

### Budget Scrutiny 7 December 2012

#### 1. Chair's Communications

Councillor Ken Norman (KN) welcomed all panel members and attendees to the first substantive meeting of the 2013-14 budget scrutiny panel. He was pleased to note that all Lead members and senior officers would be attending the meetings and thanked them for their input.

This was the first of five meetings to look at all aspects of the proposed budget. KN reminded members that this was not to be a political debate but should be focussed on factual detail.

KN also welcomed Julia Chanteray to the panel, on behalf of the Chamber of Commerce; this was an additional place on the panel.

#### Procedural Business

- Declarations of substitutes – Cllr Robins for Cllr Pissaridou
- Declarations of party whip – none
- Declarations for interest – none
- Exclusion of press & public – as per agenda

#### 2. Approach and Overview

Councillor Jason Kitcat gave an overview to the budget process and principles.

- He was pleased to see that this was the second year of the budget going through a formal scrutiny process.
- There were a number of successes that should be recognised – BHCC had been successful at managing its finances, with underspends delivered year on year through changing working styles and ways of delivering services, particularly in Adult Care & Health (ACH)/ Children & Young People (CYP). Through Value for Money, £10 million savings had already been achieved, with a further £8.4 million projected for 2013-14.
- In terms of funding, B&H has some of the most deprived wards in SE England, but had received the highest levels of budgets cuts in the region. As for all local authorities, the budget cuts have been front loaded and continue to be added to.
- Budget planning began with £14million savings as a target (considering budget reductions, demographic pressures, Council Tax savings etc). Initially a 0.8% reduction in core funding was predicted, but this has increased to 10%.
- Business Rates Retention (BRR) is a major shift for local authorities, with each local authority now keeping 49% of BR collected, as opposed to all BR going to central govt with a grant being received in return.

There will be a number of caveats for BRR. In addition, the appeal process costs will be borne by the local authority – in B&H 40% of rateable properties have outstanding appeals. This means that £3million has been reserved in the budget for costs associated with appeals.

- There is a significant change in education, with the budget being top-sliced to fund free schools/ academies etc.
- The Autumn Budget statement was released this week – there should be no further mainstream budget reductions this year.
- The LGA has produced a projection graph known as the ‘Graph of Doom’ which indicates that CYP & ASC will take an ever greater share of local authority finance unless there is considerable reform.
- There is a lot of joint working with partners including NHS/ police/ academics/ neighbouring authorities to work on shared approaches, joint procurement etc.
- BHCC needs to have open conversations with partners and citizens and to be clear about the challenges. Through collective action, we can move forward; the budget scrutiny is welcomed as part of this.

The Chairman thanked Cllr Kitcat for his opening comments and reminded members that this was a non-political process, focusing on the council budget, not a discussion on the Government’s fiscal policy.

Members had a number of comments and questions regarding the overall approach and the budget settings process:

- It would be useful to set out which services were statutory; this would aid members in evaluating proposals – *The focus of the budget was on savings rather than investment. There was a budget book available but not in the P&R papers. P&R budget papers don’t cover the services where no changes are made.*
- When will public health budgets be known? - *It would be part of the financial settlement due on 19 Dec. There was still debate over which services would come to BHCC and which wouldn’t. More information would be available for Jan P&R. However Central Govt has said that they would honour existing contracts.*
- How will synergies between corporate public health aims and CVS public health aims be managed? – *With the uncertainty over the detail at present, would want to manage expectations carefully, especially over the next year and work to align outcomes. Jan P&R committee will be the beginning of that conversation.*
- Is there a local ‘Graph of Doom’ for B&H? – *Yes, but not very different from the national picture. It does make a lot of assumptions, and the results could be taken in different ways, it is just one model. However it is a strong indication that nationally councils need to focus on social care services.*

- Is consideration given to delivering services in different ways? Is the current council structure helping or not? There should be better scrutiny of in-house provision and comparison with external providers, to see if money can be spent in different ways with more of a focus on outcomes – *Commissioning is a tool which is good for some jobs but not others; eg in ASC it's been very successful in reducing costs but other departments have been less successful. Councillors can get obsessed with the structures but success isn't dependent on structure, other factors can be of more importance.*

