

Cabinet

5 October 2021

LGA Finance Peer Challenge report and action plan

For Decision

Portfolio Holder: Cllr G Suttle, Finance, Commercial & Capital Strategy

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

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Report Status: Public

Recommendation:

That cabinet approves the action plan in response to the recommendations set out in the corporate peer challenge report.

Reason for Recommendation:

To ensure that the council acts on the corporate peer team's recommendations.

1. Executive Summary

Dorset Council is committed to continuous learning and improvement. During the Spring of 2021, the council invited the Local Government Association (LGA) to undertake a peer review of the council's financial arrangements and, in particular, the approach to managing the high needs block element of the dedicated schools grant (DSG). The LGA peer challenge team spent three days speaking to councillors, officers and partners. Before that, the team had reviewed a range of documents, including a financial position statement the council had provided. At the end of the site visit, the peer challenge team provided a presentation setting out their findings.

Appendix 1 contains the proposed action plan setting out how the council intends to respond to the recommendations in the peer challenge team's written reports. Appendix 2 contains the team's report regarding the general financial arrangements and includes 38 recommendations. Appendix 3 contains the report for the DSG deficit/high needs block review, with 10 further recommendations.

2. Financial Implications

The report endorses the progress made in establishing the council and makes a series of recommendations to further develop the council's financial arrangements.

3. Well-being and Health Implications

No wellbeing and health implications have been identified.

4. Climate implications

No direct implications from this report

5. Other Implications

None

6. Risk Assessment

Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk: low

Residual Risk: low

7. Equalities Impact Assessment

There are no equalities implications arising from this report

8. Appendices

Appendix 1 – Dorset Council finance peer challenge action plan

Appendix 2 – Dorset Council finance peer challenge feedback report

Appendix 3 – Dedicated schools grant (DSG) deficit and high needs block review

9. Finance Peer Challenge – background

- 9.1 Peer challenge is a proven tool for improvement that the Local Government Association (LGA) provides. It involves a team of local government officers and councillors spending time with the council as peers to provide challenge and share learning. The process involves engaging with a wide range of people connected with the council.
- 9.2 A peer challenge team engaged with Dorset over the period of four days, meeting a range of councillors, employees, partners and stakeholders. They provided informal feedback throughout the week and a presentation about their findings at the end of the week.
- 9.3 The team which looked at the overall financial arrangements was made up of:
- Dave Perry, Chief Executive, South Gloucestershire Council (Chief Executive Peer)
 - Cllr Rob Waltham, Leader, North Lincolnshire Council (Member Peer)
 - Mark Wynn, S151 Officer, Cheshire West and Chester Council (S151 Peer)
 - Katharine Eberhart, Director of Finance and Support Services, West Sussex County Council (Officer Peer)
 - Clare Hudson, Peer Challenge Manager, Local Government Association
 - Kathryn Trant, Adviser, Local Government Association
- 9.4 In addition, the following team looked specifically at the dedicated schools grant for two days in May:
- Diane McConnell, Adviser, Local Government Association (SEN Peer)
 - Andrew Hardingham, LGA Financial Improvement and Sustainability Adviser
- 9.5 The council prepared a position statement which was available to all colleagues, councillors and anyone invited to take part. This was an open and honest assessment of where the council is.

10. Finance Peer Challenge – report and action plan

- 10.1 Appendix 1 contains all the recommendations from the final reports from the peer challenge team (Appendices 2 and 3). The reports are a good reflection of the financial arrangements of the council and contain these helpful recommendations.

10.2 Once cabinet has agreed the action plan, officers will share both the report and the action plan with colleagues and stakeholders who took part in the peer challenge. The intention is that progress against the action plan will be monitored by the audit and governance committee.

Footnote:

Issues relating to financial, legal, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.

Appendix 1

Finance Peer Challenge Action Plan

Rec	Peer recommendation	Response	Timeline	Lead
Key recommendations				
1.	Complete the Q1 baseline and get a true picture of implications of growth in demand, additional pressures, and savings delivered or not in the first quarter of 2021-22 and what this means for the future.	<p>The Q1 financial management report to Cabinet on 27/07/2021 captured this information. The Finance Team worked with Directorate Leadership Teams (DLTs) to understand, as far as practicably possible, how much cost pressure there was in the system that was caused by covid-19 as distinct from other causes.</p> <p>This was analysed further according to whether the cost pressures would continue into 22/23 - and potentially beyond - regardless of their cause.</p> <p>This is supplemented by further work incorporated in the October Cabinet report on the preparations for the budget and medium-term financial plan (MTFP) for 2022/23.</p>	October 2021	Corporate Director Finance & Commercial
2.	Come together as organisational leaders to refresh the Budget Principles and develop a Financial Strategic Narrative.	<p>At the time of writing, the MTFP has been rolled forward, high-level assumptions are being revisited and budget inputs from DLTs are being validated before an initial budget gap is shared with the Senior Leadership Team (SLT).</p> <p>The budget gap and options to close it will be part of the MTFP strategy report being presented to Cabinet on 05/10/2021 with proposals for budget principles and a revised financial strategy.</p>	October 2021	Senior Leadership Team (SLT)
3.	Use the 2022-23 budget setting process to test a refreshed budget process model and the Financial	The Council's financial strategy statement as agreed by SLT will be shared with Cabinet and included	December 2021	Executive Director

	Strategic Narrative.	within the November Q2 Cabinet paper. Cabinet will give direction over the budget setting process and the outcomes required to align strategies to support the aims of the Council Plan over the MTFP period.		Corporate Development
4.	Invest time and capacity in communicating the above and embedding it across the council, and with partners.	The Cabinet paper, incorporating the financial strategy, will be shared widely and will continue to evolve as the connected, component parts develop as the organisation develops and matures. The financial narrative will underpin the 2022/23 budget setting process.	February 2022	Corporate Director Finance & Commercial
5.	Be clear who is accountable for delivering what, and what the consequences of non-delivery are. Embed ownership of the budget challenge within services and clarify roles and responsibilities for delivery within clear reporting mechanisms that promote transparency.	The evolution of the budget, including through the two scrutiny days and the committees themselves, will clarify ownership and responsibility for financial management and delivery of key changes required to deliver the budget strategy and produce a sustainable MTFP.	January 2022	Cabinet
6.	Link management reporting more closely to performance, reflecting value for money to underpin evidence-based decision-making.	Dorset Council's performance tool now gathers and reports financial and operating performance information together. These reports are available to managers and members and are specifically targeted with reporting to the Performance Board, where connections between outcomes and financial performance can be assessed. The Council continues to develop its value for money programme, with another paper going to the Audit & Governance Committee on 27/09/2021. This will also help inform how the two scrutiny days later this year will approach value for money assessments as part of the budget setting and MTFP update process.	Ongoing	SLT

7.	Explore opportunities for further convergence and efficiency savings, underpinned by more integrated systems and reporting.	<p>Convergence (in the traditional sense) has been completed in the corporate teams. Some Place teams have also converged, however not all of this has resulted in savings, so there is scope for further efficiency savings to be considered, though this will mean structural change.</p> <p>Convergence is also not appropriate for Children's Services or Adults & Housing Services because they were structures that were "passported" from the predecessor County Council. However, neither have been subject to similar design principles to those used during the convergence work in Corporate Teams so there is scope to consider this as part of budget building for 2022/23 and as part of further strategy implementation (e.g. customer service strategy).</p>	Ongoing	SLT
8.	Clarify what the ambitions are around 'being more commercial' and align this to core strategies (Capital, Asset Management etc).	<p>The next draft of the commercial strategy has been developed by the commercial network officer group and has been reviewed by the September Place & Resources Overview Committee. The final policy will go to Cabinet for approval and the implementation will be led by the (yet to be established) Commercial Board.</p> <p>The strategy will be clear in how it supports the Council Plan objectives and complement other council strategies.</p>	December 2021	Service Manager for Commercial and Procurement
9.	Recognise the progress made to date. Be confident. Move the narrative on to who you are, not who you were.	<p>The council is positive about reflecting performance and the journey to date via Cabinet reports on financial management and other subjects.</p> <p>A position/progress statement will also be included in the 2022/23 budget strategy report for Council when it is being prepared.</p>	February 2022	SLT

