



Corporate Peer Challenge **Somerset County Council**

12 -15 March 2018

Feedback Report

1. Executive Summary

Somerset County Council (SCC) has made significant improvements across a range of issues since its last corporate peer challenge (CPC) in October 2014. At that time the peer team reported the council should improve the way it ‘... engages partners and enables them to contribute...’, whereas four years on we experienced a very different position and heard from several external stakeholders that SCC is ‘our partner of choice’. That sea change in the council’s approach and standing with partner organisations has created a more effective foundation on which to improve outcomes. The task now is to convert these good partnership relationships to even more effective ones, being clear about how to prioritise and shape those that are key to making a difference for the residents of Somerset.

Our main challenge centres upon the need for the council to improve its financial position. SCC must respond to this, just as it did with the challenges we set in respect of its partnership arrangements four years ago. Importantly the council is aware of its budgetary challenges. It is overspending primarily in children services and it’s not been fully achieving the savings agreed at its annual budget setting meeting. Whilst action has been taken to try and deal with these issues they haven’t sufficiently stemmed those costs or found sufficient compensating savings. Given its current level of financial reserves this must be tackled urgently – it should be its top priority

There are many good and some outstanding elements to what SCC does and the role and influence it has. These already have, or will into the future, shape more sustainable change and improvement. Notable amongst these is the landmark Hinkley Point nuclear plant development, which has brought approximately £50bn of direct capital investment into the region and the development of the county wide Somerset Rivers Authority, launched in 2015 which seeks to ensure higher standards of flood protection and resilience for the county. Some of the recent improvements in adult social care are examples on which to build for the future – these include developing approaches to tackling demand and costs issues, specifically the speed of transfers of people out of hospital. This has been brought about by a preoccupation across all partners on the citizen first, and putting in place systems and processes that better enable that, which is impressive.

The political and managerial leadership has been instrumental in creating a culture for more effective partnership working and a resolute attention on leading for, within and across Somerset. SCC is more outwardly focused now. In part this stems from the way the leader of the council operates, which is to openly work with and through others. The impact of the chief executive in leading the council through this recent period of change is clear for all to see. He was appointed to the role just prior to the last CPC and it is no coincidence that there has been significant improvements in several areas since then. We were told time and again that the joint leadership relationship between the leader and chief executive has set a new and vibrant tone. Their example is now for others to follow – it is refreshingly open and collaborative and it will be important to ensure this becomes the new norm for the council as a whole.

The council has moved out of intervention and seen improvement in its children's social care. The importance of this turnaround and the focus and attention to ensure it should not be underestimated. The recent Ofsted inspection report highlighted steady progress and importantly confirmed there was a culture of openness to supports future improvement. The council has ambitions to keep that momentum going and move on from 'requiring improvement' to be rated as 'good', within the next three years. This is reflective of a revitalised and ambitious council.

The council is very aware of the range of challenges to be tackled to ensure the progress it has made is built upon. The biggest of these, because it is so immediate, is the significant overspend in its children's services. This needs to be addressed as a matter of urgency, since the remedial actions taken to date have not impacted sufficiently. There is a need to tackle what we believe, is a £17m turnaround position for the forthcoming financial year – the council is forecast to overspend £14.5m in children's social care services this year and levels of spend are not currently anticipated to reduce; added to which there is a target of £2.9m savings to be made in 2019-20. Currently the management of savings programmes at SCC takes place in a variety of ways and at different levels: cross cutting themes, high priority areas and then directorate targets. Given both the scale of the challenge and its immediacy the above approach must be consolidated into one plan with a clear oversight.

Given the current position, including the low level of reserves, it is imperative that current and future saving programmes are delivered in full and on time. The peer team recommend a clear and strong financial accountability framework being established, which is both owned corporately and consistently applied. Within this there must be clear roles and accountability established for the chief executive and his senior leadership team (SLT), as well as the leader and his cabinet and everything must stem from that. Collectively, they should attend to this with the same vigor and intent that they have applied to the range of other improvements we have already described. For the last two years only 65% of agreed savings have been delivered and whilst there may be specific reasons for this, this level of delivery is simply unsustainable into the future.

