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# LGA Corporate Peer Challenge

Hull City Council

October 2024

Feedback report

A decorative footer graphic consisting of a series of overlapping, right-pointing chevrons in shades of teal, orange, and purple, set against a background with a horizontal color gradient from orange to purple.

**Corporate Peer Challenge**

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## 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 4 days at Hull 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.

## 2. Executive summary

Hull is a vibrant city with a clear sense of its place and heritage which draws heavily on its industrial and cultural past. Many towns and cities are proud of their identity and this is particularly true for Hull, where this sense of pride and ownership is infectious and widespread.

This culture and identity has galvanised around a positive vision for the future which has been developed by the council and its partners through its recently created community plan 2024-2034. The process developed by the council to create the plan has been energising and has been built on extensive and authentic engagement across Hull. This energy can be captured and applied to the next phase, moving

from creating the strategy to delivering it through tangible outcomes which will make a difference to Hull's communities and which will shape regeneration. Councillors, staff, partners and communities are keen to see that delivery take shape, and the council needs to respond with a sense of urgency and momentum.

In common with other single tier councils Hull CC has been weathered by years of challenge manifested in financial constraints, high levels of need and demand for services especially in social care, and difficult events which have tested its capacity and capabilities. It needs to be careful that its future narrative is not constrained or defined by its past or by its geographical location; the community plan and the new devolution agreement for the Hull and East Yorkshire Mayoral Combined Authority bring opportunities which must be grasped and exploited to bring maximum benefit.

The leader of the council and the chief executive, and their respective teams, are engaging and widely recognised for their passion and commitment to the city. They bring humility and calmness to their engagement with partners and colleagues.

The council's officer leadership and departmental design has served the council well to date. Many people have worked in Hull for a long time and know their roles and the communities they work for very well, although this brings risks to stability and organisational memory as people reach retirement age. The council can demonstrate innovation, its resilience and some strong areas of service improvement, including notably, children's services improvement over the last three years.

As with many other councils there have been financial challenges for over a decade and more to deal with both now and for the future, not least in tackling the size of the council's budget gaps over the medium term. This and the modest size of the council's available reserves present considerable risks for the future. Some high demand services, particularly children's services and adults services continue to present a strain on its finances and are overspending against the allocated budget. A financial shock or spending difficulty could result in a serious financial situation which the council would need to take serious efforts to address. The council needs to identify how it will meet gaps in its budget in the medium term and it must take every step possible to ensure that its budget savings are identified, and the

implementation of these must be robust. This implementation of savings and addressing budget gaps is proving difficult to achieve in many other councils and will be challenging to achieve in Hull. The council needs to be prepared to make some difficult decisions.

The council is at a crossroads and if it is to achieve the promises made in the community plan then it needs to move quickly, otherwise goodwill will be lost and will be difficult to reignite. Members, staff and partners need to seize the moment and work together with pace and energy to shape and deliver recognisable and measurable outcomes across the city which make a difference to people's lives.

### 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 Recommendation 1: develop a clear, prioritised delivery plan for the community and council plans.**

The community plan process and published final document have been well received across the city. The next step should be to work with partners to create a delivery plan and for the council to show it will deliver its responsibilities through the new council plan.

#### **3.2 Recommendation 2: accelerate realignment of leadership and change improvement capacity.**

Delivery of the community plan as well as the devolution deal will bring increased pressure and expectations and require the council to work in a different way, including at the most strategic levels. This needs to be reflected in the senior management arrangements which are in draft format. Moving to finalise the proposal and implement them will help to ensure the council is ready for when new monies and opportunities arise from the combined authority, as well as to support the delivery of the community plan. Consideration should be given to how to get the right roles and skills into the council in order to orchestrate change and improvement.

### **3.3 Recommendation 3: explore with partners how the council can achieve an adaptive convening role for the city.**

Whilst partners look to the council to lead, partners also are keen to play different roles and are clear that the council doesn't have to lead everything, especially when its capacity is limited. Having some mature conversations about roles, responsibilities and the best fit for the future will be a valuable investment.

