

**BRIGHTON & HOVE CITY COUNCIL**

**SCRUTINY PANELS - BUDGET**

**12.00pm 7 JANUARY 2014**

**COUNCIL CHAMBER, HOVE TOWN HALL**

**MINUTES**

**Present:** Councillor Simson (Chair)

**Also in attendance:** Councillor Mitchell and Sykes

**Other Members present:** Jo Martindale, Community Works

**PART ONE**

**5. PROCEDURAL BUSINESS**

- 1.1 **Substitutes:** Jo Martindale was present as a co-optee from Community Works (Sally Polanski will be the Community Works co-optee at the subsequent panel meetings).
- 1.2 **Declarations of Interest:** There were no declarations of interest.
- 1.3 **Declarations of party whip:** There were no declarations of party whip.
- 1.4 **Exclusion of Press & Public:** Members agreed that there was no reason to exclude the press and public from this meeting.

**6. MINUTES OF THE PREVIOUS MEETING**

**7. CHAIR'S COMMUNICATION**

- 2.1 The Chair welcomed everyone to the first meeting of the Budget Scrutiny Panel. The meeting would take a high-level strategic look at the 2014/15 Budget plans, examining them in light of the Council's broader strategic thinking, particularly in terms of the Corporate Plan commitments. The second and third meetings of the Panel would be more in-depth examinations of key parts of the Budget. The Chair invited the Leader, Councillor Jason Kitcat to introduce the Budget after which the Panel would ask questions around the four main Corporate Priorities.

**8. BUDGET DISCUSSION**

### 3.1 Opening Statements.

- 3.1a Councillor Kitcat** – The context of the Budget is very important. Local authorities are facing a huge challenge with rising demand for services, increasing populations, a baby boom and people living longer (although not necessarily in good health). This growing demand is at a time of significant funding reductions which makes for a difficult situation.
- 3.1b** The council is using Value for Money (VFM) and benchmarking for every service. The Corporate Plan is driving a corporate approach to the Budget – plans have not been developed in departmental silos. The council is also actively seeking new sources of income: there is a change in the thought processes of local authorities which are becoming more entrepreneurial.
- 3.1c** The Budget reflects the fact that the council is midway through a journey. The area of social care is particularly challenging, in national as well as local terms, and 2015/16 will be the crunch year. This Budget is trying to prepare for that. The Housing Revenue Account (HRA) has been revisited to help tenants in these difficult times.
- 3.1d** A local authority can in theory raise income via fees & charges and/or local taxes. However, at the moment there is still considerable uncertainty around the details of Business Rates and Council Tax setting. (In particular it is unclear what rate councils will actually be able to set CT at without triggering a referendum.) It is therefore not clear what potential there is to increase income via these means.
- 3.1e** In addition, welfare reforms mean some people are less able to pay their bills and Council Tax, increasing the pressure on council funding. The council is well placed to cope with all the pressures but it is very challenging. This Budget has taken the approach of keeping services going: not all local authorities have done the same.
- 3.1f** There is no simple demarcation between statutory and non-statutory services which might allow local authorities to withdraw from provision. For example, economic development is not statutory, but increased economic activity leads to increased income for the local authority, meaning that it is a service area that councils are unlikely to choose to withdraw from.

### 3.2 Corporate Priority - Tackling Inequality

- 3.2a** Q – the last Budget included safety nets to cushion against the impacts of welfare reform changes. Have these been assessed and is there still a need for them?

Councillor Kitcat – The delays to universal credit mean that the new schemes aren't in place yet so we are in an interregnum. There has been a lot of work looking at why the uptake of discretionary funds has not been as high as anticipated, particularly the discretionary Council Tax Reduction Fund. The discretionary Social Fund and Council Tax Reduction Fund are provided by local authorities. Last year's Budget had a double top-up but there was no call to draw on it. It is an ongoing piece of work but it is new territory – the demand for the Council Tax Reduction Scheme was expected to rise but the number of claimants actually fell.

Prevention is a key element throughout the Budget. For clarity, the £991,000 change to Preventing Homelessness funding is not simply a reduction but partially a switch – some of this funding will now properly come from the HRA.

