associate

- Shadow Peer: **Khushboo Patel**, Performance and Improvement Officer at London Councils

- PCM: **Sophie Poole**, LGA Senior Regional Advisor London & South East

4.2   Scope and focus

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

- **Local priorities and outcomes** - are the council's priorities clear and informed by the local context? Is the council delivering effectively on its priorities? Is there

an organisational-wide approach to continuous improvement, with frequent monitoring, reporting on and updating of performance and improvement plans?

- **Organisational and place leadership** - does the council provide effective local leadership? Are there good relationships with partner organisations and local communities?
- **Governance and culture** - Are there clear and robust governance arrangements? Is there a culture of challenge and scrutiny?
- **Financial planning and management - Does the council have a grip on its** current financial position? Does the council have a strategy and a plan to address its financial challenges? What is the relative financial resilience of the council like?
- **Capacity for improvement** - Is the organisation able to bring about the improvements it needs, including delivering on locally identified priorities? Does the council have the capacity to improve?

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

In addition to these themes, the council asked the peer team to specifically provide feedback on transformation, growth and finance.

4.3 **The peer challenge process**

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

The peer team prepared by reviewing a range of documents and information in order to ensure they were familiar with the council and the challenges it is facing. This included a position statement prepared by the council in advance of the peer team's

time on site. This provided a clear steer to the peer team on the local context at Southampton City Council and what the peer team should focus on. It also included a comprehensive LGA Finance briefing (prepared using public reports from the council's website) and a LGA performance report outlining benchmarking data for the council across a range of metrics. The latter was produced using the LGA's local area benchmarking tool called LG Inform.

The peer team then spent four days onsite at Southampton City Council, during which they:

- Gathered evidence, information, and views from more than 45 meetings, in addition to further research and reading.
- Spoke to more than 110 people including a range of council staff together with members and external stakeholders.

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

5. Feedback

5.1   Local priorities and outcomes

Southampton's immediate priority has been to avoid a section 114 notice and financially stabilise the council over the last 12 months.

There was clear evidence of an incredibly dedicated and committed workforce across the organisation. The peer team observed a strong collective effort from staff at all levels to address the financial crisis, with many staff working in excess of their contractual hours over a long period, to achieve this.

However, beyond the council's priority to find savings, there was little evidence of a shared vision with clearly defined priorities informed by the local context of Southampton, with the peer team consistently being told *"everything is a priority".*

The peer team were told there was a lack of clarity on political priorities resulting in each directorate having its own idea about ambition for the authority such as *City of Culture, Child Friendly City and City of Sanctuary.*

The current corporate plan does not set out a clear vision which drives organisational performance with a golden thread that links back to a set of key priorities, underpinned by the council's financial strategy and delivery arrangements.

The peer team heard: "*Clearer priorities are required going forward. The City Plan needs to be clearly articulated with partners, and residents need to be given assurance on delivery*"

Nearly a decade of managerial and political leadership instability has resulted in there being no clear vision for the future of the organisation: *"Southampton has been missing a sense of leadership and vision for years".*

Having a shared vision and clear priorities is integral to delivering outcomes for residents and the community. However concerns were raised that "*political priorities and resource allocations don't match*" with politicians "*chasing short term success*". Cabinet members are not seen to be taking collective ownership particularly around the financial priority of the council, focusing instead on their own portfolio. One example the peer team heard on a number of occasions was how a cabinet member 'promised' a short-term grant to a community group without prior discussion with their cabinet colleagues as part of a collective conversation around budget proposals. This was at a time when the council was making significant and difficult decisions to find savings across the council.

The growth agenda and devolution are clearly the next challenges for the organisation. However it was not clear how this fitted into the council's overall vision and priorities, and how this weaved into the wider work of the council. Perceptions around how growth and devolution will be delivered and whether the council is ready, varied across the organisation.