### **3.4 Recommendation 4: launch the anchor network for partnership engagement.**

Build on initial discussions with potential anchor partners to explore how an anchor network could support the city's ambitions, including its potential to drive strategic engagement across Hull, and then develop a plan to launch it.

### **3.5 Recommendation 5: develop a more strategic approach for financial planning which is more cross-cutting and more overtly owned. Explore scenario planning and readiness to move quickly after the financial settlement and beware of inertia developing.**

The council has balanced the budget to date but in common with many other councils, the financial environment has become harder. Balancing the council's budget has become increasingly difficult and there are large budget gaps and significant service pressures between now and 2027/28. Budget preparation and proposals require more ownership across services if the council is to deliver on its crosscutting agenda. HCC should explore scenario planning for best and worst cases, so that members are able to understand the full implications of the budgets they set for future years.

### **3.7 Recommendation 7: align performance management and data with financial planning, and explore benchmarking with investment in additional capacity**

New opportunities and new plans, including the community plan agreed in November 2023, and the recently agreed council plan 2024-28 mean that the council needs to sharpen its approach to performance management and data analysis, more closely

aligned to its budget. Whilst every council has its own unique circumstances which affect how and what it can deliver, having a wider suite of performance metrics and intelligence will help members to determine what is achievable, how HCC is delivering against targets, and how it performs relative to the highest achievers and at what cost. Achieving this will require investment in capacity.

### **3.8 Recommendation 8: create a constant focus on pace to build momentum**

The creation of the community plan and the willingness to consult residents and stakeholders about services may be creating an expectation of change across the city. Building in key milestones and measures to plans will help to create and maintain momentum for delivery to meet those expectations, as well as to show that not everything will happen at once.

### **3.9 Recommendation 9: grasp the opportunities that devolution will bring to the city and to the council**

The devolution deal approved in September 2024 for the Hull and East Yorkshire Mayoral Combined Authority brings significant and exciting opportunities for strategic investment in the city and region. Delivery of the deal will require rapid responses to complex issues and will stretch capacity at the most senior levels of the council. Consideration of how earlier deals agreed elsewhere are working should be explored so that the council can align its thinking, capacity and delivery in the best possible way to maximise these opportunities.

### **3.10 Recommendation 10: establish a corporate engine room to drive improvement**

Many of the recommendations outlined in this report require a different approach at the corporate level to enable the council to be more informed and data driven, and able to respond strategically and with pace. The corporate centre of the council is already stretched to deliver the current demands on it. Investing in capacity now to support data, intelligence, and delivery will be crucial if the council is to meet the

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expectations of residents, elected members, partners and the city as a whole.

## 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:

- Member peer – Cllr Amanda Hopgood, leader, Durham County Council
- Chief executive peer – Jonathan Tew, South Tyneside Council
- Officer peer – Dr Sakthi Karunanithi, director of public health, Lancashire County Council
- Officer peer - Steph Cordon, director of thriving communities, Westmorland and Furness Council
- Associate peer – John Turnbull, former S.151 officer
- A shadow peer – Isabella Colloby, RB Kensington and Chelsea Council
- LGA peer challenge manager – Judith Hurcombe

### 4.2 Scope and focus

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

1. **Local priorities and outcomes** - Are the council's priorities clear and informed by the local context? Is the council delivering effectively on its priorities? Is there an organisational-wide approach to continuous improvement, with frequent monitoring, reporting on and updating of performance and improvement plans?
2. **Organisational and place leadership** - Does the council provide effective local leadership? Are there good relationships with partner organisations and local

communities?

3. **Governance and culture** - Are there clear and robust governance arrangements? Is there a culture of challenge and scrutiny?
4. **Financial planning and management** - **Does the council have a grip on its** current financial position? Does the council have a strategy and a plan to address its financial challenges? What is the relative financial resilience of the council like?
5. **Capacity for improvement** - Is the organisation able to bring about the improvements it needs, including delivering on locally identified priorities? Does the council have the capacity to improve?

As part of the five core elements outlined above, every corporate peer challenge includes a strong focus on financial sustainability, performance, governance, and assurance.

