

Working Well Together for a Sustainable and Stronger Council

Report of the Strategic Leadership Team

Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

1. Recommendation

That the Cabinet:

- (a) Note the challenges being faced by the authority and the steps being taken to secure Best Value.

2. Introduction

2.1. This is a time of significant change and opportunity for English local government as a whole. Despite the government increasing funding for councils over recent years, a combination of high inflation and rising demand has left local authorities facing some of their toughest budgetary decisions to date.

2.2. The next financial year will be a critical twelve months for the Council. At its meeting on 12 July 2023 the Cabinet agreed that the Council's aims for the year ahead must be to:

- Improve the current arrangements for decision-making and governance.
- Achieve, as far as possible, financial sustainability.
- Support and empower staff to deliver the best outcomes for the people of Devon

2.3. In order to achieve those aims, the Cabinet agreed the following six corporate priorities:

- Governance and performance review
- Value for money and financial sustainability covering: staffing; contract management; efficiency of services; income generation & full cost recovery; and use of assets and buildings.
- People strategy
- Replacement of key systems (FINEST and CareFirst)
- Equality, diversity and inclusion
- Devon, Plymouth and Torbay devolution deal.

2.4. This report focuses on the second of those corporate priorities: "value for money and financial sustainability". It describes the factors that the Council will need to take account of in setting its budget for 2024/25 and the approach being take to

addressing the forecast budget gap. The actions being developed will help to ensure that the Council remains financially sustainable.

3. Background

- 3.1. In recent years the Cost of Living Crisis and the geopolitical situation has created huge financial pressures nationally which have been felt acutely by most sectors of our economy including Local Government.
- 3.2. Growing demand, increasing complexity of need and higher than anticipated inflationary pressures have created much uncertainty and risk within the public sector. This is resulting in an unprecedented and increasing number of Local authorities facing deep financial distress resulting in section 114 notices being issued and central government intervention taking place.
- 3.3. Within the authority early action was taken in 2022/23 to mitigate the impact of these pressures in year and plans put in place to manage the 2023/24 budget but the challenges remain.
- 3.4. Demand continues to grow across services and increasing complexity of need remains an issue.
- 3.5. Inflation in the UK remains higher than forecast when our budget was set in February and is expected to be volatile into the medium term, creating financial challenges for the provision of services. Salary and national living wage increases are expected to remain high and will contribute to continued supply chain pricing uncertainty for the authority.
- 3.6. Local Government within England has been given little certainty around funding beyond the short term. This continues to make financial planning difficult and creates risks for the authority.
- 3.7. The Health system within Devon continues to face operational and financial challenges. We continue to work in partnership towards delivering wider system benefits and efficiencies within the funding available. The health system has a direct impact on the provision and demand for some of the key services provided by the authority.
- 3.8. Financial pressures within the Dedicated Schools Grant, particularly those associated with Special Educational Needs and Disabilities (SEND) continue although some improvement is starting to be seen.
- 3.9. Over recent years the authority has been able to steadily grow its level of reserves. However, in 2022/23 we were faced with the need to call upon our reserves to balance our budget, this resulted in a stepped decrease in the level of reserves available. For 2023/24 reserves were not required to support setting a balanced budget but there remain commitments which require funding and will result in further reductions.

- 3.10. The Authority has also not undertaken any new borrowing since 2008 and holds no commercial investment assets. The opportunities presented by the Devon Freeport and the investment requirement will mean the authority will be in a position where borrowing will be required to support the development of the surrounding infrastructure. This will be funded and repaid by the additional business rates created by stimulating economic growth and attracting new businesses to the region.
- 3.11. The authority's workforce has increased by over 1,400 since 2018/19, approximately half of which is as a result of changes to service delivery models; the remainder being from growth in the organisation.
- 3.12. Historically, directorate structures have evolved creating additional capacity to support service delivery. A review of teams across the organisation has identified duplication with corporate roles and functions including contract management and commissioning, HR, data, project management and business support.

