

Joint Meeting of the Overview and Scrutiny Management Committee and the Corporate Issues Scrutiny Committee



16 January 2009

Response by Overview and Scrutiny to the Budget 2009/2010

Report of Feisal Jassat, Head of Overview and Scrutiny

Introduction

1. At a Cabinet meeting on the 28 August 2008 a strategy and work Programme was agreed for the preparation of the budget and Medium Term Financial Plan (MTFP). The County and District Councils have been working extensively on bringing budgets together, dealing with Local Government Review (LGR) financial proposals and the savings and investment issues that all eight authorities would have needed to consider in a normal budget cycle.

Background and Context

LGR Savings & Investments

2. The LGR bid suggested that £20.53m could be saved and delivered over a two year period. This figure was based upon a range of assumptions in relation to levels and patterns of spending, particularly in District Councils and about prospects for savings by bringing the 8 authorities together.
3. Whilst it is anticipated that the Bid savings will be delivered in full over the two years, 2009/10 and 2010/11 they may not be delivered as precisely anticipated. Currently £13.67m is being sought in savings during the financial year 2009/10 with an additional £6.77m in 2010/11.
4. With reference to the report considered in August, the expectation was that, of the proposals contained in the Bid, £9.55m would be needed for investment in relation to Area Action Partnerships (AAP's) and Budgets for Members.
5. A figure of £250,000 has been included in planning assumptions for each of the 14 AAP's which will cost £3.50m. In addition, current plans also assume that each member would have a revenue budget of £50,000 for local spending, which in total would cost £6.30m.
6. Current plans assume that each Member would have a revenue budget of £50,000 for local spending. This will cost £6.30m with the additional cost over and above the current Members' Initiative Fund of £2,000 per Member is £6.05m.
7. No assumptions have been made about varying the resources currently allocated to Members for highway related schemes, currently £6,000 per member. In total this costs £756,000 per annum. If Members were so

minded this figure could be subsumed within the overall proposed £50,000 per member.

8. The cost associated with the proposal to equalise the former County and District Council's tax levels would amount to £3.23m.

Base Budget and Inflation

9. Assumptions have been made about bringing together and rolling forward the existing budgets from County and District (the base budget and sums needed for inflation).
10. It is proposed to add £29.14m to the existing budget for inflation and base budget adjustments.
11. The general increase factored into planning assumptions is 2.5% for both pay and prices with inflation pressures above 2.5% and additional base budget pressures identified.
12. The additional inflation in the main relates to the cost of fuel and energy, however it is forecast that these costs will reduce next year although costs are currently significantly higher than 12 months ago.
13. Decisions will need to be taken about whether to allow for these additional costs. If we do not, then services will need to absorb the costs by finding other savings or reducing service provision.
14. However, if it is agreed that the costs can be added to the base budget then in order to prepare a balanced budget, other savings will need to be found.
15. Work to date is based on the planning assumption of a 5% increase in Council tax. This would result in an average increase in Council tax across the County of 3.19% as a result of equalisation.
16. In relation to Government grant, it was anticipated that announcements confirming the position for 2009/10 would be made towards the end of November, 2008.

Service Investments and Savings

17. As in previous years, it is necessary to consider as part of the budget process a range of proposals for investment and savings to ensure that the Council responds to the needs of customers and service users whilst acknowledging the need to reduce costs to enable Council tax increases to be contained within Government expectations.
18. Corporate Directors have identified investment proposals totalling £8.37m and have been asked to identify savings to enable a balanced budget to be determined.

Housing Revenue Account (HRA)

19. This is a ring fenced account primarily financed through tenants' rents. Within the County four of the existing Districts operate a HRA.
20. A provisional forecast for the combined HRA for the County has been prepared for 2009/10. Forecasts for 2009/10 have been based upon a set of assumptions around housing subsidy, rent increases, changes to management fees and direct costs, such as repairs and maintenance expenditure requirements. The figures suggest a stable financial position on the combined HRA, however a separate report is being prepared on the forecast combined HRA position plus the impact of the draft subsidy determinations.
21. The new Authority will be required to determine rents for 2009/10.

Capital Programme

22. Bringing together eight authorities provides challenges and as part of the Council's budgets for 2008/09 a number of authorities approved capital spending into 2009/10. The total of the current programme across the County is £112m which is supported by a range of funding including capital receipts however the estimates for capital receipts were determined around 12 months ago and since then land values have fallen significantly. Although it is suggested that the existing combined programme is maintained as far as possible in the short-term a review of the existing programme is underway to test the extent to which it can be delivered in the current economic climate. A strategy and scoring system for proposed capital investment has been developed which will provide a structured and rational framework.