#### 4.3 The peer challenge process

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

The peer team prepared by reviewing a range of documents and information in order to ensure they were familiar with the council and the challenges it is facing. This included a position statement prepared by the council in advance of the peer team's time on site. This provided a clear steer to the peer team on the local context at Hull 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 4 days onsite at Hull, during which they:

- Gathered evidence, information, and views from more than 35 meetings, in addition to further research and reading.
- Spoke to more than 115 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

Hull City Council's resident population of just under 272,000 people live in a largely urban area which is densely populated. There are 24,500 council homes across the city. On some measures such as Lower Super Output Areas (LSOAs) over half of the city is in the most 20 per cent of deprived areas in England, and this is reflected in a broad array of measures including low incomes, lower than national average life expectancy and significant other health inequalities.

The council has received a large number of external accreditation and awards which reflect how it makes a difference across the city. These include, but are not limited to:

- Retaining investors in people (IIP) status in 2023
- Excellence in planning for the Humber frontages defence scheme, awarded by the Royal Town Planning Institute Awards
- Love your street project award from Keep Britain Tidy
- Street scene awards from the Association of Public Service Excellence
- Awards for the Wilberforce House Museum

Hull is benefiting from a range of external investment, including £10.6m from the

Shared Prosperity Fund, £21m for the Zero Carbon Humber Partnership and £19.5m from the Levelling Up partnership. National Highways is spending £355m on the upgrade of the A63, the main route through Hull city centre towards the port.

The Hull and East Yorkshire Combined Authority will bring £400m of investment over the next 30 years, with particular emphasis on transport, adult education and skills. There is a commitment to integrated transport and to rail electrification between Hull and Sheffield and Hull and Leeds, joining into the Northern Powerhouse rail network. There is a commitment to assess integrated transport and to rail electrification between Hull and Sheffield, and Hull and Leeds, connecting into the Northern Powerhouse rail network.

The community plan was developed during 2022 and 2023 through extensive and finely tuned community engagement led by the voluntary sector working at neighbour levels across the city. The engagement and consultation made good use of social media channels, bespoke events and the council's website including microsites. It is a good example of how the council can galvanise across its departments and work with key partners to listen to local communities. The process identified six large scale ambitions for residents and these are complemented by three city-wide commitments of:

- Engagement of all residents and communities
- Strong, united leadership committed to improving outcomes, and
- A focus on inclusion.

The peer team was impressed by the extent to which this vision resonated with a broad range of stakeholders, from council employees to external partners, including the NHS, local businesses, and neighbouring councils. The commitment to working with others on cross-organisational and cross-sectoral collaboration is a strength and provides an opportunity to reset and reinvigorate partnership working.

The community plan sets out an ambition to do the best for all residents and communities, and to deliver at local levels. It reflects a commitment to improving the lives of Hull's residents, particularly through integrated and person-centred services like the Jean Bishop Integrated Care Centre. This facility, which delivers holistic care

at the neighbourhood level, is a flagship model of innovation, reducing demand on acute services and providing timely, preventative support. Similarly, the council's family hubs offer crucial, community-based assistance to families in need, reinforcing Hull's commitment to improving social outcomes at the local level.

The legacy from the city of culture 2017 continues to play a central role in shaping Hull's identity and strategy. Hull has effectively embedded cultural regeneration as a key driver of economic and social change, positioning culture at the heart of community aspiration and urban development. This focus on culture as a catalyst for growth is commendable, and the council's ability to leverage this legacy for ongoing regeneration sets it apart from many of its peer local authorities.

The devolution deal agreed by the then Secretary of State in November 2023 was approved in September 2024 between HCC, East Riding of Yorkshire Council and government will provide an additional £400m of funding for the wider area. The election for the first directly elected Mayor to the Mayoral Combined Authority will take place in May 2025. Stakeholders reflected the positive role of the leader of the council in negotiating an ambitious deal for Hull and bringing the deal to a conclusion.

The peer team heard many stakeholders reflect on the council's large-scale ambitions for Hull and how much these are welcomed, both internally and externally of HCC. However, there is also the need to balance these big aspirations with the practical realities and uncertainties of the council's available resources, so that expectations can be managed, and the council can be clear about what it will deliver and when. There are some concerns within the council about its capacity to deliver on these ambitions.