10.	Embed putting delivering value for money at the heart of everything you do.	See 6	Ongoing	SLT
Financial leadership				
11.	Advance integration of systems to ensure that a 'single version of the truth' is developed, widely shared, and owned.	The integration of systems is at the heart of the digital transformation of the council.	Ongoing	SLT
12.	Embed the performance and budget monitoring structures (DART board) to ensure accountability for delivery of savings is widely understood.	These reporting mechanisms and governance are now becoming well established and are understood amongst members.	Ongoing	SLT
13.	Explore opportunities for further convergence and efficiency savings.	See 7		
14.	Deepen the pace of savings delivery.	The importance of delivering the savings programme is recognised throughout the council and overseen by the Leadership Performance Group.	Ongoing	SLT, Cabinet and Budget Holders
15.	Ensure the 'one team' approach can support strong lines of accountability for budgets and transformation delivery and does not become a misnomer for transferring responsibility or perceived accountability to others.		Ongoing	SLT, Cabinet and Budget Holders
16.	Clarify what is meant by the emerging appetite to be more commercial.	The next draft of the commercial strategy has been developed by the commercial network officer group and has been reviewed by the September Place & Resources Overview Committee. The final policy will go to Cabinet for approval and the implementation will be led by the (yet to be established) Commercial Board.	December 2021	Service Manager for Commercial and Procurement

		The strategy will be clear in how it supports the Council Plan objectives and complement other council strategies.		
Financial planning, strategy and forecasting				
17.	Financial and Commercial Strategies need to be refreshed, aligned, and delivered.	<p>See 8.</p> <p>The commercial strategy is one of a number of strategies that support good finance and resource management in the council and the Cabinet report to be reviewed on 05/10/2021 will reflect clearer strategy alignment to support development of a balanced budget and sustainable MTFP alongside objectives of the Council Plan.</p>	October 2021	Corporate Director Finance & Commercial
18.	Build more involvement from service areas in budget planning.	<p>Resource planning and budget information continues to be widely shared between service managers and finance business partners and their teams.</p> <p>Typically, although resources are principally “agreed” at a Corporate Director level, budgets are set at levels in the organisation where authority to commit the funding sits, and managers at those levels will continue to be involved in the building of their budgets.</p>	Ongoing	All
19.	Tighten the narrative and implementation of further tactical/convergence and transformational savings.	Further detail is developing around savings in the 2021/22 budget through Transformation Board and Cabinet reports and the narrative will strengthen further as proposals for 2022/23 and beyond are brought forward.	Ongoing	SLT
20.	Utilise data and forecasting techniques to ensure the budget requirement for delivery of services is sustainable.	The budget setting round for 2022/23 is already well under way. A significant amount of modelling has already been done around potential cash limits for the budget and this will also be impacted by the	December 2022	All budget holders and finance team

		<p>recent announcement around a three-year settlement for local government.</p> <p>Detailed modelling of variables and assumptions around growth, demand, costs and the market is also in progress to inform the budget strategy.</p>		
21.	Invest capacity in benchmarking and analysis.	The benchmarking work will form an integral part of the value for money agenda which the Council is advancing. See 6 for more detail.	Ongoing	SLT
Decision making and governance				
22.	Invest time in sharing the overarching financial ambitions of Cabinet across the organisation.	Cabinet meets on 05/10/2021 and will consider the budget principles and subsequent financial strategy statement. Once adopted this will be the overarching financial management blueprint for the council for the next MTFP period which will be agreed by Cabinet in February.	February 2022	Cabinet
23.	Ensure Q1 outturn report and its implications are widely communicated at officer and member level.	<p>The Q1 report was agreed by Cabinet on 27/07/2021. The ongoing implications are incorporated in the budget principles being established by SLT for the 2022/23 budget and MTFP round.</p> <p>These are being widely shared with managers throughout the organisation.</p>	Complete	All managers
24.	Clearly articulate respective responsibilities for savings delivery.	<p>Each quarterly financial management report to Cabinet, and each monthly finance update to SLT, routinely contains information about lead officers responsible for delivering savings.</p> <p>Transformation (and savings) progress is also tracked by the Performance Board.</p> <p>Savings are incorporated into individual budget lines.</p>	July 2021	Corporate Director Finance & Commercial

25.	Make the tools of sound financial management such as business cases, and benchmarking, the norm.	<p>Significant work is in progress around benchmarking different services in the council as part of the development of the value for money agenda. More information will be shared with Audit & Governance Committee in September 2021.</p> <p>There is already a comprehensive system of contract procedure rules in place, with effective governance around pre-commissioned spending as part of the procurement life cycle. This is set out in the council's procurement strategy (which is, in itself, morphing into the commercial strategy).</p>	December 2021	SLT
26.	Enable Scrutiny to support the delivery of transformation plans.	The Transformation Board reviews proposals and plans around organisation transformation and information is also reported to Cabinet via quarterly financial management reports. Scrutiny can call for a review of transformation activity if it wishes to do so.	Complete	SLT
27.	Link the capital programme spend more closely to your existing Council Plan.	<p>Capital Strategy and Asset Management Group (CSAMG) is the officer group that leads the development of the capital programme and makes recommendations to Cabinet.</p> <p>There was significant slippage of the programme from 20/21 into 21/22, as well as the latter year's programme itself to be delivered. CSAMG and its subgroups are therefore working through the current programme to ensure it is all validated in terms of Council Plan and objectives. The same discipline is being applied to bids for capital funding for 2022/23.</p>	December 2021	CSAMG

Financial outcomes and reporting				
28.	Report the implications of the 20-21 outturn and the Q1 2021-22 outturn on the 2021-22 financial year and beyond.	<p>The 2020/21 outturn has already been reported publicly and is currently subject to audit. The Auditor has already confirmed that he will not meet the statutory deadline for completing the work, despite the council's accounts being certified by the S151 Officer within the statutory deadline.</p> <p>The Q1 report, as noted, has been shared widely and well communicated.</p> <p>The implications of both reports and work to address further budget considerations for 2022/23 and beyond are currently being validated and will culminate in a report to Cabinet on 05/10/2021.</p>	October 2021	Corporate Director Finance & Commercial
29.	Ensure the narrative accompanying savings and transformation delivery is more consistent and risk based.	<p>A stronger narrative is developing around financial strategy, transformation and risk. These are themes which will be explored during the budget setting and MTFP round this year and documented in respective Cabinet reports.</p> <p>Transformation planning and progress is also developed and monitored through the Transformation Board and reported to Cabinet.</p>	Ongoing	SLT
30.	Integrate systems further and develop their use to support clearer reporting and self-help.	<p>Significant amounts of data from different systems is integrated into the council's reporting tool, which is updated monthly and reviewed by the Performance Board.</p> <p>Further work on systems integration is in the pipeline but caution is needed as this represents a significant investment and the council's enterprise system, SAP, is approaching the end of its life so further integration must be assessed carefully given that we</p>	Ongoing	SLT

