

Overview and Scrutiny: Examination of the Budget in Public 2011/12-13/14

Introduction

The Overview and Scrutiny Commissioning Committee established a Task and Finish Group to undertake the Examination of the Budget in Public for the County Council budget of 2011/12 and the Medium-Term Plan (MTP) for the two financial years ending 2013/14. Membership of the group consisted of Peter Hardy (Chairman), Michael Brand, Adrian Busby, Tim Butcher, Carl Etholen, Niknam Hussain, David Polhill and Paul Rogerson.

The Task and Finish Group (T&FG) held meetings in public on January 18, 19 and 20. On the first two dates each Cabinet Member appeared in turn to give evidence on their individual portfolio budgets, and on the final date the Task and Finish Group met to summarise their findings and discuss their draft recommendations.

The group received excellent support throughout from Michael Chard (Policy Officer), Clare Gray (Democratic Services) and Richard Ambrose (Head of Finance and Commercial Services).

The Objective

The examination focused on the following key question:

Is the Council making the right choices on revenue and capital spend to be able to deliver priority services throughout the 3-year period of the Medium-Term Plan?

Has the budgetary strategy taken sufficient account of:

- Risk
- Performance
- Consultation responses
- Equalities
- Statutory, Mandatory and Discretionary (SMD) Spend scrutiny review recommendations
- Potential for increased income generation

The Context of the Budget

The County Council's budget has been prepared in the context of tough economic times for the nation as a whole. In general local government has been handed one of the toughest settlements across the public sector and as a result, local government faces a total funding shortfall in the order of £6.5 billion in the next two years (2011/12-2012/13)¹.

The impact of unstable financial circumstances and a rise in demand for Council services led to an Emergency Budget being implemented on 5 August 2010. The Emergency Budget was a consequence of Government removing some Area Based Grants (ABG) from the funding provided to local authorities and other budgetary pressures. The emergency budget removed approximately £9m from the Council's revenue budget, over half of which was a service reduction to Children and Young People's portfolio.

Following the delayed grant announced by Government on December 13 2010 the Cabinet analysed the figures and the draft Council budget was presented to Cabinet on 10 January 2011. Whilst the 'headline' figure is a reduction of 0.6% in the Council's spending power for 2011/12, the County Council will actually lose 14.3% of Government funding - about £11.1m when cuts to specific grants are taken into account. The following year, 2012/13, it will lose a further 10.4% - about £8m. Further savings will be required for the following two years. However, given the high proportion of the County Council's overall funding comes from Council Tax, the impact of grant reductions is less than some other local authorities who are reliant on Government funding for a high proportion of their overall budget.

¹ <http://www.lga.gov.uk/lga/core/page.do?pagelId=15606746>

The Coalition Government has acted to protect vulnerable families by setting aside £650m to ensure that every council can freeze council tax in 2011/12 without a knock on effect in local services. Instead, the Government will provide councils that choose to freeze council tax with the equivalent of a 2.5 % increase in funding (£5.76m for the County Council in 2011/12).

There was particularly welcome news in the budget settlement on capital for the Council. The capital settlement received as part of the Government budget settlement presented Buckinghamshire with approximately £31.5m unexpected capital funding, as a result of a change of method used by Government to allocate capital funding.

The Overview and Scrutiny Commissioning Committee helped to inform the decisions made by Cabinet within the proposed MTP through their work on Statutory, Mandatory and Discretionary Spend. This review examined each Council portfolio and made judgements on which services should be considered by the Cabinet to have their activities reduced and which services should be ceased altogether.

The Examination was designed to enable the Cabinet Members to explain their budget decisions in public and to be questioned in detail by the T&FG on the choices that have been made. The T&FG was sympathetic to the problems faced by Cabinet Members in having to deliver services with a reduction in resources, but wished to understand the rationale for the choices made and whether these choices were consistent with the Council's stated priorities.