*Benchmarking has been used in the budget setting process, though there is a resource implication in checking all services internally and externally. Some services are better delivered externally, and others better internally.*

- Regarding BRR, could it be the case that very successful cities would be penalised for too much BR creation? *B&H is proud of its economic options and wouldn't want to see a cap put on growth. B&H has a long way to go before it reached limits of BRR scheme. Most B&H business start ups are small companies, digital/ creative etc and don't bring much BR anyway. There are a no of challenges with the BRR scheme, including businesses who will now expect more from BHCC than before. B&H is recognised as a digital economic provider and has been successful in its bid for 4G.*
- What are the opportunities for joint commissioning on shared priorities, e.g. domestic violence/child poverty that were part of the Intelligent Commissioning pilots? – *the LSP and PSB are discussing this. A number of public sector agencies have similar remits, eg to increase digital inclusion- so makes sense to work together, and agencies are very willing to do so. Trying to develop a common infrastructure*
- How can we break barriers to pooling budgets and joint spending? – *some agencies e.g. NHS have different drivers than others so hard to pool spending but BHCC is willing to keep trying to get best deal for residents.*
- Regarding the new formulae for budgets, are there any safety nets for councils if the impact is too extreme? – *Current funding is based on the principle of resource equalisation, the needs of the area and their ability to raise finance. The new system does not have this principle, so it's a huge change. The new system will be about local authorities being self sufficient, generating enough income to meet their residents' needs. There are safety nets eventually but we'd have to lose a huge amount of funding before reaching them.*
- How is procurement managed? – *it's always important to spend resources wisely, there are a no of different ways to do so, and a contract that suits one service may not be best for another. Some contracts need more flexibility and short term approach, others benefit*

*from long term fixed terms. Some procurement is carried out with neighbouring authorities, some regionally, some individually – there are many factors.*

- *Its key to maintain a high quality of staff, to help deliver more service with less resource. How is this being managed, with lower quality staff being handled appropriately, and with the voluntary severance packages being offered? – the voluntary severance package is a key saving, it is a challenge for the service to manage the loss of staff and skills and balance it all appropriately.*
- *It's important to maintain in-house technical skill and knowledge especially for monitoring internal and external partners' services. Also need to recognise the resource needed to set up and maintain a partnership.*
- *true that partnership does need resources and time to be effective, especially legal and procurement resource. The budget has allowed for increases in both legal and procurement as there are significant risks related to both . The more we rely on external partners, the more we will need high quality legal and financial advice to ensure high quality.*
- *Does this budget represent a whole scale rethink or just tinkering at the edges of how services are offered? Its clear that fundamental changes are needed. – there have been some major changes especially in ASC and CYP. It's easy for 'Value for Money' to sound like something simple but they involve a lot of restructure and changes. Eg in personalisation, it can have a huge impact on what services are offered and who offers them. Another eg is the reablement programme, where people out of hospital have intensive care package to make them as well as possible before making decision about where they will live; this is resource intensive at the start but means that fewer people end up in long term nursing home placements or hospital.*

*In CYP, its key to think about where to invest to support children and families so they don't end up in care. One looked after child could cost up to £250, 000 per year, wiping out all savings made elsewhere*

*Its true this budget doesn't suggest huge outsourcing programmes etc but there are lots of changes being made.*

The Director of Finance reinforced the level of uncertainty about the spending cuts and budget announcements. It is currently extremely challenging to predict future budget changes in what is a very fluid context.

### **3. Community Safety**

Cllr Ben Duncan (BD) introduced the section on community safety with Linda Beanlands and Tom Scanlon (Head of Public Health)

Unfortunately with the introduction of the Police and Crime Commissioners (PCC) very little is known about the resource allocation for Community Safety at this stage. The budget figures presented are based on current spend.

Cllr Duncan advised Members he is on the Police and Crime Panel, and has asked the PCC what her priorities are. She has committed to a council tax precept freeze and has spoken to the PSB about her views on alcohol and its effect on crime but otherwise there is no information about her plans.

