

Finance Peer Challenge – Progress Review

Dorset Council

25 March 2022



1. Background

Dorset Council has welcomed sector led improvement (SLI) since its inception as a new unitary council in 2019. The concept of external challenge has been a key part of their approach to improvement and learning from the outset, it has also involved many of the council's senior officers and members acting as peers to other local authorities.

The Council undertook an LGA Finance Peer Challenge (FPC) during June/July 2021 and promptly published the full report with an [action plan](#). The LGA FPC process includes a progress review, providing space for the Council's senior leadership to update peers on its progress against the action plan the council had developed and to provide, where appropriate, further feedback and observations from the peer team in respect of this.

2. Peer Team and Process

The peer team consisted of:

- Dave Perry - Chief Executive, South Gloucestershire Council
- Cllr Rob Waltham – Leader, North Lincolnshire Council
- Mark Wynn – Chief Operating Officer, Cheshire West and Chester Council
- Katharine Eberhart – Director of Finance and Support Services, West Sussex County Council
- Kathryn Trant - LGA Peer Challenge Manager

In preparation for the progress review, the Council provided peers with a short video position statement serving as a bridge to reconnect peers with recent context and activity, including status of some of the recommendations with summary progress. Pre-engagement discussions took place between the peers and their counterparts at Dorset Council, including a focus group meeting with Finance Business Partners.

The progress review concluded with a round table meeting which took place on Friday 25th March and was attended by the following from Dorset Council:

Cllr Spencer Flower – Leader
Cllr Gary Suttle – Finance Portfolio Holder
Matt Prosser – Chief Executive
Aidan Dunn – Executive Director Corporate Development
Jim McManus – Corporate Director Finance and Commercial

3. Output from progress review

During the round table meeting the areas highlighted below were discussed and the notes that accompany these, which have been shared with the peer team, provide a record of the key issues discussed or raised. They are a reference point highlighting progress and issues, as well as hopefully a useful record for the council to help with any further reflections on the back of the round table.

- **Financial Baseline:**

One of the key recommendations from the FPC was to use the 2022/23 budget setting process to test a refreshed budget process model. As a result of hard work by officers and members updated financial baseline data was used as part of the new approach to budget setting for 2022/23. As a result of this the council is more confident in the robustness of the budget, and whilst still early, expects to end the year at a breakeven position which is very different to the 2021/22 Q1 forecast.

Budgets are regularly monitored and overspends are proactively managed down. The development of a complete financial baseline to aid getting a true budget picture, has also helped with in year monitoring and the management of overspends. Examples were provided to the team of this, including for example within the Place Directorate where analysis uncovered areas where convergence work had not been completed. It was a challenging exercise but critical to understand the bottom line cost to run each service.

Officers and members were encouraged to come forward with ideas throughout the budget process. This will also have helped to communicate and embed the financial strategic narrative across the council in line with another key recommendation. The new budget setting process included a lot of work with members to make sure the fundamentals were understood and aided in the budget for 2022/23 being approved at full council by a significant majority. The work to understand the budgets on a true cost basis has given members the confidence to take decisions and there will be a constant process of monitoring figures and trends.

A new mission statement is under development which will set out key priorities for the next two years and should aid in guiding officers on how resources should be focused as future budgets are developed.

- **Delivery of savings and transformation:**

Officers and members have more confidence in the figures than a year ago, reflecting the increasing maturity of the Council. The council has been careful to refresh the transformation targets as part of the latest budget round by putting rigour into the process and not rolling on unachievable numbers. There is more capacity into Corporate Services to constructively challenge and support to give more chance of success.

The Council is working to change the dynamic around the identification of savings away from what seemed like a negative action, this year it was promoted more as a positive process to instil a sense of working together. A measured approach to issues has led to a growing sense of confidence throughout the organisation.

Children's services have made good progress, they have a plan that sets out target transformation savings and associated risks. Adult Services have a big project coming forward with the creation of the arm's length company 'Care Dorset'. As part of this the council believes there will be potential to invest in the service further and make improvements for residents.

There are plans to find the £17m of savings required by the MTFP – these range from relatively straight forward options such as deleting vacant posts and generating increased income, to more complex plans in some areas. Inflation is a problem, as it is for many councils. It will be important in this context that the council continues the increased rigour and governance around monitoring and delivery of agreed saving plans moving forward, and that service managers remain accountable for the achievement of these savings.

There is a sense of progress on ownership of budgets by services, which picks up the FPC recommendation to be clear who is accountable for delivering what and the consequences of non-delivery. This ownership of budgets is reflected in cabinet members who are being proactive and positive. Collectively Cabinet is working well, Portfolio holders presented at the budget cafes for example. Scrutiny is welcomed. Discussions about finance are ongoing and Cabinet members are able to challenge each other at Performance Board.