		are starting to evaluate the replacement of a significant system.		
31.	Test the embeddedness and effectiveness of the self-service model and identify mechanisms to improve this where needed.	Internal customer satisfaction surveys and focus groups will be undertaken.	March 2022	Corporate Services Leadership Team
32.	Simplify risk reporting alongside the Q1 outturn report to establish to 'single version of the truth'.	<p>All risk reporting flows to and through the Audit & Governance Committee. Risk is also regularly appraised at SLT and by managers throughout the organisation. The council has a well-developed risk register and risk management process.</p> <p>Risks affecting the budget are also set out in the budget strategy and MTFP report and in the quarterly financial management report.</p> <p>A significant amount of risk analysis is being undertaken as part of the budget building process for 2022/23 and this will be shared in the scrutiny sessions at the end of this year.</p>	December 2021	Corporate Director Legal & Democratic
33.	Ensure regular training on budget monitoring and management across service areas.	The Finance Team continues to provide DES training to new managers and refresher sessions for managers wanting updates. Briefings are also held on financial position and performance but these will be reshaped to take a new format to coincide with the publishing of the Q2 Cabinet report.	November 2021	Corporate Director Finance & Commercial
Partnerships and innovation				
34.	Ensure that in engaging with partners you consistently seek to get the best deal for Dorset taxpayers across all service areas – for example with the NHS and CCG, or with the Local Enterprise Partnership driving economic	Agreed.	Ongoing	Cabinet and SLT

	development and skills development to aid recovery from the pandemic. Be clear about who is accountable for delivering what.			
35.	The Integrated Care System provides an opportunity to develop a clearer narrative about what the council wants for residents and how the integration could deliver service improvements, transformation and savings not only in Adult Social Care but also the wider preventative agenda.	Agreed. Dorset Council is working closely with partners across the Dorset System to build a strong and effective Integrated Care System.	Ongoing	SLT
36.	Explore how you might use resources, alongside tighter procurement, and commissioning, to drive innovation across the wider health system.	See 35.		
37.	Further develop understanding of public assets across Dorset and how these can be leveraged in delivery of community aspirations and ambition to be more commercial. Clarify the ambitions around being more commercial and align with other strategies such as Capital Strategy, Asset Management Strategy.	The Dorset One Public Estate Partnership works to maximise the benefit of the public sector estate across Dorset.	Ongoing	Executive Director Place
38.	Do not let youth hold the council back – assets, strong relationships with partners – freedom to innovate. Recognise the progress made to date, be confident and move the narrative on to who you are, not who you were.			

DSG deficit and high needs block review				
39.	Monitor the impact of the refreshed relationship with Clinical Commissioning Groups and NHS partners to ensure it yields value for money and contributes to deficit reduction	Part of future monitoring arrangements. See 44.	Ongoing	Children's Services and Finance
40.	Continue to progress at pace the refreshed dialogue with Schools Forum and promote courageous conversations with families and school leaders to contribute to deficit reduction	Included in the high needs block (HNB) strategy, to be published in the Autumn 2021. This may include the creation of the Schools Forum HNB working group.	Autumn 2021	Children's Services
41.	Articulate the impact for the council more widely of the DSG deficit. This is a corporate challenge to be addressed by Adults and Children's Services and discussions on all-age services should be accelerated	A need to create a communications plan concerning the dedicated schools grant (DSG) and the potential impact on the authority. Given the magnitude of the cumulative deficit, and projected deficits, this requires SLT Leadership.	February 2022	SLT
42.	Consider developing a communications and engagement strategy to explain and embed the HNB Strategy – utilising councillors, system leaders and school leaders as influencers	Part of the HNB Strategy to be published in the Autumn 2021. See 41.		SLT
43.	Invest more time in explaining the locality model within the Council, its intended benefits and contribution to deficit reduction	As 41.		SLT
44.	Introduce integrated financial reporting accessible by all – 'a	Working with colleagues in Business Intelligence to develop special educational needs (SEN)	Ongoing	Children's Accountancy

	single version of the truth'	dashboards containing information on the cost of the current cohort. Future dashboard development will be to role the HNB model into dashboard reporting, if feasible and practical.		Team working with other council colleagues.
45.	Embed regular (monthly) monitoring and forecasting, in a financial management system where everyone understands their role and responsibility to tackle the deficit in the short and medium term. This should include a review of the financial model for the provision of future school places following the updated opening schedule for St Mary's School.	Workshops exploring and developing financial practices within the SEN system have been held (September 2021) and will help establish responsibility and roles once agreed and communicated. See 44.	Ongoing	Children's Services, Children's Accountancy Team
46.	Develop and disseminate a clear and regularly updated capital strategy delivery plan, including costs, benefits and risk management visible to all	See 40. Will possibly be part of Schools Forum reporting. Internal capital reporting already exists within Children's Services at Transformation Board and Sufficiency Groups.	Children's Services, Children's Accountancy Team	Children's Services, Children's Accountancy Team
47.	Regularly review and revise incentives and disincentives that will underpin the locality model and its focus on mainstream education and inclusive provision. Discussions around the Tipping Point payment and costs of Alternative Provision are underway and should be resolved as quickly as possible. The level of banding allocations	See 40.	Ongoing	Children's Services, Children's Accountancy Team

	should also be considered.			
48.	Commit to a regular review of the resourcing and capacity required and its ability to deliver the locality model at an effective and efficient cost. The model should be flexed in line with the cost reductions realised.	The locality model is continually reviewed and tested against case loads and other performance metrics.	Ongoing	Children's Services

Dorset Council

Finance Peer Challenge

21 June – 2 July 2021

Feedback report



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1. Context

Dorset Council was founded in April 2019 from a merger of Dorset County Council with five of the six District Councils covering the historic Dorset County area. In 2019 the total population of Dorset was 378,508 people, an increase of 3% since 2012.

All newly formed councils face challenges in their first years of operation to establish a fresh culture, new policies, new ways of working and to begin to deliver a full programme of service improvement. Dorset Council has been further challenged in its first two years by the advent of the global Coronavirus pandemic. This has manifested particularly on the council's finances.

The Council operates a net budget of circa £312m for 2021-22, the vast majority of the Council's funding comes from council tax. The Council collected 97.9% of all council tax due in 2019-20 – falling to 95.15% in 2020-21. Council tax per head of population is within the top 5 of all single tier English authorities. The Council has opted for the present to increase council tax and take the social care precept. The Council has an adopted Medium Term Financial Strategy (MTFS) which assumes growth in council tax income from £263.9m in 2021-22 to £294.3m in 2025-26 and an increase in business rates income from £44.3m of just under £1m over the same period. The council has a forecast MTFS deficit approving a budget for 2021-22 requiring net service savings of £7.4m to be delivered. The Council is currently reviewing its Quarter 1 outturn position for the year 2021-22 to understand the level of net service savings needed in 2021-22 and beyond.

Clearly, the Council's financial management and planning processes have only been in operation since 2019 and prior to the pandemic had not been stress-tested. Understandably, there has been some volatility in the council's forecasts as, like all councils, officers struggled to predict the impact of the pandemic on services as well as affirm initial budget estimates for a new council. The council reported its unaudited outturn position for 2020-21, its second full budget year, in June 2021.

The outturn position for 2020-21 showed that on a net revenue budget of £304m the council ended the year with a £15m overspend, which was met by General Funds Reserve. However, the General Funds Reserve has been sustained at this level through allocations from earmarked reserves at each year end as the Council understands its 'inheritance' from the former district and county councils, and currently stands at £31.5m as of 31st March 2021.

This overspend is considerably less than was predicted at quarter 3, but there are significant overspends and non-delivery of savings, in both people and place services. Offsetting the overspends were underspends on capital financing (£5.25m) and on the Contingency budget (£4.7m).

The finance peer challenge has sought to understand the council's current position and its approach to financial management, set within the five core themes of finance peer challenge.