Assessment of the Budget

Recommendations

1. It is recommended that Cabinet should:

Review the proposed Medium-Term Plan with a view to making greater provision for the disadvantaged, the elderly and the vulnerable.

The proposed Council budget and Medium-Term Plan (MTP) for 2011/12-13/14 has been developed under the policy steer from the Leader of the Council that frontline services, in particular those serving the most vulnerable, should be protected over and above back office functions and non-essential services that do not serve those people considered to be the most vulnerable in the county.

On the face of it, and from the evidence heard from Cabinet Members, the proposed budget does not seem to reflect this policy steer. In addition the budget has not been remodelled to reflect the high risk areas for the Council, e.g. safeguarding. The table below shows aspects of two portfolio areas that serve residents that are deemed to be most vulnerable and the proportion of service reductions attributed to them:

Portfolio	2011/12 (% budget reduction compared with 2010/11)	2011/12-13/14 (% budget reduction compared with 2010/11)
All Portfolios	6.0	13.0
Adults and Families**	7.9	11.7
CYP- Safeguarding***	11.1	16.7

***The figures above all include the below the line Transformation savings for 2011/12 and 2012/13**

****Adults and Families excludes the Culture and Learning budget**

***** CYP- Safeguarding budget does not include the wider Children and Young People's portfolio resources**

The Adult Social Care budget within the Adults and Families portfolio also includes increased community care charges averaging 25% to clients currently receiving services for 2011/12. The Council's emergency budget in August 2010 which cut approximately £9m from the overall budget, included c.£5m (58%) from the Children and Young People's portfolio.

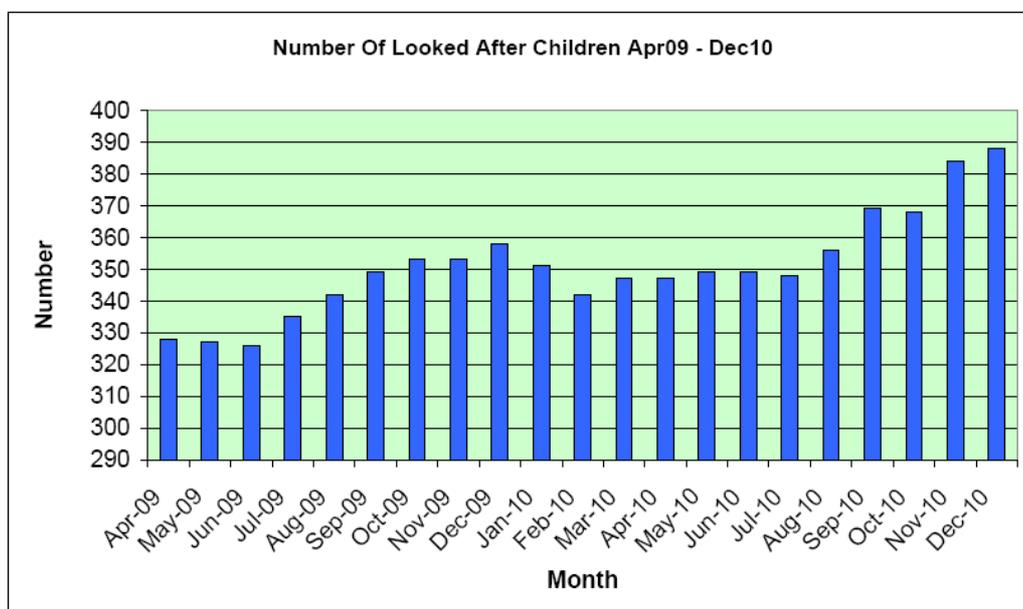
The T&FG was told that everybody has to take “their share” of the cutbacks required and this was accepted. What is questionable is whether the Budget and Medium-Term Plan has the effect of targeting resources at the most needy in our community. The T&FG are of the opinion that Cabinet should review the draft MTP to ensure greater provision is made for the disadvantaged, elderly and the vulnerable.

