



**Brighton & Hove
City Council**

**Report of the Overview and
Scrutiny Committee**

January 2013

Budget Scrutiny Panel

Chair's Introduction

This is the second year I have chaired the Budget Scrutiny Panel; both times we have been looking at a budget brought forward in challenging conditions. Brighton & Hove City Council, like all local authorities, needs to respond to the wider economic realities in relation to the resources received from Government as well as those raised locally.

Politicians have to make difficult choices between competing priorities and ultimately deliver a balanced budget. The role of this panel has been to review the administration's draft budget proposals by critiquing and commenting upon them.

There have been five evidence gathering sessions with each of the lead members and committee chairs; I think it's fair to say that the budget this year has, as the second year in a two year budget, contained less detail. This factor along with an eye on the future and the budget reductions expected over the next few years has meant discussions have at times been more philosophic and reflective of issues such as models of service delivery and the possibilities of partnerships, pooled budgets and trading companies.

This process has thrown up fewer firm criticisms of specific proposals than last year, however it was evident that for the level of budget reductions to be delivered that are currently forecast, a different approach will be needed in future years.

I thank our witnesses, panel members, representatives from the community, voluntary and business sectors for their participation in this process.

Cllr Ken Norman
Chair Budget Scrutiny Panel

1. Background and Process

- 1.1 The scrutiny panel was chaired by Cllr Ken Norman and comprised Councillors Deane, Fitch, Pissaridou, Sykes and Wealls with Jo Martindale representing the community and voluntary sector and Julia Chanteray from the Chamber of Commerce.
- 1.2 The panel agreed that it would seek:
 - To provide constructive challenge to the budget proposals brought forward by the administration
 - To understand the cumulative effect of budget proposals across the council and city, for service users and providers
 - To make recommendations as to how to improve the budget
 - To highlight areas of concern to panel members
- 1.3 The panel heard from each Committee Chair and/or lead member supported by relevant senior officers. The list of witnesses and timetable of meetings is attached to this report as **Appendix 1**.
- 1.4 The minutes of each of the scrutiny panel evidence-gathering sessions are appended to the report to provide a narrative of the scrutiny process (**Appendices 3-7**). These, along with the summaries contained later in this report, highlight the areas of questioning and Members' concerns regarding specific budget proposals.
- 1.5 The scrutiny panel itself forms part of the budget consultation process and ensures a greater degree of accountability than would otherwise be the case. There are however, concerns as to the utility of such an involved scrutiny process and the value it adds to the budget setting process.
- 1.6 Once again, the inclusion of a representative from the community and voluntary sector within the panel process has allowed for a greater degree of challenge and intelligence, whilst providing a useful resource for the council. The sector is a major partner of the council delivering a wide range of services and is directly, and indirectly, impacted upon by changes to the council budget.
- 1.7 The Community and Voluntary Sector Forum (CVSF) has produced a position statement which is appended in full to this report (**Appendix 2**).
- 1.8 For the first time a representative from the business community was invited to sit on the scrutiny panel. Julia Chanteray, Chair of the Chamber of Commerce, agreed to undertake this role.
- 1.9 Where available the fees and charges were presented to Members along with the summary documents from the different consultations the council has undertaken to date on the draft budget.

- 1.10 The findings of this report, its recommendations, lines of questioning and comments from members will be reported to the Overview and Scrutiny Commission for agreement on the 28th January 2013.
- 1.11 The report will be provided to the council's administration to inform a revised set of budget proposals that will be presented at the Policy and Resources Committee. These will take into consideration the feedback from further consultation, the scrutiny recommendations and the most up to date financial information.
- 1.12 The final responsibility for agreeing the council's budget for 2013/14 rests with all elected members at the meeting of Full Council on 28th February 2013.
- 1.13 Whilst the budget scrutiny process has rarely brought forward concrete resolutions, it allows lead members to test assumptions and enables questioning of proposals.