The Head of Community Safety advised members that Community Safety gives a real chance to look at how services are structured in order to achieve cost benefits in ongoing services. For example providing high quality Domestic Violence services means less children are likely to go on to the Child protection register, and associated resource implications. It's important to invest in CS services to achieve longer term savings. A similar situation can be seen in Public Health, where wise investment has numerous longer-term benefits.

Members were advised that there is considerable evidence supporting the priorities and programmes the community safety team provide, and that they are confident that the CS services being offered are broadly the right ones for the city.

Tom Scanlon (TS) – this year gives the opportunity to look at how services are joined up/ aligned and where savings can be made without affecting service delivery.

#### Questions/ comments

- How much information is known about the CS budget? How can assumptions be made? – *Almost all CS work is funded by specific grant funding. We don't yet know which grants are continuing so have to assume that services can be provided in the same way as they are now, in the absence of any other information. We don't know what the PCC will wish to prioritise but it's fair to assume that she will wish to consult on any changes so this won't happen instantly.*
- How have reductions been identified? – *There have been a number of budget challenge meetings, since July 2012 P&R. Members & officers are looking at spend options, benchmarking. The scrutiny committee can add value by thinking about priorities/ themes etc.*
- It's very hard to try and scrutinise CS as no information is known about the budget at all. – *It's an accident of timing that CS was the first subject timetabled, as budget information has not yet been received. However panel members will be updated with budget information as it becomes available.*
- There are no direct proposals to save money in 2013/14 but some services might be delivered differently. Partnerships are an over

arching theme, it's about integrating areas of work rather than making budget savings. Work is underway to reduce management costs rather than cut frontline services.

- The CVS welcomes comments on the importance of early intervention and on evidence based decision making. Can they assume resourcing will stay the same for now? – *There are a number of budgets that we know we are losing to PCC, eg preventing violent extremism grant. Currently planning on the same amount of resource for next year but this depends on BHCC topping up funding and this cannot be sustained indefinitely. Also know that one third of the Drugs Intervention Grant will be going to the PCC and there has had a commitment from the PCC that the contract will be rolled over.*
- The PCC has broadly indicated that she wishes to focus on areas of domestic violence/ sexual violence/ domestic abuse. This might affect the funding that BHCC receives but the service will still be provided for the community. The PCC has also committed to listen to communities; assume that there are no plans to take funding away unless there is a clear local voice to ask that this happens.
- It feels that BHCC has very little local control over what is spent locally. What would BD/ LB's priorities be if they had more control? – A lot of influence comes in partnership working and putting resource into communities to build community resilience for community groups to engage with the LA. The Environmental Improvement Team is also a priority; it works across directorates to improve the city environment eg by decorating empty shop windows, clearing clutter etc. The team uses community groups as a network to provide responses to problems.
- Also a priority would be those crimes that cause most harm – in order, substance misuse/ domestic violence/ sexual violence. Work is already underway with neighbouring authorities to deliver effective DV/ SV services and share a commissioner post.

#### **4. Central Services**

Councillor Leo Littman introduced the Central Services (CenS) budget; it was often the first area in mind for cuts, but without effective CenS, other frontline services cannot function properly. Central services include Legal and democratic support/ ICT/ Property and design, all which support other teams. It also includes the City Services delivery unit, with the exception of the Libraries service which come under economy and culture.

He outlined some of the main issues within the portfolio:

- Drivers for change include year on year funding decreasing, and a change to the local govt structure including BRR and pressures caused by welfare reforms.
- For the first time, BHCC will have localised Council Tax support, Universal credit, to implement a benefit cap and a localised Social Fund. All create additional pressures.
- The VfM and workstyle programmes make budget savings while continuing or improving the services offered

- He has tried to be fair in the budget proposals but would be interested to hear the panel's views.

