

Member Report

Productivity and Efficiency Statement



Report to: Cabinet

Report from: Executive Director for Children and Families

Portfolio: Resources

Report Date: 23rd July 2024

Decision Type: Executive / Key – Budget / Key Policy / Key Significant Impact / Committee

Council Priority Strong and sustainable

HEADLINE POSITION

1.0 Summary of report

1.1 As part of the Government's work to review productivity across government departments they have mandated that each local authority submits a document which provides assurance over their productivity, as well as the approach to ensuring efficiency. Attached at appendix 1 is the proposed return for Redcar and Cleveland.

2.0 Recommendation

2.1 Cabinet is asked to endorse the Productivity and Efficiency Statement at appendix 1.

DETAILED PROPOSALS

3.0 What are the objectives of the report and how do they link to the Council's priorities

3.1 A key aspect of the Council's Corporate Plan is to ensure that the authority is strong and sustainable. This means prudent management and use of resources. The attached Productivity and Efficiency Statement summarises the arrangements the Council has in place in this regard.

Background information

3.2 When announcing the financial settlement for local government the Secretary of State for Levelling Up Housing and Communities (DLUCH) indicated that local authorities are each to provide a document which gives assurance over their productivity, which would be reviewed by government. It was also indicated that this would be linked to future financial settlements and are to be signed off by elected members in advance of submitting.

3.3 Whilst government has mandated that each local authority produces a document, they have not mandated any specific format or content. A panel is being established

to review the submissions which will include DLUCH, the Local Government Association and others. The Local Government Association has indicated that there is no terms of reference in place for the review panel yet. The Government has advised of some areas that councils wish to include, these are summarised as follows:

- How has the organisation changed?
- How will the organisation intend to best use its resources in the future?
- What arrangements are in place to prevent wasteful spend.
- What barriers can be removed or changes be made by government to improve efficiency.

3.4 Given that the production of the document was mandated ahead of the general election being called, and it is to be submitted after the general election is held, it is possible that the Government's position on how the documents are considered and utilised could change.

3.5 It is therefore the case that local authorities are each approaching the completion of the document slightly differently, seeking to highlight issues of most significance to them. As would be expected the key matters for Redcar and Cleveland to highlight are the financial issues which have the potential to impact the financial sustainability of the Council. Finding ways to reduce cost and improve efficiency will take primacy.

4.0 What options have been considered

4.1 Local authorities have been mandated to develop the productivity documents and submit them to government having been considered by elected members. As such the only option for consideration is to submit the document.

5.0 Impact Assessment

5.1 **Climate Emergency** - the document has no direct impact on the climate. It is the case though that having energy efficient buildings is a productive use of council funds.

5.2 **Health and Safety** - the document has no direct impact on health and safety.

5.3 **Social Value** - the document has no direct impact on social value.

5.4 **Legal** – the council has a legal responsibility to set a balanced budget, a key element to meeting that responsibility year on year is to be an efficient, well governed organisation. The document summarises the arrangements in place in this regard.

5.5 **Financial** – the document does not have a direct financial impact, it is however the case that finance and efficiency are inextricably linked, as such the document largely focuses on financial matters.

5.6 **Human Resources** - the document has no direct impact on human resources.

5.7 Equality and Diversity – - the document has no direct impact on equality and diversity.

6.0 Implementation Plan

6.1 Timetable for Implementing Decision: the document will be submitted to government upon agreement by Cabinet, as per the requirement.

6.2 Lead Officer: Michael Lyth, Head of Strategic Policy, Performance and Improvement.

6.3 Reporting Progress – Any feedback provided by the Government on the submission of this statement will be communicated to elected members.

6.4 Communications Plan – no communications plan is required, the statement will be submitted to government as is required.

7.0 Consultation and Engagement

7.1 The document largely reflects arrangements which are already in place, not does it propose to make any changes. As such no formal engagement beyond the Executive Management Team and the portfolio holder for Resources ahead of sharing with elected members.

8.0 Appendices and Background Papers

8.1 Appendix 1 – Productivity and Assurance Statement

9.0 Contact Officer

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Redcar and Cleveland Borough Council – Productivity and efficiency statement

Introduction

At Redcar and Cleveland we look forward to working with the new team at the Department of Levelling Up, Housing and Communities, we hope that this signifies a period of stability and mutual understanding of the context in which local government is operating within.