4. Main Body

- 4.1. Under the One Council approach the Senior Leadership Team is developing a number of strategies to start addressing the forecast budget gap and to ensure the authority is sustainable and stronger into the future.
- 4.2. The challenges and financial risks currently being faced have meant that early review of the 2024/25 budget has been undertaken to allow more time to develop the authority's response. The Medium Term Financial Plan is also being updated to reflect these risks and the impact of the response strategies. It is critical that our financial planning over the medium term ensures a sustainable council.
- 4.3. Whilst attempting to address and mitigate these pressures the Authority also has a number of key areas of focus for the next 12 months.
- Governance and performance review
 - Value for money and financial sustainability
 - People strategy
 - Replacement systems (FINEST and CareFirst)
 - Equality, diversity and inclusion
 - Devon, Plymouth and Torbay devolution deal
- 4.4. These six areas align with the challenges which present the greatest risks and opportunities to the council, as well as supporting the new "People First" people strategy.
- 4.5. As we saw last year with the Financial Sustainability Programme (FSP), the whole authority is working together with significant progress already being seen.
- 4.6. Areas of focus:
- **Property** – the Council's buildings across the County cost money to run, maintain and improve. Officers have been conducting visits across the County

as part of a Property Change Programme to review the property estate and identify buildings which can be relinquished as part of a 'rolling' change programme. This project will deliver one off capital receipts to fund the capital programme and revenue budget savings on an ongoing basis, and provide potential flexibility to support safety valve discussions as they continue. The first of a series of reports from this workstream will be presented to Cabinet in October.

- **Contracts** - A significant reduction from the authority's external spend footprint with service providers is being developed. There will be a consistent approach between the management of cost pressures on services provided by the authority itself and those arranged through contracts. In both cases the priority is to achieve best value in the interest of economy, effectiveness and efficiency. Directorates have been working together to review all our external spend via a series of workshops and other practical methods. These have considered how the Council's strategic aims link with service priorities as currently bought from external markets. Signs are positive that a plan for the reductions will prove achievable albeit not straightforward to achieve.
- **Staffing** -In relation to staffing costs, a number of workstreams are underway to reduce spend . As part of the People Strategy, this will be achieved through a focus on areas such as more effective recruitment strategies and ways to improve staff retention, balanced with modernisation of policies and terms and conditions with a view to improving culture and performance across the authority. These include:

Pay & Allowances Review – many of the Terms & Conditions of employment have been agreed at local level, rather than through national frameworks and have not been reviewed for many years. Benchmarking data highlights that, in many areas, we are out of kilter with our comparators in the sector and there is a lack of parity across staff groups internally. We have undertaken a comprehensive review of the arrangements in place and are now beginning negotiations with Trades Unions to modernise these.

Benefits Platform – A Spotlight Review of the Corporate Infrastructure & Regulatory Committee in April 2023 regarding the 'Cost of living crisis' made a recommendation to Cabinet, which noted the implementation of a staff-wide discount scheme as part of the resolution to support our staff struggling in the current financial climate. A Benefits Platform, which will go live later this year as part of the People Strategy, will deliver both a staff-wide discount scheme, but also deliver financial savings in relation to staff National Insurance Contributions through salary sacrifice schemes.

Recruitment Approval Process – A new process was introduced in August to increase the rigour in this area. A Finance & Resources Board now meet weekly comprising of the Strategic Leadership Team, which reviews all requests for appointments or extensions to permanent or temporary appointments, excluding apprenticeships and those relating to the Pension Fund. This will enable us to adopt a measured approach to

filling only business critical vacancies to manage any growth in workforce, and enable us to deploy staff from other posts into priority areas to mitigate redundancies where possible.

- **Agency** - The use of agency and interim staff particularly in Children's Services and some areas that provide support to them such as Legal Services, currently contribute significantly to financial pressures. Instability in leadership within Children's Services, poor Ofsted ratings, and a challenging national recruitment context, amongst other factors, have meant that recruiting permanent staff into Children's Services has been historically difficult and led to a large number of agency staff being used to deliver the service at a considerably higher cost. Recent recruitment campaigns have led to an increase in permanent staffing at leadership level; with the Director, one Deputy Director and all Heads of Service posts now successfully appointed to. This is slowly helping to attract front line staff back to the council, and work continues to reduce agency spend, including through approaches within the People Strategy, to improve recruitment & retention. A recent negotiation as part of our contract renewal for our external agency framework has also made a significant reduction in agency spend. However continued focus is required to address the high proportion of agency staff in use.
- **Transformation and Best Value** - Some of the growth in the size of the workforce can be attributed to front line service areas having dedicated resource in relation to some areas such as project management, data, administration, recruitment, and learning & development. The Financial Sustainability Programme last year identified this as a key area to deliver savings and best value, as the current arrangement can cause duplication and inefficiency. As part of the One Council approach, work is underway to scope the staff who deliver this work and reshape them into central areas to streamline activities. It is proposed that planning and making changes to adapt and improve will be led by the Council's staff and any external resource will be on a specific task basis.. A key part of the review will be a focus on ensuring management arrangements are as efficient as possible and move towards providing Best Value.