2. It is recommended that Cabinet should:

- a) Add the £1.1m set aside in the contingencies to the CYP Safeguarding base budget for 2011/12.**
- b) Write off the £1.75m overspend within the Children and Young People’s portfolio budget in 2011/12 using Council reserves or underspends from other portfolios within this financial year**

The Children and Young People’s (CYP) portfolio is predicting an approximate overspend of £1.75m for the current financial year (November 2010 monitoring report).

The Safeguarding element of the Children and Young People’s portfolio, in particular children in care, is a demand led service. Approximately two-thirds of the budget in Safeguarding is spent directly on children in care (currently 394 children each costing on average £892 per week) and therefore it is extremely difficult to contain the budget overspend within Safeguarding. The result of the Baby P case and the impact of the recession on families have seen a rising number of children coming into the Council’s care, the figures are shown in the table below:



The T&FG are concerned that the CYP portfolio has had to carry forward overspends for the previous two financial years. The attempt to recover this money in current and future budgets seems be unachievable, especially due to the increasing number of children coming into the Council’s care. The drive to reduce the overspend, especially in the Safeguarding budget, is managed across the CYP portfolio. Such an approach may have unintended consequences such as cutbacks in the universal youth service and other preventative work (e.g. Connexions) which could well lead to an increased number of children coming into care in the future. The T&FG were assured that the Council is committed to meeting the costs of children who need to be in care.

The T&FG recommends that the Cabinet should recognise the overspend on children in care for what it is, a change in demand for the service, and re-prioritise the budget accordingly. Members feel that the £1.1m held as a contingency below the line for 2011/12 is incorporated into the base budget. The current overspend should also be offset using Council reserves or underspends in the current financial year from other portfolio budgets. This approach will allow the portfolio to manage the current situation facing them as opposed to the overspends accrued in previous financial years. The further £1.5m contingency held against Safeguarding reflects the high risk of this service (corporate risk score 20) and should remain below the line.

3. It is recommended that Cabinet:

Should manage the proposed Transformation savings more stringently in order to drive through the culture change required to achieve a sustainable budget. This will reduce the need for below the line contingencies to be drawn upon during the duration of the Medium-Term Plan.

Transformation should be managed more stringently by the Cabinet in order to drive through the proposed savings and culture change across the organisation that is required to achieve the savings required for the Council to achieve a sustainable budget. The T&FG are concerned that the high levels of contingency savings held below the line such as 'deliverability of change' (up to £5m over the 2012/13-13/14) and 'transforming savings not certain' (up to £800k over the course of the MTP period) suggest that the corporate projects put forward to achieve a sustainable budget are not achievable in the timescales allocated to them. If these contingencies are taken together they amount to nearly 10% of the £58million savings required by the County Council over the MTP period. In the view of the T&FG this is not a self-confident approach to delivering change. This approach ties up revenue resources in contingencies which could better be used in ameliorating the effect of the service cutbacks.

4. The Cabinet should ensure a more open and transparent process as to how Capital Grant funding is allocated and how capital projects are prioritised.

The Local Government Finance settlement for 2011/12 included an unexpected £31.5m capital grant to the Council. This grant funding was received after the Cabinet were given the final revenue settlement details from Government.

The late provision of the Capital Grant details means that there was little time for the Cabinet to fully evaluate how the capital funding could be spent most effectively. The proposed capital programme for the MTP period was included in the draft budget papers presented at Cabinet on 10 January 2011. A large proportion of the £31.5m grant for 2011/12 has been allocated to deal with the urgent issues of the schools maintenance backlog, the corporate property maintenance backlog and road maintenance.

The T&FG are concerned about the lack of input and discussion that Members have had on the proposed capital programme. Seemingly decisions have been made and priorities set without any influence from non-Cabinet members.

The T&FG are of the opinion that Cabinet should instigate an open and transparent debate on the capital priorities for the County Council. This should hold in high regard those priorities identified by residents through consultation and engagement exercises such as the Buck Debate and Cabinet should not finalise the allocation of the capital grant until this process has been completed. For example the T&FG do not feel that the current proportion of capital devoted to tackling road infrastructure, less than 25% of the £31.5m, is in accordance with residents' priorities.