Beyond growth and devolution, there appeared to be limited strategic and horizon scanning taking place which is then collectively discussed at a senior political and officer leadership level, to ensure the council has a good understanding of current

and future demand and needs. The peer team did however see green shoots of horizon scanning in pockets of the organisation. Children's services for example, regularly monitor and benchmark, data and performance in order to manage current and future demand, but this is not consistent across the authority.

A new transformation plan, 'adapt | grow | thrive' launched shortly after the interim chief executive joined in early 2024. However, its purpose is not universally understood and varied depending on which layer of the organisation the peer team spoke to. The peer team heard that the organisation "*talks about transformation like it's a third person. There's no accountability or ownership*" and that there was "*very little cross-cutting transformation. We've just not got the level of sophistication and maturity*".

Southampton needs better and more focused community engagement as it was not clear to the peer team how community views currently shape council priorities. Southampton has an ambitious housing programme and community engagement will be integral to the success of this to help the council understand those communities in a granular way.

A Residents Survey was underway while the peer team were on site, so it was not possible to see any recent examples of how resident feedback was being used to shape council priorities. However the peer team looked at results from previous Resident Surveys and could not see any obvious evidence of how these shaped council priorities or fed into the existing corporate plan. The peer team were told: "*Residents are not involved in shaping future plans for the city*".

While the peer team were on site, there was little evidence that the equality, diversity and inclusion (EDI) agenda was a priority for the organisation with minimal reference made to EDI across the week. According to the 2021 Census, the population of Southampton is becoming more culturally diverse with a 31.9% of Southampton residents identifying themselves other than white British, compared to 22.3% in 2011. This is nearly a third of the city's population. It is important that the council's workforce is representative of the communities it serves particularly at senior political and officer levels. The management team is aware that the organisation needs to be

more representative of local communities but efforts to address this need to be focused and clearly supported by senior officers and members.

The peer team heard that during the 2024 summer riots, support for Southampton's diverse population was clearly visible, with large numbers of the local community attending peaceful demonstrations. Southampton was one of the few targeted cities where this happened.

The council has a responsibility to ensure that its corporate plan reflects the diversity of those who live in Southampton's population and is underpinned by values and behaviours which are inclusive, and that are coproduced by staff, members and partners. There is an opportunity to draw on the expertise and the connections that partner organisations have with hard-to-reach groups, such as local charities and faith organisations. Public Health for example is an area with important messaging around prevention – how is the council using community partners to get messaging to hard-to-reach groups as well as listening to the voice of communities in Southampton?

5.1.1   Performance

Service performance across Southampton is mixed. On the positive, [Ofsted rated Children's Services "Good" with "Outstanding" Leadership in July 2023](). However the council's recent C3 [Social Housing Landlord judgement]() is concerning, with 47% of Southampton's 18,000 council homes below Decent Home Standards (DHS).

Waste collection performance has been an ongoing issue with crews working to a 'task and finish' arrangement which ended in January. The current percentage of recycling is below the national average with 27.40% at Southampton compared to its CIPFA neighbour average of 34.60%.

The peer team were impressed with Southampton's Data Observatory and that data is clearly accessible. The peer team saw that Children's Services is a good example of a service that uses data to monitor, report on and improve service performance.

However using data to drive improvement across the rest of the authority is patchy. The peer team heard: *'We've got a lot of data but we're not great at using it.'*

This appears to be due to a combination of factors including a lack of confidence in the integrity of the data being inputted, trust in the data systems as well as how data is extracted and used to forecast. This lack of confidence in data is concerning in supporting evidence-based decision making, as well as performance management.

The peer team saw no clear evidence of there being a consistent performance management framework that is used across the organisation which links to an overall corporate plan, priority setting and key performance indicators.

Where dashboards do exist, there appeared to be limited ability to drill down into the detail so that the council can understand the data presented and be able to act on or make decisions as a consequence.

Where performance monitoring existed it was predominantly finance focused on the achievement of savings, although the peer team appreciated this given the council's priority over the last year. However with a more mature performance management system, the council can start to use data to measure success beyond achieving savings and focus more on performance and outcomes.