At this stage it will be worth considering the timeline for what can be delivered, what the council's priorities are and setting out milestones, through a co-designed and agreed framework with partners. The council recognises it cannot deliver its ambitions on its own and needs a better understanding of partners priorities and intended outcomes if the community plan is to be delivered, so that collective partnership working adds value for residents, businesses and stakeholders across the city. Otherwise, opportunities may be missed. Partners are keen to work more closely with the council to shape and deliver those ambitions, and they also told the

peer team that they need a better understanding of collective opportunities and pressures across the city in order to do this.

Across the council people are excited about the opportunity to improve services and deliver for the people of Hull. However, they also voiced concerns about their capacity to do more within their current roles and the resources available to them. Some also suggest that a different range of skills including change management will be needed to support that delivery, as well as a sharper focus on priorities and stopping doing things.

### 5.1.1 Performance

The council's children's services was inspected by Ofsted in 2019 and 2022 and received overall judgements of "requires improvement" for both inspections. The most recent focused visit undertaken in September 2024 describes effective and focussed action by senior leaders, elected members and partners to improve services for vulnerable children and the letter describes many positives including an "impressive social work academy". The main area identified for further improvement is on contingency planning for children in need and child protection plans.

The council has not yet been subjected to a CQC inspection for its adults services, or a housing inspection by the Social Housing Regulator.

The LG Inform headline report shows the council's performance when compared to other single tier councils in England: [Headline report for England | LG Inform \(local.gov.uk\)](#).

The key headlines from this report are:

- Children's social care costs are reducing
- Lower than average achievement to NVQ level 2 for adults aged 18-64
- Increasing costs for adult social care
- Worsening numbers of vacant dwellings

Revenue budget monitoring is reported regularly to cabinet and senior councillors and officers readily talk about the council's budget performance and its medium-term

financial gaps.

Quarterly corporate performance information is produced across a range of metrics and reported to an improvement board chaired by the chief executive and which shows direction of travel for each indicator. Directorate performance is reported in various ways to cabinet and scrutiny Committees on a quarterly basis. However collective, overarching council-wide performance does not appear to be regularly reported to cabinet, for example none of the published cabinet agendas from January 2024 onwards reflect collective performance through what might be termed a 'basket' of performance indicators which might typically be found in most councils. It was not clear during the peer challenge how or if the council is consistently publicly reporting its performance against its statistical neighbours or the highest performers of local authorities or how it is measuring its own performance against previous quarters or years at a strategic, corporate level. The absence of published data, information and analysis makes those comparisons impossible. There is some reticence internally about undertaking such collection and reporting of data, based on arguments that Hull's unique set of circumstances, its finances and its policy decisions make comparisons with other places difficult and complex. There is an intention to develop a new set of metrics and an organisational dashboard by March 2025.

An element of that may be true but there is no such thing as a uniform local authority or statistical twins, and being more open about performance, targets, the council's successes and failures, will be important elements of improving transparency. Clear metrics of performance are needed so that councillors and residents are able to see what is being delivered. Introducing more overt benchmarking, linked to the council's medium term financial plan and its regular budget reporting, will help to spread wider understanding of how resources are used. This is particularly important when resources are tight and expectations are high and will help councillors to make informed choices about their expectations of service performance and how much those decisions cost. Comparisons made with the best and worst performers in the country or 'best in class' will help to improve understanding of Hull's performance.

The intention to improve performance reporting was referenced in the council's CPC position statement and needs to be followed through into a coherent framework,

introduced at pace. Further information on how some councils are developing their approach to performance, including case studies can be found here [Performance management for local authorities | Local Government Association](#), and the LGA can provide further examples to support Hull's thinking

Expectations have been raised of what the council is willing to do, not only through the community plan engagement but also through a wide range of other mechanisms, for example the area committees. It will be important to consider how feedback loops to stakeholders and the community can be managed, linked to the council's performance.

The peer team heard of a good understanding of the composition of local communities, particularly on disadvantage, and a genuine desire to deliver for residents. A number of people commented that the council and its partners responded well to the civil unrest in Hull city centre in August 2024, with many going beyond what was expected of them in clearing up in the aftermath and supporting each other, residents and businesses.