2. Summary of the peer challenge approach

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. **Financial leadership** – Does the authority have plans for its long-term financial sustainability, which are owned by its members and officer leaders?
2. **Financial strategy, planning & forecasting** - Does the authority understand its short and long term financial prospects?
3. **Decision making and governance** – Are key decisions taken in the understanding of the financial implications, risks, and options?
4. **Financial outcomes and reporting** – Are financial results (including those of the Council's investments and transformation projects) monitored and acted upon to realise the authority's intentions?
5. **Partnership and innovation** – Is finance at the cutting edge of what the authority is working to achieve, working with partners, and seeking innovative approaches?

In addition to these questions, Dorset Council asked the peer team to provide feedback on its finance business partnering model. Feedback on this is provided in the main body of the report.

Prior to the main finance peer challenge an LGA peer team conducted a bespoke review of the council's Special Educational Needs High Needs Block budget, which is facing a significant overspend. Dorset Council is not alone in this, and many councils are struggling with rising demand and cost pressures in this service area. As part of this review the peer team also considered the council's High Needs Block Deficit Recovery Plan as well as its transformation plans in children's services. A report was agreed with the Council, and this was shared with the peer team for the finance peer challenge as background reading. This wider Finance Peer Challenge does not therefore investigate this area in detail again, and the report from this is published alongside this report.

All the findings and recommendations proposed by the peer team are set within the challenge of responding to the COVID-19 pandemic. The peer team recognise that many of the impacts on the way the council plans and manages its finances and services might not yet be known. Equally, the peer team acknowledge that the impacts on the council's capacity and resilience are not yet clear and will need careful management.

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 to ensure they were familiar with the council and the challenges it is facing. The team then spent time over a period of two weeks, virtually, at Dorset Council, during which they:

- Gathered information and views from more than 180 hours of meetings, in addition to further research and reading.
- Spoke to more than 50 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.

This report sits alongside the presentation shared with the council on 5th July 2021.

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 based on their relevant expertise. The peers were:

- Dave Perry – Lead Peer, Chief Executive South Gloucestershire Council
- Mark Wynn – s151 Peer, Chief Operating Officer, Cheshire West and Chester Council
- Katharine Eberhart – Officer Peer, Director of Finance and Support Services, West

Sussex County Council

- Rob Waltham – Leader, North Lincolnshire Council
- Clare Hudson – Peer Challenge Manager, LGA
- Kathryn Trant – Adviser, LGA

3. Executive Summary and Key Recommendations

The council's leadership has invested significant effort to foster a 'Oneteam' culture. This culture is now beginning to mature and is evolving to provide a solid foundation for tackling the challenges the council is facing. The council has demonstrated resilience in managing the financial impacts of the COVID-19 pandemic and should be proud of its financial achievement to survive the last 16 months with immature budgets, a new senior leadership team and the challenges that remote working brings. This emerging 'Oneteam' corporate culture is rooted in the council's ambitions to deliver for its residents and community and is also reflected in the efforts the council is putting into developing strong relationships with its external partners, such as the Integrated Care System.

The council has realised savings as a result of convergence and the pooling of budgets, which increases useable reserves to £65m. Whilst the council may have significant reserves it is also exposed to significant risk due to the scale of its Dedicated Schools Grant (DSG) High Needs Block Deficit, overspending by £16m in 2020-21 resulting in a current cumulative deficit of £37.9m. A further overspend of £17m is predicted for 2021-22. There remains uncertainty over the future treatment of this deficit and the current Statutory Instrument which applies to how it is treated for accounting purposes is currently due to expire in 2023. Until there is clarity on its future treatment the council will need to consider to what extent this deficit should be met from earmarked reserves. Alongside the DSG deficit the council is seeking to manage considerable overspends in some budget areas, and the non-delivery of some of the 2019-20 and 2020-21 savings proposals. Senior leaders understand that the council needs to rapidly take mitigating actions to manage this so as not to build a financial culture in which dependency on reserves is the norm rather than delivering planned budgets. The foundations of sound financial strategy, financial management and budget planning are developing and evolving.

As not all of the planned savings were realised, the council had to use reserves to balance the budget in its first two financial years. To reverse this trend the council's budget setting process, including the council's growth and savings plans, need to be more closely linked to the council's Corporate Plan and Finance Strategy. Accountability for delivering those plans

must also be improved. Tighter governance, clear accountability and faster pace are now needed to advance savings delivery. Whilst the council will have to carefully navigate this recognising that people's personal capacity and resilience have been impacted by the pandemic, such actions are necessary if it is to achieve the financial grip it recognises it needs.

The reasons that not all savings have been delivered are numerous. These include: the impact of the pandemic; the budget setting process that identified the savings needing to mature; changes in senior leadership; as well as reporting and monitoring mechanisms not being robust enough. Progress in delivering savings and transformation is also being hampered by the limited integration of systems and financial reporting.

The council has focused on delivering savings from convergence. It has developed a corporate transformation programme that runs in parallel to service level savings plans. The council now needs to implement genuinely transformative change to deliver its ambition to focus on early help and prevention to improve outcomes and deliver further efficiency savings.

The overarching financial ambitions to deliver transformed services within the financial envelope the council can afford are being articulated amongst the council's Cabinet. To deliver this the council's financial strategy and budget setting principles need revisiting and developing into a clearer strategic narrative. The peer team recommend the council:

- Develops a refreshed Strategic Financial Narrative articulating the political aspirations of the council, recognising the true challenges faced, and driving the delivery of a sustainable Medium Term Financial Strategy
- Ensures that the Narrative underpins Dorset's Council Plan
- Develops and implements a communication and engagement plan to embed the Narrative and associated strategies and plans
- Undertakes a coherent alignment of key strategies (Capital, Commercial, Transformation) to deliver the Narrative
- Identifies and delivers clear and clearly owned budgets and savings plans that enhance the council's financial sustainability

These fundamental building blocks should help the council to enhance its financial sustainability and deliver on its priorities for its communities.

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:

1. Complete the Q1 baseline and get a true picture of implications of growth in demand,

additional pressures, and savings delivered or not in the first quarter of 2021-22 and what this means for the future

2. Come together as organisational leaders to refresh the Budget Principles and develop a Financial Strategic Narrative
3. Use the 2022-23 budget setting process to test a refreshed budget process model and the Financial Strategic Narrative
4. Invest time and capacity in communicating the above and embedding it across the council, and with partners
5. Be clear who is accountable for delivering what, and what the consequences of non-delivery are. Embed ownership of the budget challenge within services and clarify roles and responsibilities for delivery within clear reporting mechanisms that promote transparency
6. Link management reporting more closely to performance, reflecting value for money to underpin evidence-based decision-making
7. Explore opportunities for further convergence and efficiency savings, underpinned by more integrated systems and reporting
8. Clarify what the ambitions are around 'being more commercial' and align this to core strategies (Capital, Asset Management etc)
9. Recognise the progress made to date. Be confident. Move the narrative on to who you are, not who you were
10. Embed putting delivering value for money at the heart of everything you do

4. Feedback on core themes of Finance Peer Challenge

Financial Leadership

“We need to focus on the future and not what we haven’t done”

The Cabinet are cognisant of the council’s financial challenges and articulate an overarching ambition for the council to be financially sustainable within a refreshed service offer. There is a recognition that the current plan to undertake a baseline exercise at the end of Quarter 1 (Q1) will be absolutely critical to the council’s understanding of its financial position and what its options are. This was in progress at the time of writing, and its importance to the council and its future direction cannot be understated. This exercise must explicitly identify what the corporate and financial consequences of non-delivery of savings and non-attainment of budget targets are and their impact on current and future service plans. The Q1 baseline reporting must be used as a catalyst for the council to come together to clarify direction, and lines of responsibility.