Nigel Manvell – Demand for both the discretionary Social Fund and Council Tax Reduction Fund has fallen, which was unexpected, but the full effects of welfare reform are still not clear and services continue to monitor this closely.

Councillor Kitcat – There is a lot of work around this and some disagreements. However, the findings locally are very similar to those in other Unitary Authorities.

- 3.2b** Q – Is it still a principle of the Budget to protect front line services? How are you ensuring you spend to save? Can you give further information on the specific issue of the reduction in funding for short breaks for disabled children?

Councillor Kitcat – prevention is key. The Early Help Strategy is central to this approach. There are already benefits being seen for looked after children as a result. There is a lot of work to be done and conversations to be had, particularly with health partners. The financial squeeze means that spending needs to be reduced and unfortunately there will be impacts from this. The VFM programme is encouraging spend to save. On the issue of the short breaks, it is anticipated that the saving will be found in efficiencies and won't impact on service delivery.

- 3.2c** Q – have the effects of cuts to disabled services been looked at in an aggregated manner?

Councillor Kitcat – it can be misleading to aggregate savings. The £68k saving referred to for the short breaks will be efficiencies and it is a small part of a very large budget. Benchmarking shows that this is a high cost per unit service and this needs to be challenged.

- 3.2d** Q – the aggregation across disability services has been flagged as a cause for concern. Will the needs assessment of short breaks change?

Councillor Kitcat – the breaks will be delivered for less money. There will not be fewer assessments or changes to the criteria for assessment.

- 3.2e** Q – It is good to see EIAs but they aren't very detailed. Are there plans to link EIAs more closely to services? As they stand, they are not a useful tool for understanding mitigation of impacts.

The EIAs are imperfect as they are done against a snapshot of a draft Budget and the Budget changes. Any reduction in public sector funding will have a cumulative detrimental effect. There will be a move towards service redesign: this is the start of the process not the end. There will be more engagement and more understanding of the impacts which will be reflected in EIAs.

Comment – any redirection of the EIAs in the future is to be welcomed.

- 3.2f** Q – looking at sustainability, are we confident we are doing enough on this?

Councillor Kitcat – The Corporate Landlord scheme now handles all the energy bills and is spending to save, for example, the change to the lighting in Kings House has led to savings. However, as we are moving from Kings House, there is a limit to what will be done. Low energy bulbs are being piloted in street lighting in Seven Dials and this may be rolled out across the city (but would require capital funding from somewhere). Water savings are also in place and by March 2014 there will be automatic metering. In other areas, the cost-benefits are more difficult, for example, Brighton & Hove is a hilly city which means that some of the more efficient vehicles available are not yet viable in our specific circumstances.

### **3.3 Corporate priority - Modernising the Council**

**3.3a** Q – could you outline your ideas for making the council self-sustaining? How does this fit with keeping services going?

Penny Thompson – The council is on a journey towards self-sustainability. Some of the professional services the council runs are already self-sustaining. For example, legal services and architects are expected to cover their costs and it would be more expensive to use external services. There are four main areas of the modernisation programme – VFM, improving the customer service, changes to ICT, and the people management strategy. In addition, we have our 6 ‘values’ and we must live our values every day - they must be the basis of all we do and how we behave. This is how we can change the culture and become more efficient. The council is also looking at how we work with others. The integration of health and social care is one of the big challenges for the future. Early prevention is very important and the council is working together with health and social care partners. Modernisation is about being fit for purpose and we need to look at such things as sharing buildings (as the council already does with the police). Another strand is using the capital programme and economic development as a driver of change. Opportunities from the capital programme can help regenerate the economy and generate more Business Rates.

People are our most valuable resource. Workstyles is a key project but our resources are much more than just buildings. In the past we have underinvested in [developing] people and in ICT.

**3.3b** Q – Is this a salami-slicing budget? Where are the indicators for changing structures? We need to spend to change - is there a transformation budget?