The peer team also identified that Southampton needs better benchmarking data, so it can see how it is performing in relation to other councils with a link to finance and performance. LG Inform is a free tool which the council can use to regularly monitor how Southampton's compares to its CIPFA neighbours and understand where it is an outlier both in terms of good and poor performance.

Ensuring data integrity, data use, transparency, and governance is crucial for enabling informed decision-making and fostering trust among members, the council and the community.

5.2 Organisational leadership

There has been significant progress driven by the interim chief executive and leader over the past 12 months resulting in increased stability, less churn and more direction, a view held by staff, members and community partners.

Southampton has experienced a significant amount of managerial instability over the last seven years with five chief executives, six directors of adult social care and two directors of children's services as well as a number of interim senior management roles over that period. The high turnover of senior officers is a concern. There is a need for a mature conversation at a strategic level to understand the reasons why, and the possible solutions. The organisation would benefit from a 'lessons learned' exercise to understand what led to this period of instability to stop it happening again. An honest conversation would also restore staff confidence and trust in the organisation's recruitment and retention.

In addition, there have been five leaders of the council in seven years. This seven-year period includes one change of political administration to Conservative from 2021-2022 with the remaining six years under Labour. The council elects by thirds with no election due in 2025.

At the time the peer team were on site, Southampton was midway through recruiting a new chief executive (its sixth in seven years) to replace the interim chief executive leaving in April. However there was universal concern shared by everyone the peer team spoke to about Southampton appointing the right chief executive who will continue to build on the progress made over the last 12 months, in particular someone who cares about the city and will *'grab hold'* of the growth agenda. It is important that the recruitment process is visible to all staff, members and partners. It was clear from the level of concern raised that staff, members and partners would benefit from clearer communication around the recruitment of the chief executive once an appointment has been made and, in the lead up to them joining the organisation, to ensure a smooth transition and maintain the momentum of the previous 12 months.

It is important that before further senior management recruitment commences, that the new chief executive has time to understand the organisation, shape the future direction and have the opportunity to embed in and own the structure of the council.

The LGA would advise using the [LGA and Solace Leadership Standards for Excellence](#) as a framework to discuss performance and set development objectives for the new chief executive and their direct reports.

The peer team heard a lot of commentary both internally and externally about the positioning of decision makers in the organisation with a high proportion of senior staff living outside of the city. This has become a distraction for the organisation - it is more important that the council focuses on why people want to work at Southampton, that they have the best interests of the city at heart and the right skills and experience to make a significant difference to Southampton's communities.

There was universal acceptance that the Improvement Board set up in October 2023 has helped to guide the authority into calmer waters over the last 12 months. However there is a difference of opinion about when the Improvement Board should exit from the organisation. The peer team felt the organisation would benefit from agreeing a set of pre-requisites parameters with the Improvement Board around when is the right time for them to step back and transition towards an exit strategy with clear timescales for doing so. While the council is about to experience another period of transition with a new chief executive joining the organisation, it is advisable for the Improvement Board to continue for the time being to ensure continuity, stability and a smooth transition.

Relationships between members and senior leaders are not consistently described across the organisation. There is a need for the council to create an informal space where there is joint development, with officers and members regularly coming together to develop service improvements and strategies.

The peer team also saw there was a widespread perception that the organisation is lacking the bravery to make difficult decisions and there is a reluctance from staff to say something cannot be done, as everything is regarded as a priority. This approach has led to a lack of clarity for staff around what the council's priorities are.

The organisational development function is inconsistent across the council. Whilst it is seen as a real strength in some departments in others its described as non-existent and not embedded. It is important that the organisation develops a consistent approach, so all staff have the ability to develop.

It was clear to the peer team that housing is organisationally fragmented which is evidenced by the regulator judgement and recognised by the council. The council should not underestimate the resource and capacity needed to address the current issues in housing. The peer team recognised that the council is working with the Improvement Board with greater member oversight to ensure here is a programme that addresses the issues and take the council forward. However the peer felt the housing service would benefit from external support with a wider review of strategy, operation and finance with cross party involvement as well as Improvement Board oversight. The council should consider how estate renewal fits with the wider regeneration aspirations of the council.