Feedback on the Budget Scrutiny process

- 1.14 Feedback from members and officers regarding the budget scrutiny panel indicates that the scrutiny process has not been as successful as last year.
- 1.15 There was unanimous support within the panel for the early publication of the budget proposals and the multi-channel opportunities afforded to discuss and critique its content.
- 1.16 Concern however, has been expressed as to the level of information available from which to base scrutiny of the proposals.¹ Papers and discussion are focused on cuts/investments rather than existing budgets, resulting in a feeling of 'tinkering round the edges'.
- 1.17 The value of having input from the community, voluntary and business sectors in the budget scrutiny process was understood, well received and any future process should seek to encompass this.
- 1.18 A review of the budget setting process could usefully look at:
 - The role of scrutiny and service committees
 - The wider consultative process with residents
 - The level and range of data published

¹ The Panel was presented with the budget papers as per the Policy & Resources Committee on the 29th November 2013, along with the Budget Book.

2. Budget Context

- 2.1 The budget scrutiny process has been based on the information in the budget papers presented to the Policy & Resources Committee on 29 November 2012. Limited extracts from this are reproduced below to provide some context for the scrutiny process.

Extracts from the P&R Report - Provisional Local Government Finance Settlement for 2013/14 and 2014/15

- 3.6 The Chancellor of the Exchequer is due to make his autumn statement on the national budget on 5 December 2012 and on the same day the Office of Budget Responsibility (OBR) will publish its economic and fiscal outlook. The provisional Local Government Finance Settlement for 2013/14 and 2014/15 depends upon spending and funding totals set out in the Autumn Statement so cannot be announced until some time afterwards with CLG quoting mid-December.
- 3.7 The council will no longer receive Formula Grant and certain specific grants, which are being rolled into the new funding system, will also disappear. The council will instead establish its equivalent funding position from a combination of the following:

Revenue Support Grant (RSG)

- + 49% of locally collected business rates (with 1% going to East Sussex Fire Authority and 50% to the Treasury)
 - A tariff (derived by comparing resource allocations under the old and new funding systems)
 - + A safety net (only if business rates income falls 7.5% below a threshold)
 - A levy (only if business rates income rises above a threshold; the levy will be about 10-15% of the increase over the threshold)
 - + Relevant Section 31 grants (depending on what is in and what is left out of the national spending control totals but as a minimum will cover Department of Education grant for support services to local authority schools and a new ring-fenced grant for Public Health responsibilities)
- 3.8 One of the original principles of the reform was “to reduce local authorities’ dependency upon central government, by producing as many self sufficient authorities as possible.” Under the system now proposed, most authorities will continue to receive substantial payments of grant through RSG. These payments will decline sharply over time as the Government continues to limit local authority funding to achieve their deficit reduction programme.
- 3.9 A key component of the original scheme was to “ensure a fair starting point for all local authorities” and a commitment¹ was given “that no

authority loses out in its ability to meet local service needs at the outset of the new system". The latest proposals show that the council will probably lose out significantly at the start of the new system in a number of ways:

(i) resources have been top-sliced from all local authorities to fund the safety net system that was intended to be funded from levies on high business rates growth; and

(ii) there are a large number of outstanding rating appeals against the 2010 rating list and for all the successful appeals determined after 31 March 2013 that result in a reduction in rateable value the council will be required to meet 49% of both the in-year reduction in the rates bill and the refunds for 2010/11, 2011/12 and 2012/13. An estimated one-off risk provision of £3m is included in the allocation of reserves to accommodate this impact.

3.10 The various CLG papers issued to date also give rise to the following significant financial issues which have been reflected in the latest savings forecast shown in table 2:

- **Specific Grants:** The specific grants rolled into the new system have not all been rolled in at current levels. Most significant is Early Intervention Grant (EIG) which has been reduced by 27% at a national level equivalent to £3m for Brighton & Hove. Additional grant will be paid through the ring-fenced Dedicated Schools Grant (DSG) to expand early education to more disadvantaged two year olds and existing expenditure of £0.5m can be legitimately identified and charged to DSG. However, to retain all of the services currently funded by EIG and provide the new services for two year olds would cost the council's General Fund an additional £2.5m.