This is a young organisation with new staff and members who have inherited budgets and plans. The council's budgets, savings and transformation plans reflect an organisation that is still maturing. Now, two years into existence, the council must take the opportunity of the Q1 baseline to be clear about how they will plan for the future. The tendency to lean on reserves needs to be reversed, members and officers understand this, they now need to put a greater emphasis on delivery.

There is optimism amongst members and officers that the council can do this. The finance team are viewed as supportive and are building the expertise needed to meet financial and accounting challenges associated with legacy systems and their integration. This is also a team with many new colleagues that has had to meet this challenge remotely.

There is a stated ambition, as agreed by Cabinet in January 2021, that the council could be 'more commercial'. From the wide range of people that the peer team spoke to, there is not a consensus on what this means. The council has not yet clarified what its risk appetite might be for potentially investing in commercial opportunities. It is still building its baselined position and further improvements in commercial income, procurement savings and contract management efficiencies should all continue to be advanced.

The council is investing in the provision of a school for Special Educational Needs provision which will open in early 2022, and there is a commitment to a further £25M of capital spend to increase provision. However, the Council should take a wider perspective on commercial opportunities including using reserves to explore commercial opportunities that could underpin its future financial sustainability and service transformation, alongside the school. The council should establish how it might seek to identify and progress this, or not, within its Strategic Financial Narrative.

As a new organisation the focus has been on convergence and releasing efficiencies. This should be an ongoing process and part of the council's drive to deliver value for money. There is an emerging appetite amongst members and some officers for testing how well the council's services deliver value for money. Currently this is not consistent and needs capacity and commitment if it is to become integrated into budget planning and service planning.

Recommendations on Financial Leadership

- Advance integration of systems to ensure that a 'single version of the truth' is developed, widely shared, and owned
- Embed the performance and budget monitoring structures (DARTboard) to ensure accountability for delivery of savings is widely understood
- Explore opportunities for further convergence and efficiency savings
- Deepen the pace of savings delivery

- Ensure the Oneteam approach can support strong lines of accountability for budgets and transformation delivery and does not become a misnomer for transferring responsibility or perceived accountability to others
- Clarify what is meant by the emerging appetite to be more commercial

Financial Strategy, Planning and Forecasting

“We need to get a true picture of our current position at Q1 and what it means”

The council needs a fundamental refresh of its core strategies that are the foundation of financial management if it is to be financially sustainable. These need to reflect the overarching financial ambitions expressed by Cabinet. They also need to be aligned with the Council Plan and delivered at pace with clear lines of accountability. The council leadership must ensure that budget planning is owned and driven by the Senior Leadership Team and based on achieving sustainable budgets.

There is a developing narrative that the council will know its underlying budget requirement once the Q1 baseline report is complete. This should be a catalyst for a fresh approach to budget setting going forwards.

The council knows that it must have a better understanding of the demands that are being placed on its people services because it has not been able to deliver within budget, and it needs to plan for future demand. To develop this, it will need to ensure it develops better systems integration to support service improvements and closely monitor demand management. More analysis will also be needed on anticipating and meeting the longer-term public health and economic development implications of the COVID-19 pandemic.

The council has delivered £10M of convergence savings in its first year and is currently working to deliver tactical and transformational savings of £27M. The scale of delivery or not of these savings will be clarified by the Q1 baseline report. Treasury management activities appear to be managed prudently, net debt as a proportion of net current revenue spend being less than 5%.

As it moves forward the council must use data and forecasting techniques to gain a better understanding of what the future budget requirements will be within the services it is planning. Given the non-delivery of savings in areas of people services, the need for future growth in all budgets needs to be better understood within the context of the council's aspirations around how it will lead better integration of services across its health system, and beyond. Future budget growth must be sustainable, without resorting to the use of reserves. To aid this the council should also invest in more systematic use of benchmarking to ensure its services,

savings and transformation plans are thoroughly tested for value for money.

Recommendations on Financial Planning, Strategy and Forecasting

- Financial and Commercial Strategies need to be refreshed, aligned, and delivered
- Build more involvement from service areas in budget planning
- Tighten the narrative and implementation of further tactical/convergence and transformational savings
- Utilise data and forecasting techniques to ensure the budget requirement for delivery of services is sustainable
- Invest capacity in benchmarking and analysis

Decision-making and governance

“We understand we need to make some difficult decisions; we need credible options to do that”

The peer team heard about the way the Leader and Cabinet come together to discuss deviation from budgets and agree mitigating actions. This is intended to help build grip in the delivery of savings going forward. A recent ‘deep dive’ exercise into the progress of the transformation programme was an illustration of how tighter management of savings delivery is starting to embed in the council. At the time of writing the council was reviewing the implications of this and what changes it may need to make.

The council has recognised that it needs to advance measures such as this to monitor delivery of savings and transformation more intensively and needs to make this business as usual.

There appears to be a mixed understanding of the council’s overarching financial ambitions throughout the organisation. As the former district, borough and county councils moved into unitarisation the message at the time that services would not be affected has, at times, become translated into a mantra understood by some officers that services should not be cut. The financial challenge the council is facing means that it is vital that financial narrative aligns the ambitions of the political leadership with the financial and transformation plans.

There needs to be greater investment in explaining and communicating what the council’s financial strategic narrative is so that everyone in the organisation can understand it and deliver it. The current mixed understanding of the overall strategic direction of the budget extends to the Reserves strategy. An updated Reserves strategy was agreed in January 2021, and it needs to be more widely understood what this means for budgets and savings delivery so that the council can use its reserves to appropriately manage risk, and potentially explore commercial or other invest to save opportunities to advance true transformation.

Both officers and members need to collectively confirm their understanding of the council's financial position. The peer team acknowledge that the impact of COVID, and associated funding, needs further analysis. The Q1 baseline report, and how it is communicated, must address this.

The council operates a relatively modest capital programme, for which there is now a clearer process for committing to capital spend. What is not clear is the longer-term plan for how capital expenditure can lever in the type of wider systems leadership the council should aspire to, in order to drive change, better integration of services, and manage demand.

The council operates a robust Audit Committee which is well regarded and viewed by External Auditors as providing appropriate challenge. The peer team observed the Audit Committee and the confirmation of closure of the 2019-20 accounts. Whilst the council has received a qualified value for money opinion on these accounts, the reasons why appear to be understood, and external auditors are satisfied with the council's response. Internal Audit has a clear programme of work, linked to council priorities. Senior officers have solid engagement with Internal Audit and are responsive to findings.

The peer team believe there are further opportunities to enhance the engagement of scrutiny in the delivery of the transformation programme as the Council matures. The peer team heard about the planned review of the role of members in the review of scrutiny of financial performance. This is a welcome opportunity to embed accountability. Equally, the council will need to assure itself that the newly introduced Performance Management Group is serving its intended purpose to more closely monitor savings and budget delivery.

Whilst the appetite to explore the use of benchmarking is growing corporately, it is more advanced in some service areas to support decision making, such as waste services. This is encouraging but utilising benchmarking to drive forward service improvements and value for money is not yet part of the corporate culture. There is more to do to ensure the council's decisions are rooted in value for money and developed through data and evidence using tried and tested tools such as business cases and savings trackers.