SCC has a good understanding and appreciation of the needs of its communities, of the scale and nature of the future challenges facing Somerset and what is needed to respond to these. There is a strong evidence base underpinning this, which is clear about the nature of the increasing demand pressures, for example in adult social care. As a consequence the council is refocusing its service design, delivery and priorities around a new narrative in terms of prevention and early intervention and becoming ever more citizen focused. It must do this as effectively and efficiently as it can in all service areas, so it both ensures good outcomes for people but manages this in a way that keeps the council financially sustainable.

The new council vision with an overall aim 'To Improve Lives' is an important step in the right direction. Typically it is being led and driven by the leader and the chief executive, as SCC positively engages with its core partners to build upon its strong foundations and establish its overarching priorities. It is encouraging partners to reflect upon, 'buy in' and with SCC, shape these further into something akin to a Somerset wide vision. This is positive and in essence is the start of this next stage of the council's journey as it sets in place a plan for the council for the next four years and a business plan to help it deliver those priorities.

That work to establish the vision and engagement should be built upon further and in parallel we would recommend a complimentary plan for the council itself, essentially setting out what it will look like and how it will operate for the next four to five years. Therefore as well as tackling its key here and now budgetary issues we believe the council should use our recommendation to help it define the key attributes of a sustainable council, the culture it needs to have, a fully signed up plan to deliver this future and a clear and relentless focus on the internal development of the council to make sure it happens.

The above is no easy task and it will require some important soul searching, questions to be addressed and actions to be taken. As part of this SCC's Cabinet and SLT needs to both champion and challenge. The peer team felt that a way it might do this more effectively was the establishment of a single cabinet role for finance and then the cabinet members as a whole being very clear about their role in respect of budget and performance management. Furthermore, the Officer Senior Leadership Team development should become a top-line priority as the way they lead the changes ahead and ensure the effective delivery of the council's budget and Business Plan will be crucial to the success of SCC.

After four days working with the council we felt that SCC can meet its challenges and build upon its strengths to become a sustainable council. However to confirm this, it must address the challenges and recommendations within this report – this will require the granular focus we have highlighted, an injection of pace given the immediacy of the financial challenges in particular, and finally the collective sign up of all key decision makers to a plan of action to see it through.

2. Key recommendations

There are a range of suggestions and observations within the main section of the report that will inform some 'quick wins' and practical actions, in addition to the conversations onsite, many of which provided ideas and examples of practice from other organisations. The following are the peer team's key recommendations to the council:

1. To address its financial challenges SCC must ensure there is a clear and strong accountability framework owned corporately and consistently applied. In doing so it should:
 - take immediate action to reduce any overspend during 2018/19
 - develop a comprehensive set of achievable savings plans as part of its budget setting for 19/20 and equally for its MTFP
 - address the children's base budget so that it is challenging but realistic and is in line with the council's overall budget
 - ensure there is strong financial accountability in all areas of the organisation supported by appropriate guidance, training and support as well as measures in place to address any non - compliance
 - ensure members have sufficient financial and performance information on which to make informed decisions and deliver challenge

- make clear the roles and accountability for senior officers and members and consider the appointment of a cabinet portfolio holder to provide a single point of oversight.
2. The council should align its vision, priorities, business and services plans – which are currently draft. These must be underpinned by a Medium Term Financial Plan which should be complimented by a clear performance framework to help ensure its delivery. As part of this, the council should: define the key attributes of a sustainable council, the culture it needs to have, a fully signed up plan to deliver this and a clear and relentless focus on its internal development to make sure it happens.
 3. The council should invest time in the development of its ‘Top Team’ of Cabinet and Senior Leadership Team. This should be given priority so they are more able to meet the challenges ahead and are best placed to ensure the delivery of its developing vision, Council Plan and budget challenges.
 4. SCC council’s vision should be further developed with a view to establishing a county wide owned one, with associated joint priorities. As part of this it should draw upon the council’s Health and Well Being Strategy, ‘Improving Lives’ as a sound base from which to review the benefits that may arise from making the most of partner’s collective capacity and considering with them, how those priorities could be most effectively delivered in communities and at scale
 5. SCC should review its overall approach to scrutiny, ensuring all councillors are equipped to play an active role and contribute to the policy making and key decisions affecting the future of Somerset’s residents and the council, and that its governance arrangements are reflective of this.