Councillor Kitcat – There is a top-up to the transformation fund [now called Modernisation Fund]. In the past, the council has been overly concerned with structures but now we have brought in a simple, clear structure. There is nothing intrinsically wrong with salami-slicing provided it is targeted effectively. The proposals include careful, contextual slicing, not across the board slicing.

**3.3c** Q– It shouldn’t be unilateral slicing. If the council is slicing funds and partners are doing the same, are conversations taking place with partners on budget discussions?

Penny Thompson – The starting point was not taking a percentage saving across the board – that would be salami-slicing. It is differential slices. This year the process has

been planned across the whole of ELT and CMT. Feedback has been that people understand more this year than previously when savings were done in separate departments. Organisational culture and behaviour is central.

This week the City Management Board met to discuss all budgets. This included Chief Executives from the CCG, the hospital, and the Vice Chancellors of both universities, and there is an understanding of the challenges we are all facing. The council is not working in isolation but having constructive discussions with partners. For example, we are working closely with JobCentre Plus with a shared intention to help people back into jobs.

The Performance Improvement Programme will support organisational change. There will be some structural changes where it makes sense to bring teams together. There will also be a further look at the ratio of managers to staff.

Councillor Kitcat – there are also a range of work streams with the SE7 group. We are working across borders on data centres, the network of networks, and highways. We are also part of ‘key cities’ which involves around 22 medium sized cities.

Nigel Manvell - the VFM Screening process this year looked at all council services, not just those with savings proposals, and broke down the budgets and set out the financial and performance comparative information for each major service area. This gave a clearer contextual picture of the whole of the council’s operations to aid decision making.

**3.3d** Q – the level of stress and sickness among staff is a concern. Are there any areas where the service is unstable?

Councillor Kitcat – in the 2012-13 budget, the cuts ICT offered were too severe and more funds had to be found in the face of additional pressures due to the imposition of new Cabinet Office rules. The process for screening savings needs to be very robust and VFM goes to the heart of this. Last year HR was protected: this year ICT has been protected. When services are quite small, decisions need to be taken to keep them, move them etc.

Penny Thompson – the stress is a concern and we are monitoring it. The first results from the Staff Survey are out and give cause for cautious optimism. For example, 95% of people are very clear on how to do their jobs. There are one or two areas where stress levels need to be looked further at, but there are no red areas. There is also the difference between short and long term sickness and we are picking up on this. The feedback from the recent staff roadshows is very positive as well.

**3.3e** Q – the voluntary severance scheme fell short of the target – how is this being made up?

Penny Thompson – we have taken on board the lessons from the scheme. In 14/15 the VSS will only apply to services that are being re-designed. Last year, the scheme was carried out the wrong way round – we need to reshape the service and then look at opportunities to delete posts, not delete posts and then re-design services to fit.

Councillor Kitcat – if the money is not found, it would become a one-off cost in the next Budget.

- 3.3f** Q – there are lots of issues around grants. The cuts are all to external money and grants. A small amount of money can purchase a lot of value. What is the intention behind these cuts?

Councillor Kitcat – there are internal savings too. There is a wider issue around grants. Third sector grants have been protected in the past which makes it seem more shocking now than it would had they suffered incremental year-on-year reductions. But there is a £2.5m gap and we can't keep protecting them. We need diversity in the third sector but there are some difficult conversations around duplication. It is regrettable and we will keep an eye on the situation. However, the audit of what we spend in the third sector shows a £23m spend.

- 3.3g** Q – investment in the third sector can be used as a lever and a small amount can grow substantially. Why the cut to the sports grant (£10k)?

Councillor Kitcat – there is an inconsistency in sport with lots of services doing different things. A separate sports grant is adding to this.

- 3.3h** Q – How have you considered services being delivered differently?

Councillor Kitcat – the recent Scrutiny Panel looked at service models for adult social care providers services and the recommendations were accepted. We are now developing a business case. The council operates as a provider of last resort so there are some services that we need to continue providing because there is no other sensible option.

- 3.3i** Q – are there areas we could increase income?

Councillor Kitcat – there are areas already identified. The council run a very successful crematorium and offer a basic service which is kept affordable, but with the opportunity to purchase additional elements. The wedding service offers a basic service but also extras which are profitable.