5.2.1 Place Leadership

The leader is universally seen as visible and influential particularly in the place partnership scene. However partners told the peer team there is a need to prioritise and focus efforts on what will have the biggest impact for the city. In discussions with community partners, it was not clear what the administration's priorities are for the council and what the plan is going forward.

The cabinet is a fairly new team, with a blend of experienced and recently elected members. However it was evident to the peer team that support is needed to create a stronger cohesive team who work collaboratively together and have clearly defined city leadership roles.

It is important all cabinet members are clear what their individual and collective roles and responsibilities are and how decisions are made collaboratively as a cabinet. This heavily relies on each cabinet member being regularly and proactively engaged with the directorate responsible for delivering their portfolios and feeding this back into a discussion as a cabinet, so informed collective decisions can be made.

It is crucial that the cabinet and the senior leadership understand the value of collaboration and making tough shared decisions. The peer team did not feel the cabinet had a clear sense of purpose, knew what the priorities are or what the challenges are coming down the line based on conversations with their directorates and therefore what are the tough decisions that need to be taken collaboratively as a cabinet.

There needs to be a clear and jointly owned narrative for the city which places the council front and centre as place leaders – what is the vision and priorities for Southampton, the place? This needs to be understood and shared by staff, residents and partners

The peer team also felt there is a need to foster conversations between group leaders for the benefit of the council and it is essential to focus on more collaboration, communication and shared goals. There are difficult decisions going forward therefore it is important there is shared cross party consensus on the important issues that matter to Southampton. It is important to avoid making significant changes every year after an election, as this '*chop and change'* approach is detrimental to both Southampton, the place and organisation.

The peer team had some concern about the role of back benchers and how they are involved in conversations. Backbenchers are regularly plugged into what residents and stakeholders are saying and have a valuable contribution to make. They also play an important role in feeding back council conversations and information to the community. They felt that sometimes their contributions were not valued and acknowledged. It is important that they feel their voice is heard.

Regular updates and building strong relationships with MPs are essential for effective lobbying for Southampton. They should be kept informed about the council's strategic issues and initiatives as it can help garner their support and influence in wider conversations.

Southampton's neighbouring boroughs recognise the challenges the council has experienced over the last year. They recognise Southampton has a lot of potential but felt there was need to '*talk up the city'* and have '*six priorities not 120'*.

1.2.2 Growth

The opportunity for growth in Southampton is evident with a rich diversity of assets already in place including commercial and leisure, maritime, an airport, a port, easy access to London, culture offer and a range of existing and emerging industries.

It is clear that the framework and foundations are there, and the council will always have a leading role in driving the growth agenda, however peer team heard that the council is passive in conversations, a view which is also shared by the private sector.

There is no coherent vision or strategy in place that crystalises what the growth strategy is, that is visible internally or to external partners to align place-based investment or attract new investment in key growth sectors.

The peer team recognised there is a lot of activity going on with the Renaissance board, master plans and city plans but how do they crystalise into something that people can easily read and that future investors and companies looking to expand in the city area, can understand and be part of?

The Renaissance Board has got to a point where a masterplan is emerging. It now needs a narrower focus and to move onto a delivery footing. There is a need to consider the growth agenda in the widest possible context and there is an opportunity to broaden thinking and review its mission alongside other plans such as connectivity, the school agenda, housing and health that drive the growth agenda. Getting continued investment will require concerted effort with all partners pulling together.

Southampton's Local Plan is an important and challenging piece of work to get adopted. The plan is currently at the Regulation 18 stage and working towards a Regulation 19. Having an effective Local Plan to facilitate the city's housing growth and a focus on housing renewal will be critical factors to inclusive growth. It will be the foundation not only for the city's future housing growth but the future employment land use and how that knits together over the next 15 years and beyond. It will be critical to ensure high skilled jobs are created and retained in the city.