- **Control Totals:** The local government spending control total used to determine the overall funding available to councils has been significantly reduced from the level shown in the March National Budget. This reduction has taken the form of new top-slices for the safety net and capitalisation totalling £345m and higher than anticipated top-slicing for future funding of the New Homes Bonus (NHB). A top-slice of £500 million for 2013/14 and £800 million for 2014/15 has been proposed by CLG to fund NHB for the next 2 years compared to the £240 million each year anticipated based on actual allocations made to date.

- **Section 31 Grant:** Funding of over £1.2 billion has also been removed and re-allocated to the Department for Education (DfE) to cover the costs of school support services (LACSEG). The Local Government Association believes that this sum is far higher than the real cost of providing these services. The DfE will allocate this funding back to councils and academies / free schools in proportion to the number of pupils at the different types of school. The council has had £4.9m funding removed most of which will come back as DfE Section 31 grant because the proportion of pupils at academies and free schools within

the city is currently relatively low. If more academies and free schools are created in the city then this grant will fall.

Council Tax Freeze Grant

- 3.11 The council will continue to receive a grant of £3m per annum for 2013/14 and 2014/15 following the council tax freeze in 2011/12 whilst the council tax freeze grant of £3m for 2012/13 ends. In September, at the Conservative Party Conference it was announced that funding would be set aside to pay a new council tax freeze grant equivalent to a 1% increase in council tax for those councils who agreed to freeze their council tax in 2013/14. This funding would be for the two years of 2013/14 and 2014/15. It was also announced that council tax could not be increased by more than 2% without securing confirmation from a local referendum.
- 3.12 Full Council on 28 February 2013 will determine both the budget and council tax for 2013/14 but the resource forecasts shown in this report assume that council tax will increase by 2% next year. A decision to freeze the council tax in 2013/14 will require an additional £1m recurrent savings to be identified and agreed for next year and further increase the savings needed in 2015/16 by £1m when the new council tax freeze grant ends.

Latest Position 2012/13

- 3.15 The month 7 Targeted Budget Management (TBM) report elsewhere on the agenda shows a projected underspending of £3.534m on council controlled budgets and projected underspending of £0.388m on NHS controlled s75 services.

Budget Savings Requirement

- 3.27 Revisions to the budget assumptions have resulted in changes to the savings targets for 2013/14. The table below shows how the 2013/14 target has moved from £14m to £21.3m.

Table 2 – Revised 2013/14 Savings Target	£ m
Savings target at July Policy & Resources Committee	14.0
Reduce Council tax increase to 2%	1.5
Net loss on specific grant transfers to Business Rates Retention scheme	2.4
Estimated impact of top-slicing of government funding	0.9
Reduction in share of Business Rates income	0.5
Anticipated further reduction in government funding from Autumn Statement	2.0
Budget Savings Requirement	21.3
Less	
Actual Savings proposals 2013/14	-14.0
Full year effect of 2013/14 savings proposals funded by one off resources	-0.9
Council Tax Discounts and exemptions additional income	-0.9
Balance of New Homes Bonus 3 rd tranche released to support the budget	-0.6
Estimated VfM savings from a Voluntary Severance Scheme	-3.0
Remaining budget gap 2013/14	1.9

3. Recommendations

1. The early publication of proposals and the multi-channel approach to engagement of Members and the public aids a transparent budget setting process. It is recommended that this is continued.
2. A further look needs to be given as to the best manner in which to improve the budget development process. This should include:
 - Consideration of a longer-term collaborative approach with key partners
 - The role of scrutiny and service committees
 - The consultative process with residents
 - The level and range of data published to allow a deeper understanding of proposals
3. The continued commitment to undertake Equality Impact Assessments is to be welcomed and the quality continues to improve with the inclusion of mitigatory action, however more work is required to ensure the consistency of all EIAs.
4. Budget reductions should be made in relation to priority, impact, quality of service and value for money. In-house services should not be protected at the expense of those provided externally merely because they are council-run; the reverse is also true.
5. Funding provided to the third sector should be monitored. This should be published with the draft budget proposals.
6. The budget papers present some excellent examples of working between directorates to deliver savings e.g. adult social care and housing regarding extra care housing. It is not always clear however, that the cross-cutting impacts of cuts have been considered in relation to corporate priorities. The holistic and longer term impact of budget changes need to be considered.
7. The council needs to be mindful of the local market-place within which it procures and the need for healthy local competition.
8. A letter signed by all political group leaders should be sent to Government highlighting the problems caused by the late announcement of budget information.
9. The publication of a two-year budget for 2012/13 and 2013/14 was a welcome step forward and should be repeated for 2014/15 and 2015/16.