3. Summary of the Peer Challenge approach

The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected your requirements and the focus of the peer challenge. Peers were selected on the basis of their relevant experience and expertise and agreed with you. The peers who delivered the peer challenge at Somerset County Council were:

- Cllr David Finch – Leader, Essex County Council
- Richard Flinton – Chief Executive, North Yorkshire County Council
- Arthur Charvonia – joint Chief Executive for Babergh and Mid-Suffolk Councils
- Helen Riley – Deputy Chief Executive and Director for Families and Communities, Staffordshire County Council
- Heather Hauschild – Chief Officer for West Hampshire Clinical Commissioning Group
- Lorna Baxter – Director of Finance, Oxfordshire County Council
- Dan Archer – Programme Manager at LGA for the North West
- Paul Clarke – LGA Peer Challenge Manager.

Scope and focus

The peer team considered the following five questions which form the core components looked at by all Corporate Peer Challenges cover. These are the areas we believe are critical to councils' performance and improvement:

1. Understanding of the local place and priority setting: Does the council understand its local context and place and use that to inform a clear vision and set of priorities?
2. Leadership of Place: Does the council provide effective leadership of place through its elected members, officers and constructive relationships and partnerships with external stakeholders?
3. Organisational leadership and governance: Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented?
4. Financial planning and viability: Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
5. Capacity to deliver: Is organisational capacity aligned with priorities and does the council influence, enable and leverage external capacity to focus on agreed outcomes?

As part of the above the council, SCC were keen that the Corporate Peer Challenge (CPC) helped them address the following issues which are covered within the body of the main report:

- provide a view as to whether priorities identified and draft plans to deliver them help achieve improved outcomes for the residents of Somerset and has SCC the capacity and resilience to deliver them
- consider whether SCC's work with partners is as effective as it could be.

The peer challenge process

It is important to stress that this was not an inspection. Peer challenges are improvement focussed and tailored to meet individual councils' needs. They are designed to complement and add value to a council's own performance and improvement. 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 current LGA sector-led improvement support offer includes an expectation that all councils will have a Corporate Peer Challenge every four to five years. Somerset County Council had a Corporate Peer Challenge in 2014. Where relevant to do so, findings from that previous peer challenge have been referenced in this report.

The peer team prepared for the peer challenge by reviewing a range of documents and information in order to ensure they were familiar with the council and the challenges it is facing. The team then spent four days onsite at Somerset County Council, during which they:

- spoke to more than 150 people including a range of council staff together with councillors and external partners and stakeholders
- gathered information and views from more than 60 meetings, visits to key sites in the area and additional research and reading
- collectively spent more than 250 hours to determine their findings – the equivalent of one person spending more than 8 weeks in Somerset.

This report provides a summary of the peer team's findings. It builds on the feedback presentation provided by the peer team at the end of their on-site visit (12 – 15th March 2018). In presenting feedback to you, they have done so as fellow local government officers and members, not professional consultants or inspectors. By its nature, the peer challenge is a snapshot in time. We appreciate that some of the feedback may be about things you are already addressing and progressing.

4. Feedback

4.1 Understanding of the local place and priority setting

There is a clear and shared understanding between SCC and its partners of the challenges and opportunities facing the county of Somerset. The evidence for this is set out well in the council's draft business plan and highlights for example a contrasting county, where there is low unemployment but economic productivity remains below average, or indeed where there are good schools and exam results but the proportion of Somerset pupils going into higher education is consistently below the national average. It also highlights the increased needs of a growing and ageing population and the lack of both numbers of homes and the availability of affordable ones.