Whilst this exercise provides an opportunity to share the robust arrangements which ensure that the authority is providing value for money, providing leadership within the local area, and most importantly delivering positive outcomes for our residents, the spirit of this exercise is key. As a new government we hope that you use this exercise to share any best practice across the sector and support local authorities to further improve, building on the significant efficiency savings made in the last decade.

It is to be noted that investment in productivity and efficiency, which whilst worthwhile can not be done instead of service delivery. An additional [£3.4 billion productivity investment](#) for the NHS was announced earlier in the year in addition to spend for service delivery. This is why local authorities often have to take a risk-based approach, which means investing in today's challenge as no such additional money for productivity has been provided for the sector by government.

Each local authority and the communities which they serve are different. It is irrefutable that local context influences the work that local authorities do, and whilst there is lots to be proud of in Redcar and Cleveland, the reality is that with [higher than the national average for unemployment, lower wages](#), an [ageing population](#) with [lower healthy life expectancy](#) and significantly higher than national [child poverty](#) levels there are challenges which impact upon the work we do and determine where money is spent.

An important aspect of the financial challenges facing local government is that they are not evenly distributed. Local government funding inequalities persist due to delays in updating the national funding formula, resulting in disparities across regions. It is important for government to understand the financial impact of deprivation and how it drives demand for services such as children's social care, with higher numbers of children in care, it limits our capacity for earning money locally with 84% of properties between bands A and C and business rates below the baseline for years. The funding formula which fails to take account of these things has not been updated since 2013.

The Institute for Fiscal Studies have commented that the system funding local government, accounting for the needs and revenue-raising capacity of different areas, has "broken down". Many deprived areas are getting a lower share of local government funding than they are estimated to need, and even if all areas set the same council tax rates, the southeast of England would still receive a share of funding that is 9% higher than its share of estimated spending needs, and the northeast 5% lower, they found, which naturally impacts areas like Redcar and Cleveland.

A [Local Government Information Unit survey](#) in February 2024 showed that over 92% of councils reported financial issues due to inflation and the cost of living crisis, and that, consequently, 91% of councils, were planning to raise their Council Tax. In addition, a [Local Government Association survey](#) of member councils in the same month, showcased that 85% of councils – and 99% of single-tier or county councils - would need to make cost savings, even after additional government funding was granted in January 2024. In the last six years, eight local authorities have issued a section 114 notice, notifying government of severe financial distress, compared with zero authorities declaring such a

notice between 2001 and 2018. These are not issues of one council, there are issues which the entire sector is facing, especially linked to social care which require the continued understanding and support of colleagues in Government. By way of example the average weekly cost of children's residential placement in the borough increased from £3700 in 2021 to £6795 in 2023/24.

What we have done already

Since 2010 the authority has delivered over £100 million of savings and cost avoidance across council services. Alongside this our workforce has reduced by in the region of 1,000 from 2010 to 2024. Information within [LG Inform](#) suggests Redcar and Cleveland's ratio of staff per resident is 0.018, which is the third lowest amongst our 12 CIPFA closest neighbours.

Despite this reduction the council has been improvement orientated, delivering key work to improve organisational efficiency and service outcomes, a mere snapshot of this is as follows:

- The Council has transformed its digital offering with residents able to access over 80 services through the council's website. This is alongside growing the council's social media presence and digital communications with over 46,000 followers across platforms.
- The organisation has largely digitalised processes for HR, finance and procurement streamlining processes which has improved efficiency.
- The organisation is benefiting from operating a hybrid working basis where time is split between home working and the office. This has already presented the opportunity to dispose of one of our main administrative buildings saving money, as well as negotiate a settlement for a PFI contract.
- As well as reducing the size of our estate the Council has made our buildings more energy efficient and cheaper to run by investing in climate friendly measures such as solar panels. This has significantly reduced carbon emissions as well as having a financial benefit of hundreds of thousands.
- The Council played a lead role in negotiating a devolution deal which created Tees Valley Combined Authority which has levered in significant investment which is beginning to deliver positive change across our borough, reshaping communities and has the potential to create thousands of jobs, transforming the local context in the future.
- The Council has delivered significant improvement in children's services, which has saved money and ensured positive outcomes for children. This has included the creation of a multi-agency children's hub as the front-door to children's social care, opened a residential hub called No Wrong Door, developed our own Social Work Academy for newly qualified social workers, invested in additional support for vulnerable, exploited, missing or trafficked children as well as continuing to support our family hubs.
- The Council opened the flagship 40 bed intermediate care centre at Meadowgate which provides help for medically stable adults who require additional support, outside of a hospital setting, hence helping improve discharge. The centre's focus is very much on supporting independence and helping people to return home, helping to save money.