Not only does housing renewal fit into the Local Plan, but also the broader growth agenda. When companies are considering investing or expanding in Southampton

there needs to be good quality housing available for their workforce. From executives to factory floor workers, there needs to be a good quality offer, so companies invest in the city as a future employer.

The peer team were impressed with the strength of leadership in the Growth and Prosperity directorate, who add to the foundations Southampton has for growth in the city. The team have a clear understanding of the opportunities that can be harnessed by the council as a leader of place. However the team need targeted delivery resource and an ambitious agenda to achieve this. The importance of putting resources in the growth agenda will yield results right across Southampton's economy. So taking a longer-term view to invest in the city's growth agenda will be critical.

The council needs to articulate the city story, what the current growth assets are and how this can be positioned externally to demonstrate the opportunity, particularly in light of becoming a combined authority.

Southampton is an economic core and economic '*powerhouse',* and it is important the organisation can demonstrate why Southampton is an investment proposition, not only externally but to the public sector and work as a collegiate city region.

The council has a number of strategies which it should consider rationalising in order to better articulate its place leadership agenda, with the corporate plan, growth plan and masterplan linking together to create a strong narrative for the council.

Partners want the council to succeed and are willing to work and support the organisation for the good of Southampton. Relationships with key external partners across the growth agenda should be harnessed to help identify priorities and highlight where the council can enable development as well as directly deliver some development to support economic activity.

5.3   Governance and culture

There is an inconsistent culture across the organisation. There were examples of positive culture change such as in children services, where productivity was good

and staff were positive and motivated, the success and learning of which should be shared across the organisation. However the peer team also heard that while the organisational culture has improved since the change in political and managerial leadership, staff are often passive, waiting for permission to act rather than be proactive and take the initiative to address issues. One person described Southampton as having a *'procrastination culture with a lack of outcomes.'* The peer team also noted the low response rate to a recent staff survey, suggesting a lack of staff engagement and confidence in the council that their views will be heard and changes made. Staff the peer team spoke to said: "*Nothing will change as a result of staff surveys*".

Despite the passive culture, everyone that the peer team spoke to said they were proud to be a part of the city and wanted to make improvements. There is an opportunity for the leadership of the organisation to build on this pride and passion and lead the way in being an authority that invests and engages with staff and residents

It is understood that the 'golden triangle' of the three statutory officers regularly meet, with the chief executive and the executive director for corporate resources (section 151) meeting together with the monitoring officer. However the peer team did not get a sense that this was a strong and effective three-way relationship that held statutory responsibility for the good corporate health of the organisation.

Governance was raised as an issue by nearly everyone that the peer team spoke to at Southampton. The peer team heard universal frustrations around the slowness in decision making. The peer team were told: *"It's difficult to get decisions made with constant changes of direction. It's all stop, start, stop, start. We're working on shifting sands. The goalposts keep moving."*

The peer team were told there is a complex pathway to getting reports to cabinet; all cabinet members follow the same pattern of engagement and meet senior officers monthly in isolation of each other, meaning reports go '*round the circuit a few times'* if items are rejected or amended pre-cabinet. The peer team were told: "*Pre-decision task groups have become bureaucratic – you have to start projects three months in advance to get the resources needed."*

There is very little opportunity for members and officers to come together outside of the formal governance structures, limiting the organisation's ability to be agile and develop options collaboratively which can be brought forward for decision. The peer team were told: "*officers have a lack of ability to present transformative options to members, instead presenting 'salami slicing' options or opting to do nothing*". Private sector partners reflected that they want to see: "*Much more agile decision making across both members and officers and importantly want to see brave decisions being made for the longer term.*"

The peer team had concerns about the passive behaviour and culture around governance and there is an urgent need for greater accountability and grip. Members and officers from across the organisation told the peer team they lack confidence in the governance leadership, which is seen as parochial and not enabling the organisation to make the transformational changes needed, at pace.