- 3.3j** Q – will there be the same number of grants with less money or fewer grants?

Councillor Kitcat – there will be an overall reduction but there is a discussion to be had as to how that is done as there are a range of options.

- 3.3k** Q – there is a spotlight on duplication in the third sector but there needs to be consideration of duplication in statutory bodies too.

Councillor Kitcat – the Corporate Landlord approach is a central approach that seeks to minimise duplication. Procurement is centralised; sustainability and ICT are also central.

- 3.3l** Q – Is spend on communication centralised?

Councillor Kitcat – It was agreed it would be in 2010-11 and this has now happened.

### **3.4 Engaging people who live and work in the city**

#### **3.4a** Q – what are your thoughts on the threshold for council tax?

Councillor Kitcat – the approach to the threshold and referendums are putting councils in a difficult place and leaving little freedom. It is not yet clear what is going to happen. If there is a big drop from 2% there will be issues. Business Rate retention is also unclear. These are serious challenges.

#### **3.4b** Q – what about the New Homes Bonus?

Councillor Kitcat – the New Homes Bonus will only be granted if [planning] consent is given straight away, not on appeal. It is difficult to see how it will work in practice.

#### **3.4c** Q – the public consultation indicated that respondents to the budget survey wanted CYP and ASC protected. Any comments?

Councillor Kitcat – these are the highest spending services. We have [comparatively] more looked-after children than we should have for our size. Some of our services are comparatively expensive. These are significant savings plans but they can be delivered without detriment to outcomes which is what people are most concerned about.

#### **3.4d** Q – what about doing services with the community not for them?

Councillor Kitcat – there is a culture shift towards this. Good examples include City in Bloom and Friends of the Parks. There are conversations to be had – area based management is harder in a small densely populated city with little history of this to draw upon, but is nonetheless worth pursuing.

#### **3.4e** Q – how are you building capacity in small organisations?

Councillor Kitcat – this is one of our challenges. What is the role of the council? Is it as a grant provider or an enabler? Is it right to keep grants going or to make organisations self-sustaining? There is common ground and the political will to have these conversations.

### **3.5 Creating a more sustainable city**

#### **3.5a** Q – what is the impact of the Budget on sustainability?

Councillor Kitcat – the Sustainability Action Plan is being delivered. We are reducing our carbon footprint. The sustainability team has been protected and is now part of the City Regeneration team. The street lighting is an example of spend to save.

#### **3.5b** Q – The Brighton Centre is a good example of this – but they had to reapply for money rather than use the savings.

Councillor Kitcat – there is the question of how much do you spend on a building if you may not be keeping it. Another example is the schools audit which showed how interventions would save money, but schools understandably chose not to commit much needed money in the short term to lever-in long term outcomes.

**3.5c** Q – what about the seafront infrastructure?

Council Kitcat – the strategy is still being solidified. Problems arise when something is built and funds are not put aside for repairs. There will be briefings on a wider seafront strategy in January 2014. The seafront needs investment of £70-100m which we simply don't have.

**3.5d** Q – there is a perception that some areas are prioritised – for example 20mph. What about people's perceptions?

Councillor Kitcat – it is a complex area. Transport funding is separate and, for example, some is from Sustrans. Capital spending for transport is ring-fenced.

**3.5e** Q – are the reserves prudent?

Councillor Kitcat – they are prudent but not generous. £9m is the current minimum reserve and it is reviewed very carefully. There is no intention to use the reserve to balance the budget.

**3.5f** Q – funding is unpredictable. Is there a greater proliferation of funding sources?

Nigel Manvell – in recent years there has actually been considerable aggregation of grants and there are now far fewer grants, so [grant] funding has actually become more predictable over recent years.

Penny Thompson – the council is set up to deal with the situation. The City Regeneration team is making bids and working on the City Deal bid.

**3.6** The Chair thanked everyone for a most useful and informative session.

**9. DATE OF NEXT MEETING**

The meeting concluded at Time Not Specified

Signed

Chair



Dated this

day of