4. Summary of the Questioning and Comments

- 4.1 The section below provides a summary of the issues raised during each of the evidence gathering sessions. It is reproduced to provide an overview for ease of consumption. The detailed minutes of each meeting should be read in **Appendices 3-7** for a more complete view of the process and issues.
- 4.2 The 2012/13 budget was published as a two year budget strategy. As a result many of the detailed savings were presented in the first year and there are therefore fewer specific proposals to comment upon. It also means that many of the proposals put forward for 2013/14 have already received considerable public scrutiny.

Budgetary Context

- Many of the central government budget announcements were very late, Members were concerned about the impact this has on budget planning.
- Cuts to local government funding from central government will continue for a number of years. The current system of developing budget proposals, asking departments and teams for cuts of 5/10/15%, needs to be reviewed. Every year the budget scrutiny highlights the need to move away from salami-slicing budgets.
- The government is looking for councils to become increasingly self-financing. Areas of the council have become less reliant on core local authority funding and have successfully increased their number of customers whilst also increasing prices e.g. tourism.
- Local government has an increased leadership role in relation to economic development. The creation of a regeneration team bringing together a number of different strands is welcomed.
- Various services have mentioned developing trading operations, looking to sell council services. Innovation and alternative methods of service delivery will be vital as central government support is reduced. However thought needs to be given as to whether the council should be competing with the private sector.
- The budget scrutiny process needs to be rethought. Whilst the current process allows for questioning on changes to the budgets it is hard to meaningfully critique proposals without understanding the budget in totality.
- Working across directorates is vital for the council as a whole to deliver savings e.g. Extracare Housing (ASC & Housing). The return of public health responsibilities to the council also offers significant opportunities in this regard.
- Whilst there are indications that more radical options such as trading operations, shared services etc. are being considered and in some cases are already in operation the 2013/14 budget proposals do not clearly articulate a longer term vision for how the council will seek to deliver its priorities through a period of prolonged and severe financial constraint.

Central Services

- Recruitment controls are supporting the council to control spending, and provide some security for staff during challenging times but there is however a risk they can de-skill the council.
- In a similar vein the voluntary redundancy scheme needs to focus on the priorities of the council and the outcomes it is seeking to achieve.
- Centrally supported programmes such as Value for Money (VFM) and Workstyles continue to deliver significant savings and are vital to the delivery of future savings.
- Central support services are needed to deliver savings elsewhere, and large cuts to 'back-office' services can result in costs being disproportionately higher elsewhere. It is necessary to get the balance right.
- There was some concern that the full costs of a service are not understood by managers and therefore there isn't an incentive to reduce them. Members wanted a better understanding of property costs and how they are allocated across the organisation and how cost allocations drive the property and other overhead performance of each division/service area. It was agreed to write to the Director of Finance to seek clarification.
- Efforts to improve Business Rate collection need to be monitored.
- The lack of a reduction in the HR budget was questioned.
- There was support for the focus on savings to be made on unnecessary costs within the existing services – for example water leaks.

Environment and Sustainability

- There was an understanding that many of the budget reductions within this area had been front-loaded during 2012/13.
- The South Downs National Park is a resource that the city should be looking to utilise further within its tourism strategy.
- Questioning as to the carbon reduction targets, their level and whether they are stretching enough, and how they will be achieved.
- Support for the need to address unnecessary waste for energy and water
- Need to ensure the council is receiving the maximum benefit from the contracts it is involved in e.g. incineration contract with Veolia.
- The issue of whether the council should be competing with local small businesses, or seeing them as a way in which limited public funds can be more efficiently spent, caused some debate and disagreement within the panel.
- Changes to school governance arrangements mean that they can now choose the service provider they wish – this could impact on any council service that provides services to schools e.g. grounds maintenance.