The peer team found a clear causal relationship between the council's priorities and the needs of the communities it serves. Underpinning all of this is a sound evidence base, in part delivered through the council's Business Intelligence Team which manages the Somerset Intelligence website and contributes to the Joint Strategic Needs Assessment (JSNA), led by the Health and Wellbeing Board. This is well communicated within the council and across its partners and is used to inform the council's commissioning plans as well as importantly helping to shape the new council vision, which is very much citizen focussed on 'improving people's lives'.

The council is committed to engaging with its communities of place and interest to seek their views on the services it commissions or delivers. Last year it carried out nearly 70 consultations, addressing key areas such as Family Support Services and Children's Centres and currently the council is consulting upon the future shape and scope of its library services against a backdrop of reduced funding. It also used its Listening, Learning, Changing roadshows in 2016, where 6,000 people took part to equally inform and shape priorities where the key outcomes were a desire to 'helping vulnerable and elderly people', 'investing in Somerset's economy and infrastructure' and 'attracting jobs and apprenticeships'. All of these matters are significantly reflected in the council's ambitions, priorities and plans.

It was very clear to the peer team that the council is focussed on the right areas of need for its communities and has a good evidence base to support this. A key next step is to ensure that these are not only reflected in the draft vision and business plan but actively brought to life through its developing narrative of partnership and change. As its vision and priorities are confirmed SCC should both evidence and 'story tell' as to how these new ways of working will create better outcomes for people. Then it must ensure that this is steadfastly delivered upon and reviewed, through a range of mechanisms and approaches, but specifically through its own business plan and service plans, all of which now need to be fast tracked as they are still remain in draft form.

4.2 Leadership of Place

SCC is significantly more outward focused now than it was at the time of its last corporate peer challenge in October 2014. The way in which the council has responded with purpose to the challenges made then about its leadership of place have resulted in a sea change in the nature and impact of its partnerships. For example, the council has been at the forefront of the Devon and Somerset plans for devolution – agreeing collective ‘asks’ and ‘offers’ to government in respect of, amongst other things, boosting the sub-regional economy and skills base to drive economic prosperity. Harnessing and leading on the collective ambitions of 17 local authorities, two national parks and working with and through other agencies including the health sector is a clear sign of intent and influence. The role and influence of its political leadership, as well as the chief executive, in creating the environment of openness and trust to establish this position, was a constant feature of our discussions with partners throughout the peer challenge.

Aligned to the above, relationships within and across The Local Enterprise Partnership (LEP) appear strong. We heard that SCC actively works to make the LEP effective and there is a clear overlapping of priorities and of funding which has facilitated key growth initiatives in the county. Furthermore, all the district councils we spoke with welcomed this positive change in the council’s approach referred to above, especially in terms of openness and willingness to engage.

The nature of relationships and outcomes being achieved within and across health and adult social care is, on the basis of our discussion with partners and on the evidence we saw, achieving significant improved outcomes in some key areas. For example, we heard about the relatively new service ‘Home First’, which since its launch in September 2017, has led to more than 700 people leaving hospital on average 5 days earlier than through established approaches previously. This and other initiatives, such as the willingness to drive performance improvement using shared metrics and collectively challenging and holding each other to account, is evidence of effective partnership working. Clearly, this is ‘work in progress’ and as the integration of commissioning of such services develops it will be important that they match the ambition and outcomes of the examples referred to above, so that overall they collectively deliver more effective outcomes across the piece.

The resolute determination to turn around failing services and improve outcomes for children has resulted in a far more encouraging recent Ofsted report which has taken the council’s services out of intervention. There are of course improvements that are required and the report makes plain where these are needed so that the council can move to ‘good’, and it is indeed SCC’s ambition to do so. Such ambition, matched with a drive to establish a significant schools building and improvement programme, at a time when the council is facing significant financial challenges, is a real statement of its leadership. This leadership needs also to be applied to retaining an ongoing funding to deliver this ambition.