Recommendations on Decision-making and Governance

- Invest time in sharing the overarching financial ambitions of Cabinet across the organisation
- Ensure Q1 outturn report and its implications are widely communicated at officer and member level
- Clearly articulate respective responsibilities for savings delivery
- Make the tools of sound financial management such as business cases, and

benchmarking, the norm

- Enable Scrutiny to support the delivery of transformation plans
- Link the capital programme spend more closely to your existing Council Plan

Financial outcomes and reporting

“Our systems are clunky, they don’t always work, we can’t add the value we want to”

The council’s approach to reporting on its corporate transformation programme is gaining visibility across the organisation. However, it is not clear enough what the relationship is between transformation savings and tactical/efficiency savings.

Monthly financial reporting is being increasingly embedded in the council’s culture and management of its resources. This will enable the organisation to respond more quickly to areas of concern, and ensure members understand what options they face.

The council comes together to discuss its financial outcomes using monthly reporting at Cabinet. Based on the evidence shared with the peer team these discussions can be too rooted in the delivery of savings plans, with service improvement plans running in parallel. There is a need for more integrated financial and performance reporting. The Q1 baseline report must be the opportunity to ensure the ‘single version of the truth’ is understood and provides clarity on the impacts of the 20-21 outturn position, the in-year position and future options.

Financial reporting is evolving and is well supported by the finance team. Reporting is becoming more visible and accessible. The council needs to build on this to ensure that narrative reporting against financial outcomes for both savings and transformation plans is more consistent, and risk based. The business partners can play a pivotal role in building this understanding of budget position and outcomes. The council should also ensure it has a regular programme of training for budget monitoring and reporting – this will help to move the council to understand its present, and not focus too much on the past.

The council operates a self-service model for budget monitoring and reporting. The application of this was portrayed to the peer team as irregular. For example, it is not clear what the consequences for not utilising the self-service model were. There appears to be a tendency for workarounds to be accepted, partly in recognition of the legacy of different approaches used by the former county and district councils.

The systems used to report financial outcomes requires further integration. This is critical to ensure that systems and reporting can support the emerging corporate culture, a true self help/care model, and the 'Oneteam' approach. The robustness of reporting is not where it should be, and there is too much discrepancy in the quality and timeliness of management information. For instance, the peer team heard about how children's services colleagues obtain financial monitoring information from the client system, and that currently performance and finance data reporting is not yet integrated. This hampers the ability of the council to ensure it delivers against its ambitions.

The council operates risk reporting particularly on its savings and transformation programmes. The council should consider how to integrate these more clearly with financial reporting. The peer team also felt that a simpler approach to reporting headline risks, alongside the Q1 outturn report would help the council to be clearer about its current position and its options.

Recommendations on Financial outcomes and reporting

- Report the implications of the 20-21 outturn and the Q1 2021-22 outturn on the 2021-22 financial year and beyond
- Ensure the narrative accompanying savings and transformation delivery is more consistent and risk based
- Integrate systems further and develop their use to support clearer reporting and self help
- Test the embeddedness and effectiveness of the self-service model and identify mechanisms to improve this where needed
- Simplify risk reporting alongside the Q1 outturn report to establish to 'single version of the truth'
- Ensure regular training on budget monitoring and management across service areas

Partnerships and Innovation

"The council is good at problem solving – what is best for Dorset"

The peer team heard from external partners that the council was supportive in their relationships and responsive to needs. The senior leadership team were perceived as being unified on key areas demonstrating strong communication across the council's senior leadership, enabling collaborative relationships with partners.

The council is perceived as being solution driven and with a culture of problem solving. There is an opportunity for the council, working with partners to have more strategic conversations to tackle problems and deliver further their role as a wider system leader to help integrate

services, manage demand and move towards placed-based leadership across all parts of the public sector. In clarifying the council's commercial ambitions, the council should consistently explore opportunities that could underpin its ability to deliver place leadership, including how it maximises existing assets and partnerships.

There are emerging examples of innovation that will be useful in challenging custom and practice and are a signal of the council's ambition to be more enabling (e.g., Homefirst, Children's Locality Model). The council's partners appear to share that ambition and are keen that the council take advantage of presenting opportunities.

There is an acceptance that the council is still young and that was consistently reflected back to us. Despite this, and the challenges of Covid, the council is developing good relationships with partners that can help it to deliver its priorities and improve outcomes for its communities.

Recommendations on Partnerships and Innovation

- Ensure that in engaging with partners you consistently seek to get the best deal for Dorset taxpayers across all service areas – for example with the NHS and Clinical Commissioning Group, or with the Local Enterprise Partnership driving economic development and skills development to aid recovery from the pandemic. Be clear about who is accountable for delivering what
- The Integrated Care System provides an opportunity to develop a clearer narrative about what the council wants for residents and how the integration could deliver service improvements, transformation, and savings not only in Adult Social Care but also the wider preventative agenda
- Explore how you might use resources, alongside tighter procurement, and commissioning, to drive innovation across the wider health system
- Further develop understanding of public assets across Dorset and how these can be leveraged in delivery of community aspirations and ambition to be more commercial. Clarify the ambitions around being more commercial and align with other strategies such as Capital Strategy, Asset Management Strategy
- Do not let youth hold the council back – assets, strong relationships with partners – freedom to innovate. Recognise the progress made to date, be confident and move the narrative on to who you are, not who you were.

5. Feedback on the business partner model

The peer team heard of positive relationships with business partners and there is the opportunity to deepen and strengthen these as the council refreshes its strategic financial narrative. As the council moves forward it should ensure business partners are part of the team assessing options of future delivery across the departments and determining the capacity and skills to support the organisation. These roles have a dual understanding of the challenges facing the directorate they support and the 'whole' council position.

One of the key principles of the model is that it builds strong lines of accountability for delivery of savings and transformation plans. It is hard to comment on the effectiveness of the model as the ownership of the 'financial strategy and delivery' has not yet been sufficiently collectively developed. A clearer strategic financial narrative, more integrated systems, and a more collaborative approach to developing budgets are needed for the model to realise its potential.

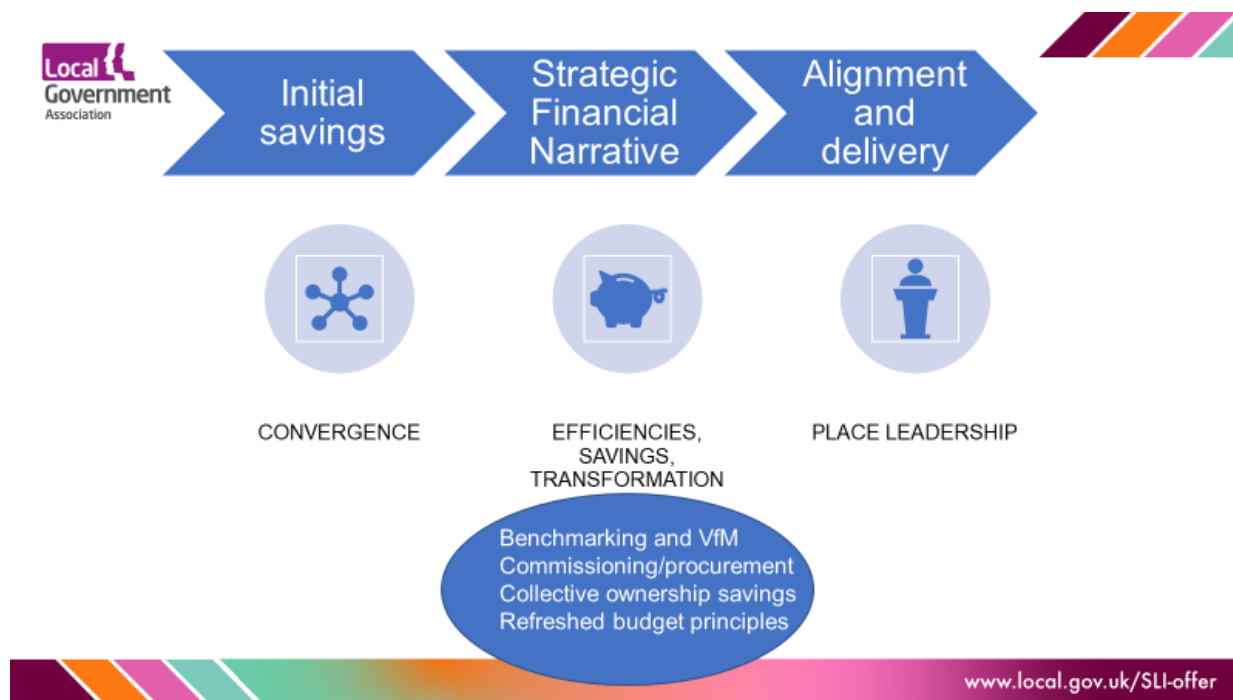
Business partners are clearly a valued resource. There is opportunity to build clarity over respective roles and responsibilities between budget managers and finance. The peer team's advice is to give the model in operation space to grow within a clear narrative and stronger ownership of budgets. This will also allow time to better assess the capacity and need within the corporate finance team.