Employee networks are established across a range of protected characteristics including for carers, menopause, neurodiversity, LGBTQI+ and for race. Yet despite these positive features, overall equality, diversity and inclusion has a low profile and whilst there may be a golden thread that flows through the organisation to support EDI, the peer team did not see much evidence to support this, nor high levels of confidence in discussing equality and diversity. Without the evidence in place, backed by an overarching strategy and with clear targets and metrics, it is difficult to monitor or demonstrate a commitment to reducing inequalities. It is also difficult to identify services which are consistently being delivered in an inclusive and accessible way, or where services need to improve.

The response to the Legacy Funeral Directors' incident is an example of how the council has demonstrated its understanding and commitment to working collaboratively with residents and partners. The council has hosted a lord mayor's lunch to thank people working across the city working on Legacy. Families and partner agencies have recognised and valued the council's response to recovery. The Local Resilience Forum will work with the local authority to review its role in the

recovery plan and share key learning and recommendations with other authorities to help prepare for incident recovery.

## 5.2 Organisational and place leadership

There is no doubt that throughout the organisation there is a very strong sense of place for the city, often described as team Hull. This passion and commitment to Hull and its residents is clear and is widely voiced by staff, members, partners and stakeholders.

There is a strong working relationship between the cabinet and senior officers, with a good understanding of roles and responsibilities and respect for them too. Senior councillors are conscious of not blurring their roles nor getting overtly involved in operational matters. Members and officers at Hull appear to work well together as a collective and collegiate team.

Internally there is a strong belief that HCC is a can-do organisation, with a positive working environment where people strive to do their best. Staff describe the council as being led in a positive and expressive way, and there is a collective sense of support for new initiatives, especially for the community plan and its aspiration to become a listening council.

There are some ambitious targets in place for net zero and the council has been successful in securing £1.5m of government funding to decarbonise its buildings at Western Library on Boulevard, Streetlife Museum on High Street and Treasury Building on Guildhall Road. Work is ongoing to developing a climate change strategy for approval next year. This, combined with the tremendous green economy opportunities on the Humber Bank, have the potential for the council to show how change can be planned for and delivered, whilst boosting the local economy.

Whilst locally there is a clear belief and pride in Hull, there is more to do beyond the city's boundaries to raise its profile, not only regionally and nationally but internationally. The city is well connected with mainland Europe through its port, businesses and ferry service, yet this advantage does not seem to be fully explored in terms of inward investment, promoting the place and achieving inclusive economic growth.

More work can be done to share partnership working organisation, as partners speak highly of their engagement with the leader and chief executive, but it should not be their sole responsibility. There are a plethora of partnership boards in place for governance and engagement across the city, and the council has an intention to be more strategic in its engagement through launching the Hull anchor network. However, this will require some resources and careful exploration with partners if it is to be successful.

Related to this, the council more widely needs to more extensively prioritise and accept that it cannot deliver everything, as well as be clear about what it can and will do. One way to set out aspirations and intentions with partners could be through the council convening a place masterplan for the city. This would also help to address some emerging concerns that the city could become polycentric in its retail, business and hospitality offers, whilst ensuring that residents and visitors feel able to navigate it safely and efficiently.

The leadership network brings together assistant directors and heads of service on a monthly basis to collectively discuss issues and how best to address them, and there is a link from this network into the corporate strategy team. The purpose of the network is wide ranging and includes sharing best practice on service improvement, creating opportunities to explore corporate priorities and key projects, as well as broader networking. Career progression, training and development for senior leaders were identified as areas which could be strengthened.

### **5.3 Governance and culture**

There is a willingness to evaluate and revisit governance arrangements and structures. This is a positive outlook which can be built on further, and the council should be prepared to keep an ongoing overview of what works and what doesn't and ensuring that Hull's approach to governance keeps abreast of best practice in decision making. This will help to support a focus on transparency.