In the view of the peer team SCC has taken a leading role in grabbing and shaping a broad range of economic opportunities, seeking to drive prosperity of place and underpin it with the right infrastructure. The council's leadership and ambition in this area is impressive. We heard about a range of compelling and related programmes and projects which are driving real change in Somerset. The flagship Hinkley Point development of course has prominence but there is much more besides, for example, working with partners to develop a University of Somerset, a cross-county network of enterprise centres, iAero, an aerospace and advanced engineering centre in Yeovil, as well as a third Growth Deal worth £27m for Somerset. All of these and many more besides are indicative of a council which, through effective partnerships, has both a real vision for place and a developing track record of delivery.

Overall the impression we gleaned from many of SCC's partners was that now a solid foundation has been established, the 'ask for SCC' is to be bolder still in facilitating that collective leadership. The opportunities presented by the council's vision for itself as an organisation and how this could be developed across Somerset seems a real opportunity. It is one that we encourage the council to grasp, engaging with and through partners, so that the outcomes being sought and delivered are very clearly co-produced and collectively owned by the area.

Overall the outcomes from partnerships are positive, but there are some, where below the strong strategic level, engagement is less effective and that is impairing the delivery on the ground and should be addressed. Some are referenced in the Ofsted report, others we heard about relate to elements of working relationships with health and the police, for example. Importantly, we believe that SCC and its partners are in a far stronger place to tackle this now than it was four years ago.

4.3 Organisational leadership and governance

SCC is clearly improving in terms of its leadership role for Somerset. As we have said in the previous section a recurring message is that as an organisation SCC is far more partner orientated and outwardly focused and the role and influence of the leader and chief executive are central in helping achieve this.

The current leader and his cabinet, are willing to both contemplate and take difficult decisions in their leadership role for the council. Aware of the serious challenges the council is facing financially, they have chosen to maximise the council tax uplift and adult social care precept. Likewise, SCC was carrying out key consultations during our peer challenge in respect of libraries and children's centre's, both with a view to making those services more financially sustainable. This is important as there will be similar challenges and key decisions that will need taking in the months and years ahead.

Overall, we found harmonious and respectful relationships between members and officers, each is aware of their respective roles and boundaries. This is a

good foundation and starting point from which to now build this into more dynamic and purposeful leadership of the council – where accountability is clear and were challenge with a view to improvement, especially around key issues such as the delivery of the council’s budget, is the norm. These comments are in line with our challenge to the council’s leadership, both politically – the cabinet, and managerially – the senior leadership team (SLT), to match the outwardly orientated ‘partner of choice’ strengths we refer to with a relentless rigor and mantra that leads the council to a sustainable medium term future.

From our observations, we believe the council has cogent performance management systems where, for the most part, data and trends are used well to help inform decision making. It is especially important that both cabinet and SLT use that performance information and work as a team to focus attention on, and importantly establish clear accountability in respect of next year’s budget and medium term financial plan. It is the peer team’s view that SCC would benefit from a single point of leadership in cabinet around finance. This should be matched with clarity of leadership at cabinet and SLT in respect of transformation and how SCC will become a sustainable council. This will require significant joint collective teamwork and a strong internal focus on delivering against targets.

We did not have the opportunity to witness any political governance meetings but heard about practices in respect of ‘call-ins’ that in the view of the team did not necessarily encourage or fully equip members to carry out effective scrutiny. Indeed some members we spoke with were not clear about the actual practices required to initiate a call-in. At a time when the importance of effective challenge is more important than ever for SCC, the council should review its practices swiftly and ensuring it is both sufficiently equipped and configured to robustly address the priorities and challenges SCC is facing and that all members can make an active contribution to this.

4.4 Financial planning and viability

SCC has demonstrated the ability to deliver significant savings since the beginning of the period of austerity and over the last six years has delivered in excess of £100m. Along with many other councils it chose to apply a council tax freeze (taking the grant available), this being the case for the six years prior to 2016/17. This has of course had an impact on the Council’s base budget. Throughout that period it also made no use of its borrowing powers.