5. Cabinet should remove the revenue contribution to capital for 2011/12 in order to safeguard frontline services.

The Government budget settlement for 2011/12-2012/13 means the County Council has taken the approach to 'frontload' cuts and service reductions within the proposed MTP as the first year will see the tightest squeeze on local government funding.

The Cabinet at present are proposing contributions from the revenue budget into the capital budget. In light of the unexpected Capital grant funding of £31.5m for 2011/12, it may be prudent for Cabinet to revisit the proposed budget for 2011/12.

Members feel that the frontloading of service reductions proposed for 2011/12 will have a detrimental impact on frontline services. To mitigate the impact of the overall reduction in Government grant

funding to the Council, the proposed discretionary payment of revenue into the capital budget of £3m (2011/12) should be removed and used to fund frontline services or delay service reductions, for example proposed service reductions to connexions and universal youth services.

Once the shape of capital funding in the future is resolved by Government and position is more fully understood, the contributions of revenue to capital should be reviewed and contributions increased if the Cabinet feel this is a prudent approach.

6. The risks associated with the delayed long-term waste solution should be better communicated to the residents of Buckinghamshire.

The Council, like all local authorities responsible for the disposal of waste, have to mitigate the rising costs of disposing of the county's waste. The Government have increased the level of Landfill Tax by £8 per tonne (£48 per tonne in 2010/11 will increase to £56 per tonne in 2011/12). The continuing rise in the cost of waste to landfill is unsustainable for the Council's budget and as a result a long-term waste management solution has to be found.

The T&FG are of the opinion that when Cabinet considers the long-term waste disposal strategy for the county, high regard must be paid to the significant risks to the MTP and the long-term financial stability of the Council from the potential costs involved in resolving this issue. At present the corporate risk register states the following:

- **Risk Score 12-** *The procurement of a long-term waste management solution for the county including the physical infrastructure for waste treatment entails multiple and complex political, financial, social, technological and environmental risks.*

Within the budget Cabinet is proposing to transfer £35m of revenue into the waste reserve (below the line) over the period of the three year MTP, in addition to bearing the additional cost of landfill tax. This shows how significant the waste strategy is for the long-term financial health of the Council. These risks must be communicated to residents in a clear and transparent manner. The Cabinet Member has stated that doing nothing is not an option and a viable solution to reducing the level of waste going to landfill must be found due to the rising costs of Landfill Tax.

7. The Cabinet should rework the proposed budgets for the 2012/13 and 2013/14 in preparation for next year's budget cycle.

The final details of the two year budget settlement from Government were received by the Council later than expected. The knock-on effect of this was that the Council's draft MTP was not published until 10th January 2011.

Last year, as in previous years, the T&FG recommended that the Cabinet should work on the basis of a robust three-year plan. However yet again too much emphasis has been placed on the immediate budget year and the second and third years are not seen even by Cabinet Members as a committed strategy. For example it was evident during discussions with Cabinet Members that years two and three of the budget were incomplete as there were elements in these proposed budgets that Cabinet Members feel could be 'bought back' in future budget rounds

Accepting that the grant settlement was delayed from Government for 2011/12, the T&FG suggests that work on the second and third years of the MTP should be firmed up in the next three months so that the Council can have a genuine three year perspective on its finances.

8. It is recommended that Cabinet should:

- a) Ensure that there is sufficient support and funding available to Voluntary and Community Sector groups if services are to be withdrawn in communities at short notice;**
- b) Develop and implement a corporate policy for the Big Society as a matter of urgency and that this is developed in light of the findings of the Joint County and District scrutiny review into the Big Society.**

David Shakespeare, Leader of the County Council, stated in June 2010 that *'Those who can, should, and we will help those who can't. This is the new culture that the council now operates under'*. The Leader's words reflect the Government's flagship policy 'The Big Society' which intends to empower communities, through activities such as volunteering, to make a positive contribution to the area they live in.