6. Summary and next steps

The council has achieved a huge amount in its first two years. It has provided unprecedented levels of support and leadership to its communities to support them through the pandemic. This is the second peer challenge the council has commissioned since its creation and its willingness to accept external challenge is commended as part of its improvement journey.

The council has not delivered all of its identified savings plans and has overspent against key service budgets in the last two years. Consequently, it has used its reserves but recognises it must move away from this. The council is developing a clearer picture of its current financial position. This is critical in allowing the council to develop a strategic financial narrative from which it can build a more collaborative and accountable approach to budget delivery. This can then be effectively communicated to staff and system partners and drive change.

The council is maturing in its approach to financial management. Set out below is a simple model that the peer team suggest the council could reflect upon where it sits within the evolution of the model, and how it will successfully transition through it.



It is recognised that senior political and managerial leadership will want to consider, discuss, and reflect on these findings. In order to support transparency, the council is expected to publish this report within six weeks of it being agreed. There is also an expectation that an action plan is publicly available within eight weeks of the report's publication.

Both the peer team and LGA are keen to build on the relationships formed through the peer challenge. The CPC process includes a six-month check-in meeting. This will be a short, facilitated session which creates space for the council's senior leadership to update peers on its progress against the action plan and discuss next steps. This is due to take place in January 2022.

In the meantime, Paul Clarke, Principal Adviser for South West, is the main contact between your authority and the Local Government Association. Paul Clarke is available to discuss any further support the council requires. paul.clarke@local.gov.uk, 07899 965730.

Clare Hudson, Peer Challenge Manager, on behalf of the peer team

7. Annex 1 – Full list of Recommendations

Key Recommendations

1. Complete the Q1 baseline and get a true picture of implications of growth in demand, additional pressures, and savings delivered or not in the first quarter of 2021-22 and what this means for the future
2. Come together as organisational leaders to refresh the Budget Principles and develop a Financial Strategic Narrative
3. Use the 2022-23 budget setting process to test a refreshed budget process model and the Financial Strategic Narrative
4. Invest time and capacity in communicating the above and embedding it across the council, and with partners
5. Be clear who is accountable for delivering what, and what the consequences of non-delivery are. Embed ownership of the budget challenge within services and clarify roles and responsibilities for delivery within clear reporting mechanisms that promote transparency
6. Link management reporting more closely to performance, reflecting value for money to underpin evidence-based decision-making
7. Explore opportunities for further convergence and efficiency savings, underpinned by more integrated systems and reporting
8. Clarify what the ambitions are around 'being more commercial' and align this to core strategies (Capital, Asset Management etc)
9. Recognise the progress made to date. Be confident. Move the narrative on to who you are, not who you were
10. Embed putting delivering value for money at the heart of everything you do

Recommendations on Financial Leadership

11. Advance integration of systems to ensure that a 'single version of the truth' is developed, widely shared, and owned
12. Embed the performance and budget monitoring structures (DARTboard) to ensure accountability for delivery of savings is widely understood
13. Explore opportunities for further convergence and efficiency savings
14. Deepen the pace of savings delivery
15. Ensure the Oneteam approach can support strong lines of accountability for budgets and transformation delivery and does not become a misnomer for transferring responsibility or perceived accountability to others

16. Clarify what is meant by the emerging appetite to be more commercial

Recommendations on Financial Planning, Strategy and Forecasting

17. Financial and Commercial Strategies need to be refreshed, aligned, and delivered
18. Build more involvement from service areas in budget planning
19. Tighten the narrative and implementation of further tactical/convergence and transformational savings
20. Utilise data and forecasting techniques to ensure the budget requirement for delivery of services is sustainable
21. Invest capacity in benchmarking and analysis

Recommendations on Decision-making and Governance

22. Invest time in sharing the overarching financial ambitions of Cabinet across the organisation
23. Ensure Q1 outturn report and its implications are widely communicated at officer and member level
24. Clearly articulate respective responsibilities for savings delivery
25. Make the tools of sound financial management such as business cases, and benchmarking, the norm
26. Enable Scrutiny to support the delivery of transformation plans
27. Link the capital programme spend more closely to your existing Council Plan

Recommendations on Financial outcomes and reporting

28. Report the implications of the 20-21 outturn and the Q1 2021-22 outturn on the 2021-22 financial year and beyond
29. Ensure the narrative accompanying savings and transformation delivery is more consistent and risk based
30. Integrate systems further and develop their use to support clearer reporting and self help
31. Test the embeddedness and effectiveness of the self-service model and identify mechanisms to improve this where needed
32. Simplify risk reporting alongside the Q1 outturn report to establish to 'single version of the truth'
33. Ensure regular training on budget monitoring and management across service areas

Recommendations on Partnerships and Innovation

34. Ensure that in engaging with partners you consistently seek to get the best deal for

Dorset taxpayers across all service areas – for example with the NHS and CCG, or with the Local Enterprise Partnership driving economic development and skills development to aid recovery from the pandemic. Be clear about who is accountable for delivering what

35. The Integrated Care System provides an opportunity to develop a clearer narrative about what the council wants for residents and how the integration could deliver service improvements, transformation and savings not only in Adult Social Care but also the wider preventative agenda
36. Explore how you might use resources, alongside tighter procurement, and commissioning, to drive innovation across the wider health system
37. Further develop understanding of public assets across Dorset and how these can be leveraged in delivery of community aspirations and ambition to be more commercial. Clarify the ambitions around being more commercial and align with other strategies such as Capital Strategy, Asset Management Strategy
38. Do not let youth hold the council back – assets, strong relationships with partners – freedom to innovate. Recognise the progress made to date, be confident and move the narrative on to who you are, not who you were.



Dorset Council

LGA Bespoke Remote Peer
support

Key Reflections

DSG Deficit and High Needs
Block Review



Background

Dorset Council was founded in April 2019 from a merger of Dorset County Council with five of the six District Councils covering the historic Dorset county area. All newly formed councils face challenges in their first years of operation to establish a fresh culture, new policies, new ways of working and to begin to deliver a full programme of service improvement. Dorset Council has been further challenged in its first two years by the advent of the global Coronavirus pandemic. This has manifested particularly on the council's finances.