In contrast this year, 2017/18, saw a change in approach when the council, alongside many others, increased its council tax, and applied the adult social care precept. It has repeated this for 2018/19 to the maximum. It is also now willing to use its borrowing powers to fund the much needed school building programme. In such a way it is raising more revenue, increasing its base tax and beginning to build back some of the financial resilience it has lost. Furthermore, it is consulting upon the future provision of libraries and children’s centres, where it will be seeking to provide future services on a more cost efficient basis. It would appear that the council is now demonstrating the wherewithal to make difficult financial decisions – this is important as given the current financial position of

SCC this will be a first order priority and further decisions of this nature will be required.

A mix of rising demand pressures for services, especially in children's services where the costs of placements are a significant cause for concern, a low level and slow rising tax base and reducing government grant has necessitated the use of reserves to plug gaps in spending plans and has left the council's finances in a very challenging position.

The council is very aware of the financial challenge it faces. It has been well served by its Financial Services staff. Those of whom we met with were clearly dedicated to, and intent upon, helping the council to effectively respond to them. As such it is addressing the council tax issue and in certain areas, such as adult social care, that mix of demand, commissioning, spend and outcomes is now being rigorously addressed through clear leadership and a forensic eye on both improved outcomes for people and the bottom line. This is a great example of operational leadership and sound financial expertise and advice working hand in glove together. The success of this effective partnership is very evident, as at quarter three of 2017/18 the adult and social care budget was estimated to be marginally underspent, whereas in contrast the previous year it had overspent by £9.1m.

In other areas, especially in children's services, that same turn around in overspending is required. It was only in February this year that the council's children's services came out of special measures which is a significant achievement, but in the same quarter of 2017/18 the children and families budget is projecting an overspend of £14.5m. This follows an overspend of £4.5m in 2015/16 and £3.7m in 2016/17. This needs to be addressed with the same characteristics and managerial grip displayed in adults. The council needs to fully understand the cost pressures and drivers in this area and how through more effective commissioning and service redesign it tackles what one stakeholder described as 'the council's Achilles heel'. Alongside this, SCC should set a realistic budget for children's services. There is a risk that with budgets so out of kilter, that there is an excuse for weak financial management in operational services (such as Children's Services) with managers not taking ownership and responsibility for their budgets. Once a realistic budget is set, it will be key to ensure effective control mechanisms are put in place for budget management, supported by appropriate guidance and training and robust measures are adopted to ensure compliance.

It is important that the council addresses the matters above with some urgency. In recent years there has been a recurring pattern of using reserves to fund overspends, but regular use of this to fund in - year budgeting overspending which, as it is unplanned, is more concerning and much stronger budgetary control is needed within the overspending services, supported by SLT led by the Chief Executive.

As a consequence the council's overall reserves have reduced significantly. At quarter three of 2017/18 it is estimated that for the start of 2018/19 SCC will have

£11.3m of general reserves. It is also reported that the council will have a contingency fund of £7m to further smooth and make budget adjustments. This would suggest that if the level of overspending seen in 2017/18 continues in 2018/19, SCC will only have sufficient resources to balance its budget for one more year. Furthermore, the level of earmarked reserves was only £8.1m at the start of 2017/18, leaving little flexibility if needed to support the budget. The VfM opinion of the council's 2016/17 audited accounts was not qualified in terms of its overall arrangements but it did remark upon 'the weaknesses in proper arrangements for understanding and using appropriate and reliable financial and performance information to support informed decision making'. As such, in the view of the peer team, the levels of reserves and the management of them, including greater clarity in respect of reporting and monitoring, needs specific attention.

The council has agreed a saving target for 2018/19 of £11.9m of which £8.8m was specifically allocated in February 2018. Furthermore savings of £5.8m in 2019/20 and £3.2m in 2020/21 have also been identified and allocated. In addition to this the council requires further savings to be made which as of yet remain unallocated – £8.6m for 2019/20, and then £5.8m and £1.1m in the subsequent two years, giving a cumulative shortfall of £15.6m for the remaining term of the MTFP. This does however include an assumption that £10m of this (£5m in each of 2019/20 and 2020/21) will be required to address the cost pressures in Children's Services.