- **Coherence between budget targets and priorities:**

Difficult conversations about moving resources around have not had to take place, although the council is in a stronger position to do so if necessary (for example if wanting to resource further investment in the priorities set out in the Mission Statement).

Whilst there is good news on the HNB deficit and a plan in place for Adult Services, the council is continuing to focus on the medium term. If the £17m savings is not forthcoming as expected, then it could possibly be found elsewhere on an interim basis. However, the council recognises that the internal and external pressures on the medium term position has the greatest risk of negatively impacting on services if not proactively managed. There is a plan being constantly monitored and if there are external changes then the council believes it has the temporary resources to flex and adapt. The message from senior leadership is about generating income, not just making savings. It is likely both will be required to not only meet future financial challenges, but also enable resources to be moved behind priorities.

Whilst an element of flex is right, the council should be wary of a culture developing where officers think it is ok not to achieve savings because something else will come along. Maintaining accountability for delivery of savings and ownership of the budget challenge will be critical to successfully achieving the medium term financial plan.

- **Capital:**

The council has made good progress in how it is organised in terms of monitoring capital investment, there is a monthly board that manages the ambitious capital programme. However, the links between capital and revenue, whilst improved, could be stronger. There are assets the council has ambitions to sell, but not yet confident enough to put figures in the budget for capital receipts.

There is a £350m capital programme being reviewed currently to ensure it aligns with priorities. The council has headroom to borrow or consider wider financing routes, and perhaps there are opportunities for long term investment projects.

An area for the council to consider is how priorities set by the political leadership and through the new mission statement get embedded into the budget process, what are the drivers and mechanisms for this? There may also be opportunities for joint ventures or self-development alongside disposal of assets purely for the sake of a capital receipt as part of the ongoing development of the capital strategy? This is an area where work is ongoing.

- **Commercial approach:**

One of the key recommendations from the FPC was to clarify the ambitions around 'being more commercial' and align to the core strategies. As a result of work to address this recommendation, a commercial strategy has been taken through Cabinet and various workstreams set up so that a community of officers is working internally to advise. The council is working to raise the level of commercial awareness across the organisation.

There is still some work to do on collective understanding of a commercial approach. Some think it means buying a shopping centre, others think it means better procurement. Is the focus external or internal? The council sees itself at least as opportunistic taking advantage of opportunities as they arise. The council has a big estate and has control over its asset base. It wants to drive out the benefits, but it will be important to get commercialism, assets, and property investments in line.

The commercial strategy is the first part of the commercial journey, and this shows huge progress, the conversations that subsequently take place show the thinking for stage two.

- **Partnerships:**

The council continues to develop its strategy for working in partnership with others to the benefit of Dorset residents. It recognises the importance of working with others to best deliver joined up outcomes for all, but also has been prepared to withdraw from historical arrangements when these no longer seem to add value.

BCP council is a key partner, however the council has reviewed how some of the current partnership arrangements are working and has decided to withdraw from their wholly and jointly owned adult care services partnership and the shared Revenue and Benefits service. These have been pragmatic decisions to create services that meet the needs for Dorset Council.

There is a significant opportunity to work more cohesively with health partners, and the council is keen to develop this relationship further. With the end of CCG's and introduction of the ICS underway, the council has worked with health partners to look at further joint working through the use of s256 funding. The council is trying to position itself in the right space as a good partner with a focus on prevention. There has been good partnership working throughout Covid with the NHS/CCG, and it is important the council continues to exploit and develop this relationship further, pushing for the opportunity ICS's now present to move the joint health and care space to balance more appropriately from the treatment of illness to one of a population, prevention, and wellbeing focus.

Strategies:

As the council comes to the end of its third year things have stabilised, there are varying degrees of strategies, some aspirational and some being developed. The council is still a relatively young organisation but continues to mature quickly; it is well positioned to recognise there is still work to do and will guard against complacency. Constant monitoring will highlight warning signs and the council will be ready to respond.

There is a sense of pride and accomplishment at the council. The council is developing a new Mission Statement which includes 10 priorities of differing timeframes. This should create a clear sense of direction, but it will be important they are properly integrated into other strategic plans to ensure proper alignment, and clarity of priorities. They will also need to be appropriately resourced along with maintaining service delivery of business as usual which residents want to see – ensuring appropriate balance will be important for future outcome delivery.

4. Next steps and future support

It is recognised that senior political and managerial leadership will want to consider, discuss and reflect on this summary recording of discussions. In order to support transparency, the council is advised to publish this letter.

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