Area committees have been introduced for North, East and West areas, and have been largely welcomed as a positive element of governance to bring about change and influence at local level. Partners in particular welcomed the efforts made to

streamline arrangements with coterminous boundaries, reflecting that this helps to reduce duplication in their resources, including for attendance. Each committee has developed a community-led plan.

Recently introduced changes within the council's scrutiny function include the removal of a separate finance committee and incorporation of budget scrutiny across the four commissions. There are few incidences of call-ins at scrutiny and scrutiny work and approaches do not appear to be overly politicised. Given these changes and the now dispersed approach it will be important to ensure that members are fully equipped to scrutinise the budget within their committees, to ensure that they have a good understanding of what they are being presented with and to feel confident in asking the right questions.

Working relationships between councillors and staff are regarded as positive and respectful, with few incidences of poor behaviours. This should not be taken for granted and may be tested as the council's resources diminish further, particularly in areas of front-line service delivery where resources might not always meet the expectations or historical practice of some councillors. Everyone – members and officers - need to ensure that their interactions with each other remain courteous and reasonable, irrespective of role or responsibility or function, and they act in accordance with the council's codes of conduct and member-officer protocols.

Some ways of working are new, for example the revised area committees, changes to the scrutiny structures, and some members are relatively new to the council. Keeping an ongoing focus on members' training and development requirements, personalised where possible, will help to ensure they keep up to date with the many demands on them.

There are some good examples of whole system working with health partners, for example through the integrated finance plan which aims to develop the integrated care board's place-based health and care plan for Hull by improving health and reducing inequalities.

The council's internal communications are insightful and informative, with a clear and consistent corporate narrative, and staff appreciate the formal and informal ways they

receive information.

The pace of day-to-day decision-making is regarded by many observers as slow and with a tendency to be overly bureaucratic. There are frustrations internally and externally about how long it can take for some decisions to be made and communicated: these appear to be slower and more cumbersome than what might usually be expected of a council by its stakeholders.

Middle managers expressed particular frustration about the council's scheme of delegation. They also voiced concern that the council's actual appetite for risk appears to be changing although this is not reflected in formal approaches to governance and risk management. For example, the decision thresholds are perceived to not reflect the nature of the changing markets in which the council operates, especially where inflation has been a significant issue post-covid. The requirements of the new combined authority may further test the council's ability to delivery quickly, as some rapid decisions may need to be made as funds begin to flow into the region.

Middle managers also expressed frustration about lengthy internal processes involved in recruiting members of staff, voicing concerns that these add to wider difficulties of attracting people to work in local government where the council cannot compete on pay. The length of time and recruitment approaches involved mean that too many people drop out of the application process. This in turn creates more pressure for those in post to absorb and accommodate unfilled vacancies. This frustration illustrates a wider issue relating to a lack of capacity for some core functions, which inadvertently appears to slow down how the council works. Taking some more time to understand these frustrations and where responsiveness could be improved would help to address these concerns and enable some managers to feel their voices have been heard. Doing so may also help to improve understanding and achieve some solutions.

#### **5.4 Financial planning and management**

The council has successfully managed its general fund budget over a number of years using a combination of savings, reserves and capitalisation of revenue

expenditure, of transformation costs, within the context of low usable reserves compared to near neighbour comparator councils. The general fund was at £37.8m in July 2024, representing around ten per cent of the overall revenue budget. The capital programme is relatively large and relies on significant borrowing and has been reprofiled as part of the 2024/25 budget process. The council's ability to raise income from council tax is somewhat limited due to having 86 per cent of its chargeable properties in council tax bands A or B. For 2022/23 council tax revenue reflected 26 per cent of total revenue funding.

Financial challenges exist. The council has identified budget gaps of £1.7m for 2024/25, £8.1m for 2025/26, £13.1m for 2026/27 and £19.9m for 2027/28. The council's reserves position creates risk. Should unexpected shocks or spending difficulties occur then a serious financial situation could arise that would be difficult to manage, because the council does not have much room to manoeuvre due to the limitations of its reserves. Opportunities to increase reserves should be taken if they arise early, for example if there are unexpected windfalls or if savings are achieved earlier than anticipated.