Economic Development & Culture

- There was support and interest for the number of different initiatives where new ways of working were being explored, for example tourism, where over the last three years the council provided element of the budget has been reduced by approximately 45%, this has been covered by increased income from increased visitors, bringing in new sites etc.
- Agreement that new ways of delivering services should be exploited – for example the number of visitors accessing the visitor information centre has halved whilst online access to information has increased hugely.
- Debate as to whether the council should consider outsourcing the economic development function to the private sector.
- The Ride the Wave initiative had been successful during 2012/13 and this should be repeated during 2013/14.
- Concern over changes to fees where there are proposals to increase the costs of accessing pitches for youth football teams and the effect this could have on participation rates for young people.
- Support for introduction of the leisure concessionary card, a good example of prioritisation within an existing budget to deliver wider corporate objectives.
- Agreement of the need to exploit as many external sources of finance as possible to generate funding for the city and that the possibility of extra events, like an autumn half-marathon, being added to the city's calendar to generate economic activity should be explored.

Children and Young People

- Welcomed the underspend that had been achieved through the VFM programme and the continued focus on placements.
- Provision of nursery places for 2 year olds is an issue, with funding for this still uncertain due to late government announcements. Currently funding 220 places, it will now have to fund places for the most disadvantaged 20% for 2013, which will be approx 500 places. In 2014 this doubles to 40%.
- Concern regarding the transfer of responsibilities re: young people on remand and the financial risk that accompanies this. This is both an opportunity and a threat to the council.
- There was discussion regarding the youth service, the continued commitment to which is welcomed.
- Members felt that in future it would be useful to see the details of the Direct Schools Grant within the budget papers to better understand these elements of the budget.
- There are concerns about the Home to school transport cuts, and the impact these have already had on the quality of service provision.

Adult Social Care & Health

- 'Graph of doom' scenarios regarding costs for social care in relation to other council functions mean an extra focus needs to be put on adult

social care (ASC) spending. Proposals don't offer huge changes from current approach. National guidance is awaited on funding and eligibility regarding ASC services. Longer term planning is to some extent awaiting this. Focus is still very much on reablement, personalisation and the increased use of technology.

- The policy of maintaining frontline services & ensuring access to services by keeping existing eligibility criteria was welcomed.
- The focus on looking at those parts of the budget that are most costly, such as nursing homes, and looking at how these services can be offered in a more cost effective manner is also supported.
- There is a need to ensure that there are sufficient providers in the market to meet the differing types of homes required.
- Figures show that B&H is still an outlier in terms of numbers of people in residential care, so there is capacity to increase different models of support.
- Transition between children and young people's and adult services can be a very difficult time, especially for more complex cases. Needs to be assurance that early support is there.
- More work should be done to further promote the use of technological solutions such as telecare, epilepsy sensors, GPS etc.
- Current Public Health priorities of sexual health, smoking cessation, alcohol, children's health and reducing health inequalities relate to services provided across the council.

Housing

- Current economic situation is creating a strain on services whilst also limiting funding.
- It is a priority to ensure the efficient management of housing stock, delivering an excellent service to tenants so that more meet the Decent Homes Standard.
- Joint working with ASC is vital for the council to be able to deliver services within an ever decreasing resource envelope.
- The council needs to be creative in how it meets the housing challenges it has, and how it can cross-subsidise between different housing and ASC budgets. There is recognition that the quality of accommodation has a direct bearing on health, educational attainment, crime etc. and that a saving to the housing budget may merely transfer costs to other areas of the council.
- The council has protected this area of spend as cutting it would transfer costs to other budgets. Much of it (98%) goes to the third sector. Locally the Supporting People programme is recognised as excellent and the council is urged not to look to reorganise into a single provider. It is clear that preventative services such as this save significant sums later on.