The range of targeted savings areas for 2018/19 agreed are clearly laid out in the council's MTFP and cover some key areas: technology and people, productivity and culture, commercial and third party spend, stronger communities, partnership and integration, service redesign and transport; and SCC will be commencing work imminently to seek to address the £15.6m deficit over the medium term. Whilst the savings required for 2018/19 and beyond are relatively modest compared to the council's overall revenue budget, in the last two years the council has only achieved circa 65% of its planned savings which coupled with in-year over spending has diminished reserves as a consequence. Whilst we have highlighted the significance of the children's budget there are other areas, notably budget in respect of Learning Disabilities and commercial procurement and contract management where in year overspending is occurring. As more cost is taken out of the budget, the more difficult it becomes to manage any in-year overspend so having robust, deliverable savings is important.

For 2018/19, there are planned savings of £2.9m for children's services. Applying this to a budget that is forecast to overspend in 2017/18 by £14.5m, and which has also overspent in the previous two-three years, will be a significant challenge. As such we question the ability of achieving what amounts to a £17m turn around position.

As a consequence of the above commentary and reasons outlined we believe there are key issues that the council must address as a matter of urgency:

- take action to reduce any overspends during 2018/19

- ensure there is a clear and strong accountability framework owned corporately and consistently applied for:
 - managing budgets in year
 - the delivery of savings
 - developing a comprehensive set of savings plans as part of setting a budget for 19/20 and MTFP
- address the children's base budget so that it is challenging but realistic and is in line with the council's overall budget (more savings will be required)
- ensure effective control mechanisms are put in place for financial management across the organisation supported by appropriate guidance and training and robust measures are adopted to ensure compliance
- ensure members have sufficient financial and performance information on which to make informed decisions and deliver challenge.

We also left the council with a range of potential opportunities at our feedback presentation that it may wish to pursue as it develops its medium to long term measures to ensure its financial sustainability, For example, as part of its commercial strategy – how it considers the potential for expanding traded services, or how it might utilise its new borrowing freedoms etc. Ultimately it must do this within a context of being clear about its overall demand pressures and costs then setting in place appropriate financial plans and be clear on the timing gap between investment outlay and return.

4.5 Capacity to deliver

The council is seeking to build its capacity and resilience across a range of issues. We have made reference to its renewed focus on partnerships and this will become a significant plank of its future plans. The benefits that can arise when partners work collectively are already very evident in Somerset, notably within the county-wide Somerset Waste Partnership, making savings year on year of £1.5m through working effectively together.

Within SCC we saw many examples where the council was building capacity through its people. The council is proactive in terms of its approaches to staff engagement, empowerment and development. We heard about the Somerset Commissioning Academy programme, based upon the national programme and drawing senior colleagues across the county together in a learning environment to tackle key issues facing them all. We saw evidence of regular and focussed staff surveys by theme, taking the 'temperature' of the organisation but using the outcomes of this to create improvements and engage staff. All of this is being drawn together through the draft people strategy which has three key outcomes in mind in terms of the council's workforce: becoming great leaders; realise their roles in improving people's lives; and making use of technology and different ways of working to be more collaborative and effective.

How SCC achieves the outcomes from the people strategy will help determine how effective it is in building its capacity. For example, SCC has taken control over its technology journey following some challenging historic arrangements with a strategic partner. As a result, it should now have far more ability to influence positive business

change and realise efficiencies and its transformation plans now need to deliver the outcomes that have been set for them.

We have referred to the positive example the council's leader and chief executive create in terms of joint leadership of the council. There is a clear need for them, with their respective cabinet and SLT separately and then collectively to work as a team to lead SCC through the next 4 years ahead. The role of SLT especially will be pivotal in delivering the changes required and as such their development as a corporate team, demonstrating to the rest of the organisation collective leadership to face the significant financial challenges ahead is key. This is important as we gained an impression based upon our time with the council of a lack of depth of senior capacity in some key areas to move the key challenges forward. It will be important that this is addressed in the process and roll-out of the people strategy.

