

## Report of the Chief Executive

Cabinet Member(s): Cllr David Fothergill, Cabinet Member for Corporate Affairs

Division and Local Member(s): All

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### 1. Summary

- 1.1 Council finances** – our Medium Term Financial Plan 2019/20 + development - one financial year has ended, another has begun, but there is a consistent theme... tight controls on spending. With Children's Services now improving and Adult Services attracting national headlines for innovative working, Somerset is on a positive journey. The Council's key focus this year must be to secure our financial sustainability. We must and we will reduce spending wherever we can to ensure our budget can support the vital work we do.
- 1.2 Vision for Somerset** – Leader of the Council has set out the Vision for the Council. This presents a very clear narrative of the priorities of the Council, and working with our partners for the coming period. It is however necessary for organisation to respond to this vision. In the interests of transparency and to highlight future activity this report alerts Councillors to the ongoing development of the Council Business Plan. The Business Plan is scheduled to be approved in June and will highlight the key activity of the Council, projects to be developed and improvements that we need to make. It will describe key milestones and target outcomes of our work. In time this will be captured in a revised performance management framework so that progress can be measured.
- 1.3 Corporate Peer Challenge** – Councillors will recall that we hosted a Local Government Association Corporate Peer Challenge in March. This process, undertaken by a team of sector experts undertook a review of the Council. The review focussed on a number of standard key lines of enquiry. In addition we asked the LGA team to focus on the quality of our work with our partners. The Challenge report highlighted many areas of service improvement over the last four years. It highlights good leadership and governance and a much improved relationship with our partners and stakeholders. It does challenge us to address some inherent budget overspends and to address them now, as a priority. This report offers a headline summary of the Challenge and provides Councillors with an

opportunity to view the final report.

- 1.4 Organisational management structure** – I am obliged to report any changes to the Council’s Senior Leadership team to a meeting of the Full Council. Both Kevin Nacey, Director of Finance and Richard Williams, Director of Commercial and Business Service will be leaving the organisation over the coming months. It is my intention to seek an immediate replacement to the role of Director of Finance. Retaining the Section 151 statutory role, this post will be critical as we seek to secure our financial sustainability over the coming years. I have decided to delete the role of Director of Commercial and Business services, reducing the size of SLT by one and capturing the resultant savings.

## **2. Recommendations**

### **2.1 For the Council to :**

- i) support the work of the Chief Executive to manage the current and future challenges the Council faces as outlined in this report.**
- ii) note the recommendations included in the LGA Corporate Peer Challenge and support the development of mitigating actions to secure further improvements in the management of Council business.**
- iii) note the changes to the County Council’s Senior Leadership team, namely the deletion of the post of Director of Commercial and Business services from the establishment and the proposed Senior Leadership Structure.**

## **3. Medium Term Financial Plan 2019/20+ development**

- 3.1** The Council welcomed a National Audit Office report earlier this year which highlighting the massive strains on local government funding. In the report the Government spending watch dog identified a 49 per cent real-term reduction in government funding for local authorities in the last six years and called for a long-term plan to address current financial and demand pressures.
- 3.2** Key findings within NAO report include that:
- Government funding for local authorities has fallen by an estimated 49.1 per cent in real terms from 2010/11-2017/18
  - Along with reductions in funding, local authorities have had to deal with growth in demand for key services as well as absorbing other cost pressures such as high National Insurance contributions, the Apprenticeship Levy and the National Living wage

- Local authorities have protected spending on service areas such as adult and children's social care
- Spending is now more concentrated on social care
- The Government has announced multiple short-term funding initiatives in recent years and does not have a long-term funding plan for local authorities.

**3.3** The Government's main grant to the County Council has funding fell by £10m in 2017/18 and more than £73m since 2013/14. Overall the authority has made savings of around £120m over the last seven years – bridging the gap caused by falling funding and increased demand for services. The Government's Fairer Funding Review **must as a matter of urgency** help councils like ours meet the needs of vulnerable residents and a sustainable, nationwide approach to the funding of social care and children's services must be a top policy priority. The Leader of the Council continues to lobby hard for this with the support of all of Somerset's MPs and we will continue to do so. I would ask everyone to participate in this debate.

**3.4** However, ongoing pressures of demography and demand for our services; noted in all areas but most acutely in our people services are tending to drive in-year revenue budget overspends. In February the Council set a balanced budget for the current financial year. Over the next month the financial closing report for last year will be published. It will describe a position of very modest overspend and reserves that are relatively stable. Given our initial forecast this will illustrate a stable position. However, this is not the full story as ongoing demand and specific budgetary overspends mean that our budget remains unstable and needs addressing if the council is to achieve financial sustainability and manage the service and regulatory demands that impact upon us.

Achieving financial sustainability is now the number one operational priority of the County Council and the Chief executive is leading the Senior Leadership Team in a comprehensive review of all council budgets to see where further, sustainable savings and efficiencies can be achieved. The aim is to achieve financial sustainability within the current year.

