

# Are there any good savings left? Improving outcomes and financial management

The public sector is operating in an extremely challenging context, fraught with unprecedented levels of demand and financial pressures. Demand-led services comprise an ever-growing proportion of local authority spend. For example, CIPFA's **Financial Resilience Index** highlighted that in 2022/23, nearly three-quarters (74.4%) of the spend of councils with social services responsibilities related to adult and children's social care, up from 60% in 2016/17. The Institute for Government (IfG) and CIPFA's **Performance Tracker** highlights that eight out of the nine services it reviewed performed worse in 2023 than they did on the eve of the pandemic. The scale of the challenge is evident across the public sector, yet the path forward is less clear.

Impower believes that "better outcomes cost less" and that this should be the primary ambition behind budget-setting and medium-term financial planning by local authorities. IMPOWER works with local authorities to produce multi-million pound 'good savings' – realising the ambition of 'better outcomes cost less'.

Examples of good savings include:

- intervening early to prevent families breaking down or households becoming homeless
- ensuring that children in the care system are in placements aligned to need at the best possible cost
- ensuring adults receive care in the right place at the right time, reducing unnecessary expensive residential placements in the medium term
- influencing resident behaviour to increase council tax payment or recycling rates.

In May 2024, CIPFA and IMPOWER hosted a roundtable with public sector CFOs and industry experts to explore:

- the challenges in making the case for good savings (eg prevention and demand management)
- approaches to phasing out traditional cost-cutting that can do more harm than good for complex services
- the CFO's role in balancing risk and reward in delivering good savings.

This briefing explores the key points from the roundtable discussion and provides supplementary case studies to illustrate delivery of good savings in collaboration with local public services. Each case study covers a transformation programme supported by IMPOWER in the 2023/24 financial year.

## Key messages

The discussion highlighted the main challenges in delivering good savings, notably short-term decision making, siloed approaches and funding constraints. Participants also discussed strategies that showed promise for unlocking better outcomes such as:

- testing alternative solutions before scaling
- collaborating with other organisations to deliver place-based outcomes
- CFOs fostering the conditions for the delivery of good savings.

## Challenges

A key barrier to making the case for long-term investment in public services identified in the discussion is the short-term nature of planning horizons in public services. On the one hand, the pressure to balance budgets is driving councils to make suboptimal decisions about services. On the other hand, these pressing challenges are limiting councils' capacity to create the headroom required to tackle challenges more strategically, creating a vicious cycle.

Homira Javadi, Director of Finance and Performance at Lewes District and Eastbourne Borough Councils, raised the issue of homelessness, observing that short-term measures were likely to lead to higher costs and worse outcomes in the long term.

"We have been managing a disproportionate challenge in relation to homelessness, costing 30% of our net budget. The cost of temporary accommodation goes against every value for money principle. We are providing a costly and inadequate service on a short-term basis for families that deserve better. Yet it costs us 30% of our net budget: £5m per annum, which is equal to the cost of delivering around 300 affordable new homes. The cost in the future will be even greater, resulting in astronomical health care, social care and other related costs of poor housing provision today."

The funding landscape has trended towards short-term allocations. Often financial planners only have certainty of a policy-led funding source for a single year. Medium-term budgets are therefore more speculative than they once were. For example, local government has had single-year settlements since 2018/19. Similarly, the government routinely allocates crisis-specific one-off funding to address adult social care pressures. Short-term funding provides limited scope for stability or longer-term planning.

Roundtable delegates also observed that the singular focus of leaders on their individual organisation's efforts can be to the exclusion of more holistic cross-organisational or place-based solutions. Participants agreed that most of the outcomes they want to deliver for their citizens cannot be delivered by organisations in isolation. CIPFA and the IfG's Performance Tracker describes the unintended impact of isolated measures, citing the example of the government's successful programme to increase the number of police officers by 20,000 (between 2019 and 2023). The police uplift program has begun to translate into more charges, increasing demand on the criminal courts and, subsequently, prisons. Courts are however struggling to cope with this demand because of judge and barrister shortages, increased case complexity and overall declining productivity in the crown court. Similarly, the growth in the prison population is expected to exceed building plans. This example demonstrates that making decisions based solely on the impact on one public service can have unintended negative consequences on other parts of the public sector.

Finally, attendees agreed that decisions that support the delivery of good savings can prove difficult to make due to their departure from business as usual. Organisations may find themselves stuck in lengthy decision-making and assurance processes with little ownership of a final go/no go decision leading to delay or abandonment of transformational changes required.

## Solutions proposed

The discussion centred on solutions that public organisations can implement locally by challenging the status quo and delivering the basics well. Participants also recognised the importance of collaborative approaches as well as policy-driven solutions.

### Local approach

Public services should put people and place at the centre of delivery. Locally, organisations need strong leadership to take measured risks in reshaping services more sustainably. In our discussion of local strategies that public services can adopt, one round table participant highlighted this example of a council that positively changed the trajectory of demand pressures:

"Essex children services achieved significantly reduced number of children in care in the early 2010s by using effective risk management to prevent children from entering the social care system in the first place. They have maintained that reduced rate of looked after children over the last decade based on 2023 data from the department of education."