A review of governance processes and the constitution are due to be reviewed as part of a Governance Review which Southampton have commissioned CfGS (Centre for Governance and Scrutiny) to deliver. The peer team were told that the Governance Review being led by the monitoring officer has repeatedly been delayed and is taking too long to deliver which is causing organisational frustration. The peer team heard the review is now underway - delivery of this piece of work, must be a priority.

Members are enthusiastic about development and training, but attendance is patchy. There is a need for the council to engage members in their own development and ensure topics are related to key and emerging issues, not just mandatory topics. Members will have different learning styles and personal commitments that restrict how they engage with their own development. It is important that there is a not a one size fits all approach, and members are given different options to shape the development they need. There should be more opportunity for members to opt into more tailored training based on member need rather than branding everything as mandatory. Member development should be continuous throughout the year not just on the back of elections. There is an opportunity to involve the new director of people and culture in the development of the programme.

The feedback the peer team heard from members is that officers are accessible however they can sometimes lack political awareness in their actions. Members have found the churn in senior management challenging, making it difficult to develop relationships and know who to speak to. A better understanding of roles and responsibilities would assist both members and officers to work together, including clarification on scheme of delegation to ensure more effective decision making at the lowest appropriate levels.

The peer team also heard that the portfolio description of the cabinet has led to confusion among officers around which cabinet members are responsible for services in their directorate. It is important that the cabinet members feel part of the directorate team that they are working with from day one of their appointment, and there is clarity around the roles and responsibilities of both officers and members. The cabinet member and senior leadership should agree how they regularly engage from the outset, in terms of updates, alerts around issues impacting on their portfolio as well as developing future options for service delivery and improvement.

Members take an active part in scrutiny however the structure means there is an over-emphasis on some service areas. The inquiry process engages members however there is a question over whether the areas chosen are priorities to scrutinise. There was concern that scrutiny focuses on issues that are not reflective of the challenges currently facing the organisation and that it doesn't use scrutiny's function as a critical friend. There is an opportunity for task groups to be involved, backbenchers, partners and the wider community. This helps to give confidence that decisions made are informed with the backing of the individuals that the council is trying to support. Developing a strong forward plan which is a live document and reflects business need, also means there is an opportunity to consider which reports could go to pre-scrutiny and take a more collaborative approach to decision making where it makes sense to do so.

The council has an Audit Committee and a Governance Committee, the latter being the body charged with governance. With internal and external audit reporting on different matters to both these committees. This is an unusual arrangement and should be reviewed for its effectiveness.

The draft annual governance statement for 2023/24 outlined a series of gaps or weaknesses in the local authority's system of rules, practices and processes. Significant concerns identified related to finance and financial management, resourcing of the transformation plan and a potential reliance on key staff, an action from an informal peer review for a workshop on decision-making not being completed yet, business continuity arrangements, with more working from home and reliance on IT systems since Covid and the rollout and embedding of the new business planning process.

5.4   Financial planning and management

It was clear to the peer team that staff, members and partners had a clear understanding of the council's current financial position and the scale of the challenge. However staff understanding of the scale of the risk going forward varied although there was clear evidence that the organisation has pulled together over the last 12 months with good progress being made in closing the revenue gap.

The council received £121.58m of EFS (Exceptional Financial Support) in February 2024 and identified £50m in potential savings, across the five-year MTFS period including nearly £30m savings for 2025/26.

The council's budget for 2024/25 was balanced, with £121 million in government support. When the peer team were on site, there was a forecast underspend of £16.1 million against budget in month eight which includes £8.73 million of in year transformation savings.