4.7. SEND and Safety Valve progress

- 4.7.1. As previously reported the Council is carrying a significant financial risk in the form of the SEND accumulated deficit. A second round of discussions with the Department for Education (DfE) are now underway as part of the Safety Valve Intervention programme. With final submission taking place in the Autumn the management plan is being updated and revised to reflect changes in leadership, timescales and delivery plans.
- 4.7.2. A team of Officers from across the Council have been working on a set of initiatives to build into Business Cases to form part of the Safety Valve submission to the DfE. This has included a weeklong workshop reviewing current areas of work and looking at new opportunities. The Business Cases

have been analysed for their potential to deliver the required savings to enable the service to be delivered within the Government Grant provided.

4.7.3. For the Safety Valve a governance structure is already in place and will develop from a planning to a project management and operational perspective. All business cases have been analysed alongside the SEND Improvement Plan with the intention to have the Project Management across all areas of improvement and financial savings.

4.7.4. Below is a table setting out the business cases and current status:

Business Case	Current Status
Additional special school places	Additional places already creating at 5 existing special schools. New school at Okehampton from September 2022. Plans ongoing for new special schools at South West Devon and Cranbrook
Independent Sector Commissioning	Work commenced looking at new commissioning framework and review of existing core offers and contracts
Post 16 3 – 5-year placements	Five year programme commenced April 2022 and achieving significant savings
Financial Management Systems and Processes	Work commencing with potential to achieve efficiencies in processes and streamlining of systems
Post 16 transitions	Collaborative working with Adult Social Care and Health to improve preparation for adulthood
Post 16 offer	Working on implementation plan with providers, Adults and Health to link the statutory Education offer with life skills and community-based programmes
Resource Bases	Ten Resource Bases currently in place. Expressions of interest from schools to develop further locations for resource bases or satellite special school classrooms
Specialist Support Assistants in mainstream settings	Project commenced in April 2021 and has achieved savings. Currently under review for new Safety Valve programme

Education Key Workers	Team in place working with young people and their families to reintegrate into mainstream school settings. Aim to reduce the need for bespoke packages of learning through an Education Health and Care plan (EHCP) or exclusion from school
Special School Outreach	Project in place from Ellen Tinkham School since April 2021 working with children with EHCPs in mainstream schools to prevent escalation to a specialist placement
Ordinarily Available Provision	Enhancing inclusive capacity of mainstream schools working with the schools, parents, carers, young people and other partners to set clear expectations of Ordinarily Available Provision as part of a robust graduated approach
Early Years transition	Initiating appropriate support as children with identified SEND needs move from Nursery to Reception.
Alternative Provision (AP) Commissioning framework	Aim to improve the user of AP reducing cost through targeted procurement and contracting and informing future AP commissioning strategy as part of an overall SEND Sufficiency Strategy.

4.7.5. On these projects and linked with the SEND Improvement Plan there is an ambition for co-production and a closer working relationship with schools and Health who have a joint responsibility with the County Council to have a sustainable Education, Health and Care Planning system across Devon.

4.7.6. Early discussions with the DfE have indicated that any agreement reached in terms of participation in the safety valve programme will require a local contribution from the Authority to fund part of the accumulated deficit. This will need to be taken into consideration for next year's budget and as part of Medium Term Financial Planning for future years.

5. Options / Alternatives

As detailed A variety of options are being considered in order to meet the budget challenges described, those which will require cabinet endorsement will be presented for consideration as part of the budget setting process, or as a separate report prior if timescales require. At this time full consideration will need to be given to the options

available, consultation processes, how the proposal aligns with the strategic plan, further financial and legal considerations, environmental impact and equality considerations as well as identifying risks and mitigation.

6. Consultations / Representations / Technical Data

As per Section 5.

7. Strategic Plan

As per Section 5.

8. Financial Considerations

As per Section 5.

9. Legal Considerations

As per Section 5.

10. Environmental Impact Considerations (Including Climate Change, Sustainability and Socio-economic)

As per Section 5.

11. Equality Considerations

As per Section 5.

12. Risk Management Considerations

As per Section 5.

13. Summary / Conclusions / Reasons for Recommendations

Extensive work is underway in line with the one council approach to ensure a sustainable and stronger council is achieved. It is hugely positive that work is underway early in the current year to ensure the organisation is as well placed as possible to address the challenges we face.

14. Name

Director / Head of Service Donna Manson

Electoral Divisions: All

Cabinet Member for Leader of the Council: Councillor John Hart

Local Government Act 1972: List of background papers

Background Paper

Date

File Reference

Contact for enquiries:

Name: Matthew Thorpe

Telephone: 01392 381310 Room 195

Address: County Hall, Topsham Road