**Case study: Northamptonshire Children's Trust has improved outcomes for children and young people through changes to care and support and delivered annual savings of £3.9m since February 2023. This has been achieved through a sustained focus on supporting children in care to return to families where appropriate, step down to foster homes or live closer to home.**

Local government can learn from the successes of similar organisations that have delivered the outcomes that residents value. There are opportunities for councils to change the approach to service delivery by putting people at the core of the service redesign. For instance, with adult social care, councils can change their approach to engaging with service users to uncover new ways to support independent living more sustainably. Participants recognised that attempting to deliver new approaches at scale is fraught with higher risk of failure. Therefore, testing new solutions with groups before rolling across the authority can be a beneficial approach.

**Case study:** City of Wolverhampton Council has developed a new vision and delivery model for adult social care. Their ambition was to deliver a bold plan to redesign services, leading to better outcomes for service users, prevent, reduce and delay the need for social care, relieve pressure on social work teams and avoid unnecessary costs. The programme took a 'test and learn' approach to designing and implementing interventions that demonstrated impact and informed their wider redesign, with an initial focus on conversations at the front door and maximising independence for working-aged adults, before extending to other areas. The first two test and learn interventions alone have confirmed financial benefits of £1.4m per year.

### Central approach

The government can facilitate wider adoption of good practice across the sector. Delegates noted that the productivity plans that local authorities are required to produce could begin a process of identifying best practice that can be implemented at a wider scale. However, a question remains as to how much local authorities are reaching out to their partners to develop the government-mandated productivity plans.

One key to unlocking the potential for good savings that was identified in the discussion is government policy targeted at local priorities. Local authorities are closer to the needs of their respective places and should therefore be trusted with the resources to deliver locally. Longer-term funding arrangements to support local investment that can alleviate the pressures within children's care and homelessness for instance could change the current trajectory of deterioration. CIPFA recognises that the recent change in government presents an opportunity for a refresh of how government funds and encourages the delivery of long-term, local priorities tailored to each locale.

### Systems approach

Participants agreed that 'widening the lens' to approach challenges across organisations and across years could result in more effective place-based outcomes. There needs to be an appreciation that investing in a joined-up approach is likely to yield benefits measurable across various aspects of the public sector.

Martin Ellender, an Impower director, expands on how organisations can change their outlook to unlock potential system benefits:

"The fruits of my investments will fall in somebody else's garden. To successfully unlock system synergies, leaders need to discuss and agree the shared outcomes they have in common with partner organisations. Each party's contribution to and benefit from the collaboration must also be agreed. It also helps to begin close working from the bottom up with practitioners who work well together and build on early wins from the partnership."

Partnerships need to have a long-term vision that all partners agree on and work towards. Relationships and communication channels must also be carefully managed to nurture partnerships and prevent breakdown in decision making.

**Case study:** East Surrey Hospital, Surrey County Council and Surrey Heartlands ICB have collaborated on admission avoidance to achieve a 16% increase in ambulance handovers within 30 minutes, achieving a 96% success rate and maintaining national targets for the first time since January 2022, a 13% improvement in emergency department 4-hour performance across admitted and non-admitted pathways, and a 42% reduction of bed occupancy by patients who do not have a criterion to reside.

### The role of the CFO in delivering good savings

CFOs are trusted advisors to their organisations. CFOs need to be able to articulate the impact of organisational decisions on the people and communities they serve and not just the bottom line. Effective CFOs need to be able to tell a compelling story to promote solutions focused on delivering the right outcomes. Describing the challenge in financial terms could potentially be drowned in the sea of other financial pressures.

CIPFA's publication [The role of the CFO](#) explores the broader demands on the public sector CFO beyond their core stewardship responsibility. In the publication, CIPFA calls on CFOs to work with the wider senior leadership team to create an enabling culture by changing their approach to managing financial performance. For instance, the finance function

can proactively engage individuals and teams across the organisation to navigate complex decisions, provide expert financial support for teams to explore alternative solutions.

Finally, participants explored the potential to increase the quality of decision making in public organisations. Local authorities must reflect on whether the right sort of data is being considered when exploring challenges and possible solutions. Is there an honest conversation about the savings proposals and their future impact on the wellbeing of the locale? Are we making savings or simply reducing services or charging more? The books may be getting balanced, but at what cost?

## Next steps

CIPFA and Impower are keen to carry on this conversation and support the public finance profession achieve better outcomes despite resource constraints.

CIPFA has a strong history of supporting the public finance profession, through our membership offers, policy insights and training. We also collaborate directly with councils facing financial difficulty, tailoring financial management, asset management, data analytics and governance solutions to organisational needs.

In July 2024, CIPFA will publish further resources on managing the rising demand for adult and children's social care. The publication will draw out lessons in good practice from a series of case studies in how English local authorities are approaching the challenge of rising demand in adult and children's social care.

In the last year, IMPOWER has worked with 42 English local authorities serving a total population of 20.7 million to deliver tens of million pounds worth of "good savings" including the examples listed above. IMPOWER will continue to support the leaders we work with to get the right ambition behind their financial planning and strengthen the conditions for successful delivery of better outcomes that cost less.

We will shortly be publishing our latest annual impact report containing many further examples of our work, and we look forward to continuing the conversation at Public Finance Live on 10 and 11 July 2024 – please come and find our team if you'd like to find out more.