Since the peer team were on site, the government approved in principle a revised figure of EFS of £89.9m to support 2024/25 and 2025/26, and to cover the 2024/25 budget deficit, transformation and restructuring costs, and £52m towards the impact of equal pay claims

The underspend contributes to a reduction in the cost of borrowing attached to the EFS package agreed. At the time that the peer team were on site, the MTFS forecast for 25/26 budget gap was forecast at £18.2 and it was anticipated that further

transformation and other savings would be included before February 2025 to close the medium-term gap. The council's reserves are limited, and it is not sustainable to rely on them to balance the budget. The council needs to reduce its expenditure to align with its resources. Equal pay is still a significant risk to the organisation, with original forecasts estimated at £52m which could increase.

The peer team heard that service managers have more accountability for managing their own budgets now which were previously managed centrally by finance. Budget ownership is understood by budget managers with finance training in place and all but one signing a Budget Accountability Statement.

The council has a number of key partners who are currently working with the organisation to deliver significant change and meet the savings required. There are concerns whether the savings needed to be delivered and embedded in the organisation after this external support ends and how the council will close the long-term gap. There is an opportunity to raise and collect additional income together with the planned pulling together of debt recovery which needs to move at pace.

Additional capacity is needed to complete the audit of the accounts: "*if the council does not know where it is going, it is difficult to head in the right direction".* This needs a collective effort not just the finance team

The capital programme is a reasonable size, but it is not clear if this has had the same level of scrutiny as revenue. The council is working towards purposeful investment in its Capital Programme, but slippage of schemes is an issue with greater member oversight planned. It is important the council sticks to agreed limits on borrowing.

Assets sales are essential to reduce EFS (Exceptional Financial Support) borrowing to cover revenue gap. The Housing Revenue Account needs a revision of the long-term financial plan to underpin the works necessary to improve decency levels and fund estate regeneration. Visibility of the Risk Register could be raised with regular reporting to Cabinet and the Audit Committee.

External Audit VfM (Value for Money) judgement 2022/23 has flagged weakness and commented on the poor quality of evidence regarding financial accounts,

sustainability, governance and improving economy, efficiency and effectiveness. This will take time and more evidence of progress to remove this but will put the council in better stead in the long run.

There were concerns raised by External Audit about the council's capacity to respond to queries and changes in accounting standards, which in turn could lead to further issues in completing the final accounts. The chief internal auditor has direct access to the chief executive but there are concerns that management is not acting on recommendations in Internal audit reports.

5.5   Capacity for improvement

The corporate centre is well resourced and could be better allocated towards capacity for improvement. Are the staff numbers delivering programme management, data and communications, proportionate to the scale of resource and the right level of skill and experience required to deliver rapid transformation across the authority over the life of the transformation plan? The introduction of business partners has been welcomed but their effectiveness is patchy across the services.

The lack of a clear vision and unity of purpose is holding back the organisation's capacity for improvement. With the absence of a golden thread running through performance and business planning there is a fragmentation of the corporate centre between enabling services and the strategic side of the council.

The transformation plan "adapt, grow, thrive" is not fully understood across the organisation. The scale of the transformation programme is large with 28 different programmes, making it difficult to communicate and embed messaging around this with staff groups. The peer team heard there had been minimal staff engagement about transformation beyond its initial launch– which is understood given that swift action needed to be taken at the time. However staff need to come on the journey too. While staff understand the imminent financial threat and facing a section 114 has gone, it was not clear to them where the organisation is going next. It is important to get staff buy in and avoid transformation fatigue, by making space to

reflect on and consolidate the progress made over the last 12 months, before moving onto the next phase of the transformation journey.

Staff told the peer team: "*There is no culture of staff recognition or celebration - staff feel they only hear from senior people when there is a problem.*" The new chief executive will be integral to changing the current perception around transformation – they must take ownership of the narrative, build momentum and recognise and celebrate staff contribution as the organisation moves into the next phase of transformation.

The council has an underpowered and reactive communications function though it is relatively well resourced in terms of headcount. Southampton - as a council and as a city - needs senior and expert leadership in communications. This should drive the strategic vision and values of the council, lead the engagement of residents and staff, and be front and centre of the place leadership agenda, shaping and telling the city story.