Area Based Grants

23. In 2009/10 Area Based Grants totalling £61.12m are expected to be paid to the County Council, however this may be amended in the provisional grant announcement.

Fees and Charges

24. It is proposed to equalise Statutory and Regulatory fees and charges, rationalise concessions across all services and review certain charges (not necessarily equalised) in relation to car parking, crematoria, warden visiting services and disabled parking charges.

Local Average Rates of Mortgages

25. The County Council will inherit a range of mortgages and will need to set a 'Local Average rate'. The Authority must on an annual basis review and set the interest rate it charges to any mortgagees. The rate is set at the same time as the budget to allow for notifications to be issued, however given the different starting points and the County Council's low CRI (average rate of interest paid on external borrowing of the Council) position, this will mean some significant percentage changes to individual mortgages.

Transition Costs

26. Transition costs were estimated in the bid document at £12.45m just over half of which was likely to be redundancy costs associated with early retirement.
27. Transitions costs are being monitored and it is anticipated that the costs will initially be met from reserves and will not have an impact on the Revenue budget of the New Council.

Risk

28. There are a number of risks which may have a financial impact during 2009/10. These are related to the existing risks of the County Council and Districts and risks arising from the Local Government Review programme.
29. These various risks are being managed but they do add a significant degree of uncertainty to the budget.

OVERVIEW AND SCRUTINY PROCESS IN RESPONSE TO THE BUDGET PROPOSALS

30. As mentioned previously, this budget has been a far more complex process as a result of the Local Government Review bringing together County and District Budgets, focusing on financial proposals, savings and the investment issues that all eight authorities would have needed to consider in a normal budget cycle. There was therefore a need for more flexibility in the setting of budgets for 'Service Groupings' as a result of the complexities of Local Government Review (LGR.)
31. In addition the complexity of the process has resulted in the schedule for the budget process running much later than in previous years resulting in Overview and Scrutiny having a much shorter 'time frame' in which to consider and make recommendations in relation to the various service departmental budgets and the Budget of the Authority.
32. The six new Directorates of the Authority as follows:
 - Children and Young People's Services
 - Adult, Wellbeing and Health Services
 - Regeneration and Economic Development
 - Neighbourhood Services
 - Corporate Resources
 - Assistant Chief Executive's Office

all attended specially convened 'Budget Working Group' meetings where they presented information in relation to Overview of the Departmental Budget Service income, Service expenditure, Service pressures, potential budget savings options, giving a detailed explanation/rationale for each.

33. The respective Budget Working Groups considered each of the presentations; however they raised the following general issues in relation to each of the Directorates:

GENERAL CONSIDERATIONS

34. General considerations are as follows:

- The limited information available to Overview and Scrutiny members as a result of 'pulling together' the respective budgets from the Seven District Authorities and the County Council. For example the type of information that would have helped overview and scrutiny members in their deliberations should have included detailed information for each Directorate in relation to statutory and non statutory services as well as those services which the Authority provides above the minimum level e.g. the provision of post 16 school transport.
- The timescale for Overview and Scrutiny to contribute meaningfully to the budget process. Members found the timescale too short to prepare a full and detailed response to Cabinet. The need for early engagement of Non-Executive Members in the budget process in the future is essential.
- It was recognised that due to the requirement of a 5% cut across all Directorates, investment in one area would require savings in another and therefore, there was a need for Members to have a detailed understanding of the Medium Term Financial Plan and Corporate Budget of the Authority before making any proposals in relation to specific Directorates.
- Overview and Scrutiny suggest that due to the complex nature of this particular budget, that Cabinet consider a standstill budget for 2009/10 thereby avoiding any significant cuts in services but maintaining a level of service that continues to meet local need

35. In addition, Overview and Scrutiny made the following specific responses in relation to the various Directorates following discussions at the respective Budget Working Group meetings.