The proposed budget for 2011/12 encapsulates the Big Society ethos, in part, through the setting aside of £250k for 'community pump priming'. The intention is that any individual or organisation who wishes to set-up services or activities for their community can bid for this money. The T&FG welcome this funding and the ongoing commitment of £250k per year over the MTP period set-a-side to pump prime community led services and activities. However the T&FG were concerned at the cuts in grants to Voluntary and Community Sector groups which may weaken the response to the Big Society.

One major concern of the committee is that the County Council's policy development in this area is in its infancy. The Cabinet have yet to develop a corporate policy and from the evidence heard during the evidence gathering sessions there seems to be varying approaches to the Big Society across the Cabinet portfolios.

The T&FG welcome the approach taken by the Cabinet Member for Adults and Families in relation to libraries. The portfolio has taken a proactive approach to empowering the community to take on their local libraries in order to safeguard their long-term future. In other portfolios the T&FG feel that the Big Society is being seen as a direct replacement for Council cuts, for example the proposed removal of funding in the Transport portfolio in 2012/13 for school crossing patrollers and the expectation that school volunteers will take on this work. Similar comments apply to the proposals on the Universal Youth Service. The T&FG feel that if cuts are to impact on local services the Council must recognise that substantial lead time is sometimes required to establish new voluntary and community services. Also that, even where these are delivered by volunteers, there are overhead costs involved (e.g. as a minimum out of pocket expenses should be made available). Residents who are interested in filling the void left by cuts in Council services need sufficient time to instigate community meetings and access funding and support.

The T&FG recommend developing a strategic approach to engaging with and supporting those voluntary and community sector organisations that are likely to have increased demand for their services as a result of cuts to in-house and contracted-out provision. This should form part of the emerging Big Society policy.

The T&FG welcome that a joint scrutiny review involving the County and District Councils of Buckinghamshire is currently examining the role of councils and councillors in helping to build community capacity and self-reliance. The T&FG recommend Cabinet to consider the findings of the review and if appropriate embed them throughout County Council policy and throughout the decision making process.

9. Cabinet should

Ensure that the requirements outlined in the new Equalities Legislation are fully considered as part of the budget setting process for 2012/13

The impact of proposed service reductions could be far reaching and it is vital that the Council ensure that no group is adversely affected. Recent Government legislation, the Equality Act 2010, has imposed a specific Public Sector Equality Duty² on the County Council in relation to equalities, with effect from 6 April 2011.

The papers presented to Cabinet to supplement the MTP for 2011/12-13/14 included a summary report on the Equality Impact Assessment undertaken to support the draft budget. The T&FG are of

² This will replace the Council's existing Race, Gender and Disability Equality Duties. Included within the new requirements is a duty to publish information on how the Council has taken into account the impact of service changes or reductions on groups with protected characteristics, such as older people and ethnic minorities. In particular the Council will need to show how it has paid "due regard" to removing or minimising disadvantage connected to that relevant protected characteristic and how it will meet such people's needs where they differ from people who don't share those characteristics.

the opinion that while this is a positive step taken by Cabinet, it does not go far enough to assess the impact of the proposed changes, especially on those groups considered to be the most vulnerable.

The T&FG recognise that there are limited resources available to the Council to address the requirements outlined in the Act, but steps should be taken to ensure that the requirements are fully considered and clearly evidenced when the budget is being considered.

10. The T&FG feel that Cabinet should re-examine the following areas for value for money with a view to releasing resources to be spent on priority frontline services:

- **Economic development**
- **Recruitment contract- contingency**
- **Shared Support Services- lack of partnership working**
- **Rights of Way**
- **County Museum**
- **Pothole repair**
- **Gritting**

During the three days of evidence gathering for the Examination of the Budget in Public there were several areas of service provision that the T&FG felt could be re-examined to ensure that they are providing value for money. The services and budget lines outlined within the recommendation are areas where there is either concern about their deliverability or whether the approach taken to delivering the service is the correct one.