- The Council won awards, including the Princess Royal Training Awards twice for our work with apprenticeships, providing employment, developing skills of young people as well as meeting the organisation's workforce imperative. The council has also regularly met its targets for apprenticeships and the use of the levy, being in a minority of councils to do so.
- The authority was the victim of a cyber-attack, as other public sector bodies have been. To aid recovery the government provided some exceptional financial support. A condition of this was that the council's financial management was reviewed by CIPFA, this provided assurance over the management of the authority's money.

Where are we now?

Business function	How we manage this.
Managing our money	<ul style="list-style-type: none"> • £7.6million of savings to find this year, largely owing to the impact of inflation and the demand and costs for delivering statutory services. This will present a significant challenge. • A list of savings to be achieved agreed through budget report agreed in February 2024. Post local elections 2023 looked to foster culture of shared ownership across political spectrum. Not easy, with £100m in savings already made, difficult decisions only, inequitable funding formula necessitates increased local taxation and fees and change. • Elected member led task and finish approach to achieving budget savings. Principles being adopted are: <ol style="list-style-type: none"> 1. Identify and address the root causes of financial pressures. 2. Implement measures to enhance operational efficiency. 3. Optimise funding and revenue streams to cover service costs and align with council priorities. 4. Adjust service provision to align with available resources while upholding statutory duties and strategic priorities. • Robust, mature financial monitoring and governance arrangements in place overseen by portfolio holder for Resources and Section 151 officer. This includes: <ol style="list-style-type: none"> 1. Financial procedure rules as in our constitution which regulates the Council's financial management, 2. Quarterly reports to Cabinet and Borough Council on the in-year budget position based on the work of chief officers in overseeing expenditure, income and budget allocation in their area. 3. Governance Committee overseeing risk management and governance of finances. 4. Annual reviewing of prudential indicators to ensure affordable sustainable borrowing. 5. Programme Management Group to review and monitor delivery of business cases for capital projects. 6. Monthly budget monitoring in services, underpinned by high-cost spending review in areas such as social care to assess and mitigate against expensive spend in a volatile and unpredictable area. 7. Budget and transformation programme – full team approach to mitigating spend in high pressure areas. 8. Procurement in line with legal requirements, with North East Procurement Organisation, engaging with others, securing value for money. • External review – held corporate, children and families and adults Local Government Association peer challenges recently to stress test processes and seek to learn from best in class.
Strategic leadership and vision	<ul style="list-style-type: none"> • Redcar and Cleveland Borough Council agreed a new Corporate Plan in December 2023 covering the next four years setting out the priorities for the local authority and the residents which we serve. The Corporate Plan is supported by our Organisational Plan which sets out the key strategies which will take forward the delivery of the Corporate Plan priorities. These strategies are developed (some under development) by the experts in service areas and include a plan with actions which are achievable over the next twelve months. This will in effect set the parameters of what the council will and will not do. • Key corporate strategies linked to efficiency include our Digital Strategy, building on the excellent work already done to get more services online and improve service efficiency, an Asset Strategy to ensure property estate is proportionate and fit for purpose, reducing buildings where appropriate, a Workforce Strategy to prepare and equip organisation's workforce with the requisite skills for the future. Politically owned, driven by Executive Management Team and staff. • Weekly management portfolio holder meetings, monthly full Cabinet and Executive Management Team meetings, monthly political group leader sessions, all member-conference/workshops, managers conferences staff conferences, residents newsletter, staff newsletter, staff Facebook – all utilised to ensure collective ownership and understanding of issues for council. • Regular surveys external and internal to seek views on council matters to gauge resident opinion on a wide range of local matters. • Proactive and amenable partner supporting ownership of place. One of five authorities which make up Tees Valley Combined Authority, work closely with Integrated Care Board, housing associations, police, voluntary and community sector, businesses as well as schools.
Ensuring we are efficient and performing	<ul style="list-style-type: none"> • Corporate Performance - have a Managing Director's Dashboard with key strategic performance indicators. Quarterly reports to elected members to provide oversight of service performance as well as impact of key strategy within areas. Monthly updates, discussions and challenge at officer level as well as with portfolio holders. • Services have developed data warehouses, utilise tools such as Power BI and Agresso, in order to provide live data and information to inform service delivery and management action. • Consider and utilise feedback from inspections, review and service users to seek to improve service quality. • The Council has a management scorecard covering business processes such as health and safety and audit, workforce metrics like sickness, customer service and complaints, as well as other management and compliance-based measures to ensure the organisation is being efficiently managed. Elected members are provided such information quarterly, officers review at corporate, directorate and service level to influence improvement. • Utilise internal audit partner Veritau to audit services in order to improve service delivery and performance. Have mature corporate approach to risk management to seek to ensure service risk is managed and mitigated. • Service and place improvement – have directorate level service and place improvement teams to improve operational service outcomes, efficiency and delivery as well as the borough itself through initiatives like Levelling-Up. • External review – undertake sector-led improvement activity in order to stress test processes and strive for improvement.