Any consequential budget actions will be subject to the usual and proper consultation and decision making processes.

## **4. Corporate Peer Challenge**

**4.1** The current Local Government Association 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.

**4.2** 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 use 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.

**4.3** 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.

**4.4** 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?

- 4.5** As part of the above the Leader of the Council and I were keen that the Corporate Peer Challenge (CPC) helped the council address the following issues which are covered within the body of the main report (see Appendix 1):
- 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.
- 4.6** Overall the report should be viewed as a very positive commentary on the direction of travel of the County Council and the improvements that we have achieved over the last four years. The report noted that the County Council has made significant improvements across a range of issues since the last peer challenge in 2014. Partners and external stakeholders now view us as a 'partner of choice'. They note many good and some outstanding elements to what SCC does and the role and influence it has.
- 4.7** Our approach to economic development is seen as a strength as exemplified through our support of the Hinkley point project, our support of the LEP and our work in developing a fleet of business centres across Somerset. Improving our Children's Services OFSTED judgement is noted as being important and our commitment to move to a 'Good' rating is noted as being reflective of a revitalized and ambitious council. Our work in transforming adult social care is highlighted throughout the report. Many innovations were considered and the review team commented throughout their visit on many features of a significant transformed approach and quality of service.
- 4.8** The political and managerial leadership was reported as being instrumental in creating a culture for more effective partnership working and a resolute attention on leading for, within and across Somerset. SCC is viewed as being more outwardly focused now. Indeed, leadership is quoted throughout the report as being a strength within the authority.
- 4.9** In summary, when the key lines of enquiry and issues raised by us were explored considerable strengths were recorded in all areas. However, there was one significant issue raised throughout the report. Our financial position. It was reported that we have started to struggle to deliver our savings targets. We have some key areas of significant overspend, most notably in Children's Services and our low levels of general reserves mean that we have limited financial resilience. Our financial processes, governance and staff were all highlighted as being

effective. However, inherent overspend and the financial direction of travel were seen as being a considerable risk to the Council. The Peer Challenge team recommend that we establish even stronger savings framework and importantly urged all spending areas to own and take responsibility for the financial challenge and not to merely see it as a central, corporate issue. They do see that we have the skills to address this issue but the challenge is very clear. They challenge us to intervene and sort this issue out now.

**4.10** The Corporate Peer Challenge report makes a number of recommendations that are reproduced below.

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.

Work has already started to address the recommendations contained within this report.

A copy of the Corporate Peer Challenge report is appended for your information.

## **5. Organisational management structure**

- 5.1 The opportunities, challenges and issues facing the council require me to ensure we have the right senior management structure to meet our needs.
- 5.2 Kevin Nacey, Director of Finance, Legal and Governance has decided to leave the organisation after 31 years of service. Kevin has been an outstanding servant to the Council and the people of Somerset and he will be missed. We all wish him the very best for the future in his new role and I hope that everyone at Somerset County Council will show Kevin their appreciation of him.

The role of Director of Finance currently holds the statutory role of Section 151 officer. Given the prominence of this role it is my intention to retain the Section 151 duty at Director level. As such, and given the financial pressures it is vitally important that we recruit an experienced senior manager as a matter of urgency. I would expect the successful candidate to have an excellent track record in a similar role. The recruitment process has started. Given the lead-in time necessary in securing a permanent candidate it is my intention to recruit an expert interim to ensure that there is no gap in this role.

The recruitment to this (Director) level will of course comply with our constitutional requirements and will be subject to Council member participation. I will inform councillors in due course of the appointment decision that I will take after considering the recommendations of the Appointments Committee.

- 5.3 Richard Williams, Director of Commercial and Business Service has decided to leave the organisation in the summer after 6 years of service.

During his time at Somerset County Council Richard has been pivotal in driving the transformation agenda whilst leading many critical corporate and support services. I hope everyone will join me in thanking Richard for his service and wish him well for the future

- 5.4** Given our financial position we have had to make staff cuts throughout the organisation. Our need to make further savings is likely to impact further on the size of our establishment. It is difficult to promote such savings and to maintain the same size of leadership team. Following a meeting of a Special Members Panel in March, I have therefore decided to delete the role of Director of Commercial and Business services, reducing the size of SLT by one and capturing the resultant savings. This deletion has been supported by the necessary constitutional and decision making process over the last few weeks. Services within this Director's area will be reallocated to other directors over the coming months and I shall inform councillors when these changes have been made. In the meantime, I am attaching my proposed senior management structure at Appendix 2.

## **6. Background Papers**

- 6.1** Corporate Peer Challenge report (see Appendix 1)

Proposed senior management structure

National Audit Office report - <https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/?platform=hootsuite>

Medium Term Financial Plan 2018/19 – agreed at the County Council meeting on 21 February 2018

**Note:** For sight of individual background papers please contact the report author.