Context

The council overspent by £5m in 2019/20 and, driven by COVID pressures, at the end of quarter 3 was forecasting an £18.6m overspend in 2020/21. In setting the budget for 2021/22, the council needed to tackle a projected budget gap of £42m which entails the delivery of nearly £28m in tactical and transformational savings in the next financial year. The council is an outlier in terms of its spending against the DSG High Needs Block. The council has developed a financial model and recovery plan to tackle the DSG deficit, predicting to move it to £70m deficit in 2025-26. The council predicts that if the mitigating measures proposed in its High Needs Block Strategy are not introduced the deficit could reach £110m by 2025-26. There remains uncertainty nationally as to how councils will need to treat their DSG deficit post 2023 and Dorset Council is rightly taking significant mitigating measures to reduce its deficit and reprofile its services to meet current and future demand and invest in its own provision to avoid future costs.

Scope

Dorset has asked the LGA to undertake a Finance Peer Challenge in the Summer of 2021 to provide further external challenge to its approach to financial sustainability. Given the scale of challenge within the SEN High Needs Block a remote review of the council's recovery plan and High Needs Block Strategy was undertaken in May prior to the main finance challenge in June. The findings from this can help guide the peer team's approach in the finance peer challenge in June.

Within the remote review the peer team were asked to consider:

- Does Dorset council have a good knowledge and understanding of the factors causing the high need block overspend?
- Is the current financial modelling realistic and accurate?
- What improvements can be made to financial monitoring and management of the high needs block?
- Are the recovery plans realistic and achievable, and owned by the service?

Methodology and peer team

Peer challenge is part of sector led improvement and has been updated and refreshed to be delivered remotely. Background reading was provided to the team in advance by the council and a timetable of virtual meetings including focus groups and one to one meetings was drawn up by the council. The peer team met with a range of officers and members within Dorset Council. The peer team's findings therefore only reflect the internal perspective, and it will be important that the council continues to work intensively with partners to successfully deliver its strategy and realise deficit reduction as planned.

The feedback is based on what the peer team have heard, seen and read and was shared with senior officers in the council on Wednesday 19th May.

The peer team for this challenge were:

Diane McConnell - SEN Specialist, LGA Associate
Andrew Hardingham – LGA Financial Improvement and Sustainability Adviser
Clare Hudson - LGA Peer Challenge Manager
Kathryn Trant - LGA Adviser

Headline Findings

The peer team found a council that recognises the scale of the challenge it is facing. There is also recognition that the council's financial position is the result of local government reorganisation and that a new senior leadership team has been formed that is determined to improve the council's financial sustainability.

The council has made strong progress in its leadership of Special Educational Needs (SEN), which is recognised by Ofsted. The senior leadership team for children's services presents a compelling vision for the future of SEN services, matched with a passionate commitment to deliver strong, innovative services for, and within, communities.

The most pressing issue for the council is the rising costs it has faced in high cost independent and out of area placements. This is well rehearsed within the council and a clear driver for the actions the council is now taking. The council's response to this is rooted in an extensive capital strategy and the provision of additional school places within the county, initially within a new school that the council is in the process of preparing to open. However, it is noted that this will not reduce the council's cost base in the short term.

This recent focus on the development and delivery of the capital strategy means that the balance between the grip on reducing costs in the 'here and now' and the delivery of the capital strategy and future sufficiency of places needs to be carefully monitored and managed. The council will need to consider additional monitoring requirements to do this, embedded throughout children's services and corporate finance.

The council's High Needs Block Strategy's principles are sensible and good practice. The locality model within this is ambitious and aspirational. The council has made significant progress embedding this new model and associated approaches. As with any major change in service provision embedding this model and its associated culture change will be an ongoing task, and its impact is yet to be fully realised.

Dedicated Schools Grant Deficit

The key pressure within this deficit is costly placements, which in some cases are being met by independent and out of county provision. The council has developed a Sufficiency Strategy to develop its own provision in order to achieve future cost avoidance by eliciting greater control over costs for provision within council owned assets.

The council's Capital Strategy guides the delivery of this and as would be expected, focuses on the medium term. There has been significant political ambition and officer expertise employed to develop and deliver the Capital Strategy. The council will need to ensure this is counterbalanced with a relentless focus on managing the in-year deficit that the council must tackle. Overall, the model for deficit reduction is well understood by the council's senior team and will need consistent effort to ensure it is successfully embedded throughout the organisation.

At the heart of the council's ability to do this will be the quality and timeliness of financial monitoring. It was striking that almost every interviewee the peer team spoke to raised the need for improved access to financial monitoring, and the need for it to be integrated into existing systems. The council needs to match its systems to its ambitions and enable

practitioners and finance colleagues to be financially accountable through access to regular monitoring information.

High Needs Block (HNB) Strategy

The council now has a compelling vision for this cohort. The strong ambition expressed within this represents value led service provision and links to the council's wider vision to ensure all vulnerable children and families access the support they need in their local community. The council is operating matrix leadership to deliver the strategy, which encourages leaders to own outcomes for children and young people with special needs.

Within the HNB Strategy there is an evenness between the council's capital strategy and other pillars of the HNB Strategy to tackle the deficit. This is manifest in a greater focus on early help and intervention; the embedding of the locality model; measures to tackle demand management; and a focus on mainstream inclusive education as the expected norm. The council recognises it will need to deliver this in collaboration with key partners including health colleagues and school leaders.

High cost placements (both out of county and within the independent sector), which have exacerbated the council's deficit, now undergo forensic analysis by Panels. The council has a centralised brokerage team which is helping to commission placements and ensure value for money. This approach should be extended into analysis of lower level spend, and the peer team understand that measures to do this are already underway.

The council introduced its locality model in autumn 2020. It is creative and aspirational, and these models can prove to be resource intensive. The council must assure itself that this large revenue budget is sustainable and is regularly assessed with resources allocated where they can have most impact against demand.

Recommendations

The peer team have suggested the council may want to consider taking the following actions below, and recognise that these may be already planned or underway:

1. Monitor the impact of the refreshed relationship with Clinical Commissioning Groups and NHS partners to ensure it yields value for money and contributes to deficit reduction
2. Continue to progress at pace the refreshed dialogue with Schools Forum and promote courageous conversations with families and school leaders to contribute to deficit reduction
3. Articulate the impact for the council more widely of the DSG deficit. This is a corporate challenge to be addressed by Adults and Children's Services and discussions on all-age services should be accelerated
4. Consider developing a communications and engagement strategy to explain and embed the HNB Strategy – utilising councillors, system leaders and school leaders as influencers
5. Invest more time in explaining the locality model within the Council, its intended benefits and contribution to deficit reduction

6. Introduce integrated financial reporting accessible by all – ‘a single version of the truth’
7. Embed regular (monthly) monitoring and forecasting, in a financial management system where everyone understands their role and responsibility to tackle the deficit in the short and medium term. This should include a review of the financial model for the provision of future school places following the updated opening schedule for St Mary’s School.
8. Develop and disseminate a clear and regularly updated capital strategy delivery plan, including costs, benefits and risk management visible to all
9. Regularly review and revise incentives and disincentives that will underpin the locality model and its focus on mainstream education and inclusive provision. Discussions around the Tipping Point payment and costs of Alternative Provision are underway and should be resolved as quickly as possible. The level of banding allocations should also be considered.
10. Commit to a regular review of the resourcing and capacity required and its ability to deliver the locality model at an effective and efficient cost. The model should be flexed in line with the cost reductions realised.

Summary

The council provides a compelling vision for the future provision of SEN services and the High Needs Block. These are underpinned by aspirational strategies and an innovative, integrated model. The council has a very significant challenge, requiring unrelenting monitoring and grip, to meet to make these sustainable in the medium and longer term. The dissemination and understanding of financial monitoring will be critical to the council’s ability to reduce the deficit within its adopted model and measures on this are needed now to realise the council’s ambition. In short, the council must more closely monitor today to take care of tomorrow.

Clare Hudson, on behalf of the peer team
Diane McConnell
Andrew Hardingham
Kathryn Trant