Being a strong and sustainable council for the future

Building on the strong foundations which are already in place, the priorities across the three areas highlighted in the immediate term are as set out in the following table:

Business function	How we are approaching this?
Managing our money	<ul style="list-style-type: none"> • Our Financial Strategy breaks things down into three periods short, medium and longer-term – survive (0-2 years), strive (3-5 years) and thrive (6 to 10 years). The largest industrial regeneration project in the country is taking place at the Freeport within the borough, this will be transformational for the area if it comes off, it is forecast to bring thousands of good jobs. This could bring with it business rates as well as make the borough a place more people wish to live. This, in time, will assist the financial sustainability of the council; in the meantime a more pragmatic approach to the management of the organisation’s money will be taken, whereby any additional investment in improvement activity for the next two years must reduce the revenue costs of services, with this to be relaxed as additional business rates are realised. It is however important to be very clear, whilst we are optimistic that jobs and economic growth will materialise it is not guaranteed. Likewise, the next two years will be very hard, making the requisite savings will necessitate hard decisions, and limit the capacity to make additional investment. • Whilst efficiency and productivity based improvements linked to digital working will continue to be sought, building on the 81 services already online, the reality is that investment, pending improvement in the financial position, will need to be directed at the hot spot areas which if left unmitigated will continue to create significant financial pressure. These include home to school transport costs, children in our care placements (volume and cost), Dedicated Schools Grant high needs spend, SEND out of borough/high-cost placements, adult care fees, assets and their utilisation as well as recycling and contamination. It is these larger areas, where concerted effort is required in order to ensure the financial sustainability of the Council. That authority will naturally, as it has done for over a decade now, look for areas to reduce unnecessary spend. • The key measure of success will be a change in the trajectory of spend in the hot spot areas, meaning money if available can be directed elsewhere to make further efficiency gains. Making the requisite savings through targeting the hot spots will however be very difficult, there are a wide range of factors beyond the council’s control. Likewise, these are often complex issues being experienced sector wide, with no easy fix. Consideration will be given to additional cost per measures such as the average weekly residential placement costs, cost of running the buildings. • With political oversight continue to respond to the hot spot areas by identifying and address the root causes of the financial pressures, implement measures to enhance operational efficiency. Optimise funding and revenue streams to cover service costs and align with council priorities or adjust service provision to align with available resources while upholding statutory duties and strategic priorities. The emphasis will be on finding permanent solutions to issues, whilst greater flexibility over the use of capital would enable short-term mitigations, this would not be prudent financial management.
Strategic leadership and vision	<ul style="list-style-type: none"> • The Council will be a strategic organisation, our decisions will be determined by the direction set out by the Corporate Plan through the key strategies listed within our Organisational Plan. These strategies are to inform service delivery in line with the mandate set-out by elected members. This will seek to guard against additional, unfunded, asks being brought forward for implementation. Delivering agreed strategy, informed by data, by experts will have the largest impact and be the most productive use of public money. • Continue to lead in place building which will improve the area, bring with it investment and energy which will benefit the council and the local area. Improving the borough, seeking to reduce deprivation will in some way mitigate against the inequitable funding formula. Additional money will enable additional investment which can enhance service delivery and feedback.
Ensuring we are efficient	<ul style="list-style-type: none"> • Continue to improve performance management arrangements – integrate performance dashboard into our website to provide transparency to residents and inform decision making. • Look to develop the use of tools such as Power BI across the organisation to provide all senior leaders with easier to access data to inform service delivery. • Utilise benchmarking information wherever it is appropriate to do so in order to improve performance and service delivery – Office for Local Government • The authority will leverage all it can out of existing technology, which doesn’t require significant investment, such as exploring AI within social media, customer services, as well as route optimisation for waste rounds to ensure efficiency. • Continue to maximise use of the Apprenticeship Levy to ensure that staff have access to training which will improve service provision. • Embrace inspection and review, delivering improvements sought in the aftermath. • Stress and pressure on local authority staff is demonstrated by an increase in sickness absence within the sector. The council will continue to work hard, s to reduce this further, and ensure full value is achieved from the workforce.