Economic Development- At present the budget for the economic development team is £300k per annum. The Leader stated that the proposed budget for 2011/12 is a 'holding budget' due to the uncertainties about where the responsibility economic development should lay, e.g. County or District Council's, Local Enterprise Partnerships (LEPs) or local business leaders.

It is proposed within the MTP that the capacity of the team will be diminished in 2012/13 due to a staff reduction (£54k reduction). In light of this and the uncertainty surrounding where the responsibilities for economic development should lie, the T&FG feel that the Cabinet should consider whether to remove the budget for economic development altogether. If Government policy dictates that the County Council should lead on economic development then this budget could be reinstated in future years.

Shared Support Services- The Council are currently out to tender on several elements of the support services project, these include aspects of Finance, ICT, Human Resources and Property (Facilities Management). The T&FG are concerned that by taking the 'best in breed' approach to contracting out these services the Council will not achieve the best value for money for the residents of Buckinghamshire. The T&FG felt that opportunities to work in partnership or contract these services out jointly with other public sector bodies (such as other County Councils or the emergency services) should be explored further.

Rights of Way- The draft budget for 2011/12 proposes that the vacant team leader post will not be filled (saving £51k). The T&FG are concerned that the removal of this post from the establishment may have an adverse effect on the Council's ability to meet statutory duties in this area. The role itself in the Rights of Way service is one of expertise in several pieces of legislation - all statutory duties - the deliberations of which are determined by the Rights of Way Committee. If this expertise is lost this may lead to delays in delivering work relating to contentious issues, such as the imposition of public rights on private land, if such work is inaccurate or not delivered to deadline this may lead to high court challenges and the potential of negative publicity for the Council.

Recruitment Contract Contingency- The draft budget for 2011/12-13/14 has a contingency earmarked below the line of up to £500k for 'New Ways of Recruiting'. The T&FG are disappointed that such a contingency is required and consider that it would be better spent on frontline service provision.

County Museum- It is proposed within the Medium-Term Plan that in 2012/13-2013/14 that museum services should be reviewed and the potential of trust status should be explored, this approach could

save £143k over the two year period. The T&FG are concerned that if the proposals for trust status are not explored and debated with interested parties at an early stage then the proposals may not be deliverable. The use of pump priming money may be required to ensure that a Trust would initially have a sound financial footing to sustain the future of the County Museum.

Pothole Repair- The level of pothole repairs across the county is rising due to the harsh winters of 2008/09 and 2009/10, in addition to the impact of the current year's winter weather. The weather coupled with the near non-existent capital funding from Government has led to the road infrastructure across Buckinghamshire, like other counties in the South-East, falling into a very poor state. In light of the additional capital money from Government, the T&FG are concerned that the patching of potholes does not provide value for money to the tax payer. To achieve long-term savings Members are of the opinion that the level of funding set-a-side for temporarily filling potholes should be reduced and more permanent repairs should be made to safeguard the long-term sustainability of the road infrastructure in Buckinghamshire.

Gritting- The contract that the County Council has with Ringway Jacobs requires them to achieve 3.5% efficiency savings year on year for the duration of the contract. The Winter Maintenance budget, within the Transportation portfolio, proposes that £39k per annum will be achieved through efficiency savings. The narrative within the draft budget papers outlining the proposed changes for 2011/12 states that '*Savings will be achieved through reducing gritters and extending winter route distances which will increase treatment times. Reductions in routes will be required to achieve savings in years 2 and 3*'. The T&FG are concerned that reducing winter gritting routes in years 2 and 3 will have an adverse effect on the County's ability to meet public expectations on road clearance during harsh winter weather. If the previous winters are to be the continued trend then the Council should be looking to invest more money into gritting and should not be examining the prospect of reducing gritting routes. Members also feel that reducing routes should not be seen as an efficiency saving, as this is reducing the current service and not doing the same for a lower cost.