In terms of realising the role in improving people's lives we heard about some important new initiatives to make a difference to people accessing services and promoting sustainability. The micro providers' development, utilising key people in communities to support the vulnerable, which is just developing in adult social care, is a clear example of this. Another example is the targeted recruitment that the council has undertaken in key areas such as childcare social work, which means as well as continuity and quality in terms of delivery it is also relying less on agency staff and reducing cost.

We found staff who were proud to work for SCC and demonstrated a confidence to innovate and adapt. We also found service managers who demonstrated energy, commitment and a real passion for improving lives in Somerset. The vibrancy underpinning the council's apprenticeship scheme is also a story of success, moving from 20 in 2016 to now having in excess of 130. All of the above provides a good foundation and, to build upon such initiatives, it will be important to translate these and others onto a real scale across the whole of the Somerset. Specifically the work with, in and through communities, building their resilience and promoting the council's new emphasis on prevention and a preoccupation with the citizen needs both a vision and plan for how it will be developed at scale and become an integral part of developing the future operating model for the council. This could include looking at the way in which other funding opportunities such as public health funding is used to support it.

High priority projects within SCC are identified and allocated corporate support in terms of programme management and business expertise – this helps create capacity, builds momentum and pace and generally results in better outcomes. The evidence of its success is in the turnaround of some services and budgets in adults. In that case there was a clear focus on outcomes, a clear sense of senior leadership to drive change and the value of the additional support was therefore realised.

In other areas, such as children's, the service equally has shown it can improve – the Ofsted outcome is evidence. It now needs to build upon this just as in adults – it will be important for the council to fully understand the cost pressures within children's services and implications of their current and future commissioning plans, since this knowledge and insight when coupled with real purpose and leadership can drive further change. Given the financial imperatives of this we would suggest the council reviews its financial capacity in relation to these high risk budgets and ensures there is a strong enough

financial support to budget managers in this area but equally that they too are fully aware of their budget responsibilities, so that in the midst of such change, the eye is not taken off the bottom line. A unified, collaborative focus between operational and finance managers will be vital in securing a better financial position going forward.

Our final reflection is we found some very positive elements within SCC, and significant progress in a number of key areas in recent years, but this is a moment in time when the council needs to grip its financial situation and become more focussed on the immediate financial challenges. We have confidence in the leader and chief executive to provide the joint leadership and clear strategic direction needed to rise to this challenge and secure the council's long term financial sustainability.

5. Next steps

Immediate next steps

We appreciate the senior managerial and political leadership will want to reflect on these findings and suggestions in order to determine how the organisation wishes to take things forward.

As part of the peer challenge process, there is an offer of further activity to support this. The LGA is well placed to provide additional support, advice and guidance on a number of the areas for development and improvement and we would be happy to discuss this. Andy Bates, Principal Adviser is the main contact between your authority and the Local Government Association (LGA). Andy's contact details are: andy.bates@local.gov.uk

In the meantime we are keen to continue the relationship we have formed with the council throughout the peer challenge. We will endeavour to provide signposting to examples of practice and further information and guidance about the issues we have raised in this report to help inform ongoing consideration.

Follow up visit

The LGA Corporate Peer Challenge process includes a follow up visit. The purpose of the visit is to help the council assess the impact of the peer challenge and demonstrate the progress it has made against the areas of improvement and development identified by the peer team. It is a lighter-touch version of the original visit and does not necessarily involve all members of the original peer team. The timing of the visit is determined by the council. Our expectation is that it will occur within the next two years.

Next Corporate Peer Challenge

The current LGA sector-led improvement support offer includes an expectation that all councils will have a Corporate Peer Challenge or Finance Peer Review every four to five years. It is therefore anticipated that the council will commission their next Peer Challenge before 2023.