What we'd like from you

It is important to recognise and understand that local authorities such as ours are doing all that we can within available resources to make the organisation efficient and productive. Additional money is required to make large productivity gains through technology in particular. With a limited quantum of money it must be directed at service delivery, especially statutory where costs are soaring. These statutory services require significant investment to mitigate market insufficiencies and profiteering.

Area	Our ask of government
Local authority finance	<p>The council see it as a necessity that government revisits the local government funding formula and implore a new government to act on this as a matter of priority. A key issue which also needs to be addressed is that of flexibility. Whilst the quantum of money available is of course something to be addressed, especially in social care, an issue the authority experiences is that ringfencing various funding streams makes it harder for the council to direct money where it is most needed. This results in an imbalance within services across the council and can impact upon the outcomes we can deliver within communities. The ringfencing of funds necessitates additional returns and additional work which isn't productive. Similarly, it would be beneficial to have greater discretion and flexibility in the application of statutory fees and charges.</p> <p>The current competitive approach to bidding for funding through Levelling Up etc is not an efficient use of resources, financial or human. The bids take a lot of work and cost to compile, and whilst Redcar and Cleveland has benefited from Government funding in this regard it has also had unsuccessful bids. This feels like a process which could be streamlined.</p>
Local authority finance / social care	<p>Vast amounts of money are spent on social care, with a particularly steep increase in the trajectory of spend in children's social care in this borough. This is of course due to additional need, which funding is required to prevent, but a big way to secure additional value for the public purse would be to limit profiteering in this area. Some placements for a single child cost up to £1million a year, this is unsustainable, decisive government action is critical.</p>
Freedom of Information	<p>Servicing Freedom of Information requests has become a significant undertaking for councils. Whilst the principle of the act is supported, the application of it is burdensome. The reality is that lots of the requests are from people looking for business, journalistic requests and other local/national government departments, whilst some are of course worthy others have no public interest element yet require work to answer. The council ask that government significantly revises the scope of the act to reduce the burden on councils.</p>
Simplification of regulation	<p>In recent months colleagues in government have introduced the Office for Local Government, a revised Best Value approach, a new approach to corporate complaints, a new stress audit requirement as well as this productivity statement. Rather than do each of these things independently perhaps it would be simpler, clearer and more efficient if government put in place a single inspection/review approach for local government which brings everything together, if there is such as desire to measure.</p>
Planning	<p>The Council would welcome the publication of new Local Plan regulations, this is a matter which has been outstanding for some time.</p>
Electronic meetings	<p>Reinstating the ability for councils to hold electronic committee meetings would provide councils with greater flexibility in managing committee meetings. Whilst, of course, there is a need to hold physical meetings there is also a place for electronic meetings so the authority would appreciate you revisiting the current stance.</p>