The peer team heard there were major gaps around resident engagement with fragmented resource across the council and no clear strategy. Given the scale of the work required around housing, tenant engagement needs corporate joined up leadership and should not be siloed into housing. It is fundamental that residents are involved in coproducing their future and tenant engagement will be integral to this.

Residents that the peer team spoke to were positive - they want genuine engagement and to feel heard, not tick box consultations. The peer team heard*: "Engagement is one way not two. We have surveys but no feedback on what has been done so it doesn't feel like an interaction. Was the information used or not? What are the outcomes? No opportunity to ask questions. There's no connection with residents."*

Whilst the capacity for the council to improve may be limited, a more innovative and invest to save approach can lead to long term savings. Training and development opportunities are not standardised across the organisation with the process of accessing development opportunities being varied across the council. The council has invested in new HR leadership role who is already making an impact and

addressing these issues such as increasing the number of apprentices across the organisation.

The peer team saw little evidence that staff understood what transformation is outside of reducing service provision and costs. There is a need to develop staff, and their understanding of what transformation is by sharing where there have been pockets of good practice in transformational change, such as children's services.

The peer team heard there was very little documentation, with processes not written down leading to inconsistencies in service delivery. There was a sense that working practices and processes need to be upgraded and documented. The new head of policy provides an opportunity to get a grip on doing the '*boring stuff well'* and create better discipline and rigour around this. The council should reassess the current document filing structures and methods and implement improved processes to ensure that all original documentation required to support financial transactions are retained and can be readily located when required

The reactive culture and continually being in crisis, comes from a lack of prioritisation, poor forward planning and delivering the plan. Staff are passive and wait to be given permission, rather than feeling empowered to be proactive and take ownership of issues and service delivery. The peer team were told: *"People wait to be told what to do' 'There's always too much to do, so things just happen.'* The extended leadership team told the peer team: "*We don't feel we have the power to make things happen".*

Southampton appeared to have limited technology in place to deliver consistently good services. While it is good to see that the council has a digital strategy (2024-2030) which sets out a number of themes with priorities, there are very few deliverables with tangible outputs or outcomes which can be measured making it unclear how the organisation will know when it has digitally improved. Facts and figures in the strategy set out basic technology infrastructure such as number of laptops and smartphones that would be expected in any organisation as well as focusing on number of outputs such as emails received, meetings and messages set on Teams. The peer team heard examples of out-of-date systems that are not digitally compatible, resulting in duplication of data and process leading to

inconsistencies. The council also appeared to have a number of outdated practices. For instance, the peer team heard that council papers are printed and dispatched to councillor homes. This practice has all but ceased in most councils due to efficiency costs. Southampton must get ahead of the digital curve and look at how digital solutions will enable and have clear links to the council's transformation ambitions, rather than being a standalone piece of work.

6. Next steps

It is recognised that senior political and managerial leadership will want to consider, discuss and reflect on these findings. The LGA will continue to provide on-going support to the council. Following publication of CPC report you need to produce and publish an Action Plan within 5 months of the time on site. As part of the CPC, the council are also required to have a progress review and publish the findings from this within twelve months of the CPC. The LGA will also publish the progress review report on their website.

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

The summary of deadlines are listed below:

- Publish the CPC report by **10 April 2025** (3 months after the CPC). LGA will also publish this on their website by this date.
- Develop and publish your Action Plan by **10 June 2025** (no later than 5 months after the CPC).
- Schedule a Progress Review – this is an opportunity to discuss progress (let us agree the date for this over the coming weeks).
- Progress Review to take place within 9-10 months of the CPC (no later than **10 October 2025**) and the Progress Review Report to be published within twelve months of the CPC **10 January 2026**.

In the meantime, Will Brooks, Principal Adviser for the South East and Sophie Poole,

Senior Regional Advisor for the South East are the main contacts between your authority and the Local Government Association. As outlined above, Will Brooks and Sophie Poole are available to discuss any further support the council requires. william,brooks@local.gov.uk and sophie.poole@local.gov.uk