The Director of Finance summarised some of the proposals relating to central services:

- In City Services, the Housing Benefit administration grant is reducing, there is a stretch saving for Benefits that is going to be very challenging. There is also a risk that any delay in HB processing can lead to additional costs elsewhere.
- There's an estimated increase in life events income from a number of sources
- Property and Design are leading on the workstyles programme across BHCC
- ICT has a VfM programme, carrying out joint procurement work with neighbouring authorities as part of the South East 7
- Legal and Democratic Service/ Policy, Performance & Analysis are all highly reliant on staff with little other costs – all are making savings
- Finance dept- significant savings on reduced audit costs
- No savings are proposed for HR 2013/ 14 because they were accelerated as part of the 2012/13 proposals with a sum of approx. £500,000 compared to the 2011/12 spend
- CenS can be a deliverer of savings elsewhere, but they need sufficient resources to do so. It is necessary to get the balance right.

There were a number of questions relating to the proposals for central services:

- How widely does the council seek to use benchmarking data? Does the Audit Commission still undertake this role? - *The Audit Commission has reduced the scope of its service greatly, e.g. no more Comprehensive Area Assessment. There are benchmarking clubs which can be used, but they can cost £1,000 a time to join so are resource-heavy. Extensive benchmarking data was supplied during the budget challenge process.*
- Is there more detail available about the woodland burial site (p138)? –*woodland burial is a service BHCC offers. One site is full, there is a huge demand for a new site. The new site in Woodingdean should open soon. Assume it will raise £100,000 in extra income. The more woodland burials/ cremations that happen, the better for sustainability and resource reasons.*
- Why do CenS have property costs etc attached? *Shouldn't these be re-charged? How will teams be incentivised to reduce those costs?* – *CenS provide services to all other frontline services and those services get re-charged but for budget purposes, the costs are grouped together so that officers/ members can scrutinise their*

*effectiveness. The best way to incentivise cost reduction is for managers to see it as 'The Council' rather than individual services*

- workstyles programme helps teams to co-locate and/ change work systems etc. It has produced huge efficiencies, better working practices and synergy. It makes both service and corporate savings*
  - the property services team work closely with services across the council to understand their different needs, reduce property overheads and re-design their services*
  - In terms of property costs, a number of services are already coming to Property and Design saying their rental/ lease costs are too high, and looking for help as to how to lower them. They work together to find accom at lower cost to reduce outgoings*
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- *How will BR be collected? Where does the extra £200,000 come from in the budget? – £200,000 is additional income, until April 2013, the local authority is better focussing its attention on collecting Council Tax rather than BR. This isn't just about collecting BR more quickly or at a higher rate, it's about streamlining the processes and reviewing who should be paying BR. There are now additional incentives to collect more BR now as we keep 50% of the money collected. BHCC will be listening & working with businesses to see what can be changed in the collection process to help them, looking to continuous improvement.*
  - *Which properties may be being missed from BR collection currently? - there may be some unused properties where there will be benefit to getting them back into business use to collect BR and help the local economy.*
  - *How will proposals to reduce energy consumption be put into practice? –we already collect consumption data and are adding more meters to council buildings. Reducing heating costs is a quick win, it's the most costly and there are some places, eg buildings not used at weekends, that don't need to be heated*
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- *Why has there been no reduction in HR budget? – For 2012/13 HR had to save £300,000 to address a pre-existing overspend and for 2013/14, a further £225,000 saving had been suggested. These two amounts were grouped together to total a saving of over £500,000. HR has made some progress towards this, largely through staffing reductions. Further cost reductions might require a rethink over how much HR support BHCC wants. This might have further implications in terms of reduction of other services eg health and safety.*
  - *On p129, there are savings related to communities. Firstly would like it noted that it's hugely welcome that BHCC has protected discretionary grants, but even a freeze is effectively a cut due to inflation, and any cut can make a huge difference to service users. Secondly, the city community fund is losing £20,000 leaving only a very small pot. The current funding means that Communities and Equalities Team can*



respond to emergencies, the budget is a small one, can it be reinstated? – *BHCC always wants to protect Community and Voluntary Sector as much as possible, and there is still £10,000 left in budget. In 2012/13 the £10,000 enables flexibility to respond to emerging needs, and they will work with groups to help them access the small grants programme.*

- Response- Small grants do have a lot of impact in the community, that will be lost.