The council needs to make savings of £28.5m by 2025/26 and it plans to achieve this through a range of measures including vacancy management, service restructuring and redesign, and achieving energy efficiencies. It is important that these savings are achieved in a timely and robust way and be subjected to an appropriate degree of scrutiny and challenge.

There have been service pressures for a number of years. These arise particularly in adults and children's social care, and in special educational need and disability (SEND), with the latter being driven by an increase in education, health and care plans (EHCPs). Adult services pressures are due to the increased cost of care and in children's services some of the pressure has been due to pay increases.

The organisational understanding of the financial position is reasonable and is based on a thorough analysis of the council's budget. Although a series of planned savings and efficiencies have been built into the budget to address the deficit, short-term and one-off measures play a significant part in balancing the budgets in future. There is less clarity about the available solutions or options which show how the council will

address these financial challenges it faces for the medium term, linked to transforming and improving services. The external auditor raises concerns of a significant underlying deficit in the medium-term financial plan.

It is important that there is not complacency. External funding may not substantially improve in the future at a significant enough rate to resolve the council's budget gaps in the medium term and in the peer team's view the council needs to consider the risks of being over optimistic in its assumptions. Local government funding remains uncertain in the short and medium term and unless the council hears otherwise, it should develop scenarios to explore how it will respond to and manage future funding challenges, particularly as the unplanned use of reserves presents a significant, high risk for the organisation's longer-term viability. These scenarios could include how the council may respond to increased cost pressures, unexpected events, underperforming savings or investments, or lower than anticipated government settlements. Exploring such scenarios should be undertaken now so that councillors have clear options on which to make some difficult decisions, although it is unlikely that any of these will be easy or palatable to make.

The most recent external audit letter for the year ended 31<sup>st</sup> March 2023 was published in August 2024. It is positive that the audit for 2022/23 has been signed off as this helps to give a confidence about the base for the financial strategy going forward and puts the council in a better position than many about its closing and opening balances.

The letter flags concerns about capitalisation of budgets and how these have been extensively used to fund posts. It is important that the council is confident it can demonstrate that the flexible use of capital receipts is justifiable, in particular it is facilitating change to be implemented, and the "investment" produces sustainable reductions to costs and increased efficiency. Ideally, the use of capital resources for revenue purposes should be minimised because this puts the council in a better position to fund future priorities for capital expenditure.

The council is waiting for the latest iteration of the external auditor's value for money judgement and no concerns have been flagged at this stage. However, when the final judgement is issued, it is important that it is reviewed and if there are issues with

potentially significant budgetary issues, action is taken in a timely manner. As with other financial issues, the council does not have the luxury of high reserves to manage disruptions to the financial plans.

There is a determination to address the financial position, the refresh of the financial plan is good and the processes for managing change appear to be good. Clear cabinet reports exist, presenting the changing financial position compared with previous plans with recommended action to keep the authority in a stable position. The service performance boards are a good vehicle for keeping corporate track of the implementation of savings and control of budgets. The senior political and leadership engagement in the boards is positive, and overall, the boards provide a good basis for developing performance and financial management and informing the future.

The council is working on its best value framework. Using the support of Impower there is work underway to better understand benchmarking costs and outcomes around children's and adults' social care and commissioning. The council needs to develop its understanding of performance and quality in the context of priorities and opportunities for budget realignment, efficiencies and savings to be identified. A sophisticated approach to benchmarking supported by external party support would be beneficial. This could help to improve understanding and comparisons of the cost of running services in Hull, particularly at unit cost level.

## 5.5 Capacity for improvement

The council's workforce is a tremendous asset and there is a clear and palpable passion for Hull the place and Hull the council. Many staff have worked at HCC for a long time and there is recognition that retirement is an option for some of these colleagues over the next five to ten years. Many staff voiced concerns about both recruitment and the retention of staff, exacerbated by the local employment market and national pressures on local government recruitment. At times it can be difficult to see what the overall employment offer is, as there appear to be some inconsistencies depending on where people work.

There is some evidence of silo working, with how staff respond to demands on them

and how they feel about working for the council being variable, depending on where they work. For example, some employee surveys are undertaken within departments, and wider views were sought as part of the Investors in People refresh, both of which are positive actions. However, the absence of an overarching council-wide staff survey, taking at regular intervals, means that the organisation does not have a consistent, robust view of staff morale or motivation, or whether its staff feel valued and can contribute their views to the organisation.

Some employees feel that the council lacks agility and can be too risk averse in exploring new ways of doing things or seeking new opportunities. Inconsistencies are noticed by partners too, in terms of how the council responds to them. Whilst there is an overall willingness to work with partners and deliver at the highest levels, this is not always reflected in what happens on a day-to-day basis further down the organisation. It is unclear whether this is due to a lack of communication, permission to engage, an unwillingness to be flexible or something else, but it can mean that the council's response can be stodgy and resistant, to the frustration of partners and staff.

Although an appraisal scheme is in place it appears to be inconsistently applied across the organisation and requires a refresh to aid staff development and actively support performance management. It could be overtly linked to the big themes and implementation of the community plan, enabling employees to understand their roles in delivery.

A new structured approach can be underpinned by a fundamental 'getting the basics right' ethos which the council has identified as a seventh priority for the community plan. Now that the council plan has been agreed, some thought needs to be given to how this seventh priority will be achieved, although the concept will help the council to modernise and drive improvement. It will need a delivery plan and programme of activity, well managed and strategically shaped and led, to achieve this.

The council is at a pivotal moment which it can utilise to its advantage. It has the building blocks in place of the much-liked community plan and a new council plan. A new people plan has also been launched. The new combined authority will be in place within a few months and the new national government and its related policies

may bring a different perspective. Consideration should be given to the council's functional and operating model, to ensure that it is organised in the best possible way for delivery to residents.

Much of what the council needs to do next requires specialist skills and capability, some of which may not exist in the council yet. A 'one council' approach will be needed if the council plan is to be executed well and to fulfil members' and residents' expectations. Overall, a new corporate engine room as part of the forthcoming new office of the chief executive, with the right skills, capabilities and capacity is needed. It will need to be properly and appropriately resourced: this may seem like a contradictory suggestion when the council's finances are so strained, but achieving what the council wants to achieve needs underpinning with investment. This engine room will enable these building blocks to be established:

- Raising the profile of the people plan 2024-27 through overt sponsorship and leadership, with a focus on delivery. The plan needs to be able to flex to accommodate changing needs and to meet future expectations, and delivery will be helped if specific targets and measures are introduced to measure progress
- A concerted refresh on recruitment, retention and the employee value proposition. The latter is an important element as Hull may not be able to compete on salary terms for some posts, but what else can it do to make applying and working for HCC attractive, for example with flexible working?
- A clear commitment, led from the top, on equality, diversity, inclusion and belonging. EDI awareness is low and it is difficult to describe its profile, which in turn means it will be difficult to show how services are reaching the most disadvantaged residents, irrespective of their individual characteristics, in a systematic and consistent way
- Bringing in more customer insight and engagement to the heart of decision making, including developing measures to illustrate the ethos of 'fairness' is being planned for and delivered
- A concerted and collective refresh of the council's performance framework,

with key measures regularly reported to councillors

- The clarification of roles and a review of the scheme of delegation to bring agility and empowerment to decision making processes, supporting innovation and embracing modernity
- Improved corporate grip on major programmes and better mitigation of community and business impact through joined up planning
- The launch of major new partnership initiatives linked to anchor institutions, refresh of existing sectoral/thematic boards, and a clear 'way-in' to the council which is consistent with a new convening role across the city
- The development of a 'client' function to coordinate the council's engagement with the new combined authority. This will be important in ensuring the city can respond quickly and effectively, as well as getting the best out of the new opportunities that the CA will bring to Hull.

## 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 five months of the time on site, by 4<sup>th</sup> March 2025. As part of the CPC, the council are also required to have a progress review and publish the findings from this within twelve months of the CPC. The LGA will also publish the progress review report on their website.

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

The date for the progress review at Hull City Council is July or September 2025.

In the meantime, Mark Edgell, Principal Adviser for Yorkshire and the Humber, is the main contact between your authority and the Local Government Association. As

outlined above, Mark is available to discuss any further support the council requires.  
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