SPECIFIC CONSIDERATIONS

Children and Young People's Service Summarised Spending, Investment and Potential Savings Options

36. The total revenue budget in 2008/09 is £102.7 m of which £83m is managed by the Corporate Director of Children and Young People's Service with the remainder managed by other Chief Officers in relation to central costs. Dedicated Schools Grant (DSG) and other devolved grants come to £318.3m.(Final DSG for 2008/09 £274,436,000).
37. There is also additional grant for Surestart totalling £16.9 m.
38. In relation to service improvements/investments, subject to availability of funds, the following two areas were identified;

- Subsidised Transport - £1.23 m – to allow young people subsidised travel 'off peak' and weekends plus cost of initial travel card.
 - Empowering Young People - £1 m – over 1,500 young people are participating in a government funded pilot that gives £30 per month credits in support of the 'Places to Go and Things to Do' priority. The grant ends on 31st March 2009.
39. With reference to savings, 10 areas were identified which were deliverable with minimum impact on service provision for example BSF with reduced development costs spending ;with an additional 2 more difficult savings options identified for example reduction to grant aid for Community organisations.
40. Members identified the following issues in relation to the CYPS Budget proposals.
- A need to determine Partners' contributions to the delivery of the Children and Young People's plan. Examples of partners contributing to the Children and Young People's plan are given below:
 - In 2008 a successful Family Pathfinder bid was made to DCSF that will attract £780,000 grant over three years. Over the period, £600,000 of contribution has been agreed by the PCT and CYPS and Adults will channel about £1.5m into the project. In kind contributions from a range of agencies such as Job Centre Plus, and Substance Misuse Services will also be included. This will allow 3 pilot projects to take place in Easington, Sedgefield and Derwentside focusing on those families with the most complex demands who were likely to have required intensive specialised support from all agencies. This should bring added value and demonstrate the benefits of partnership working. In the medium term, we will be looking to demonstrate a consequential demand on some of the most costly and highly pressurised support services.
 - By the end of February 2009, a bid will be submitted to DCSF that is aimed at increasing the take up of schools meals. Matched funding is required and it is expected that this will include contributions from schools, the PCT, the main catering contractor and the County Council, that will allow kitchens and dining areas to be improved. It is hopeful that this joint bid will attract as much as £1m of DCSF grant.
 - In relation to implications of LGR for the Children and Young People's Service a range of activities funded by the District Councils will transfer to the Service. Some of these relate to 'youth' activities with an estimated budget requirement of £0.6m. Members of the Working Group highlighted the need to ensure that the budget provision for these activities in District Councils transfers to the Children and Young People's Service.
 - Members were strongly opposed to the reduction of grant aid to Community Associations presented as a proposed saving namely £194,000.

Adult, Wellbeing and Health Service Summarised Spending, Investment and Potential Savings Options

41. The revenue budget for 2009/10 is £161,354,000 with a capital budget for 2008/9 of £12.6 million.
42. A number of budget pressures were identified for the Directorate in relation to demographic change, inflationary pressure, emerging new priorities and preventative services (Government wants local authorities to invest more heavily in preventative services.)
43. With reference to investments for 2009/10, the service identified the following areas:
 - Additional demographic demand – (Learning Disabilities; Mental Health and Older People
 - Day Service Improvement, New Centre at Sedgefield
 - Deprivation of Liberty Team (one-off investment)
 - Home Care Re-enablement – double running (one-off investment)
 - Travellers sites – (Capital Investment) 2009/10
 - Sky Bowl (Capital Investment) 2009/10
 - Libraries (Capital Investment) 2009/10
44. In relation to Budget Savings, 25 were identified (“Category 1” for example running costs and general office expenses) which could be achieved with minimum effect on services and no/little political impact. Two areas of savings were identified which are more difficult to achieve and would have an impact on service provision (“Category 2” for example reduce marketing and information supplies budget.)
45. The Directorate also identified 9 areas of savings (“Category 3” for example closure of Clayport Library on Sundays) which would be difficult to achieve and would have a political or service provision impact.
46. Members of the Working Group identified the following issues in relation to the Adult, Wellbeing and Health Budget proposals:
 - The Working Group were broadly agreeable with the proposed areas for savings outlined in category 1 which included, contributions to care packages from the Health Service, review of care packages (Learning Disabilities), continuing care review (review of longstanding learning disability and mental health packages), reduced communities fund (Community Development Officers have a small budget), home care savings linked to block contracting and support staff reductions.
 - With reference to the proposed savings to be achieved via libraries which included the reduction in the range of service provision, closure of libraries and no Sunday opening at Clayport, it was highlighted that an Overview and Scrutiny review is currently being undertaken in relation to library provision. There was consensus that the proposed library savings should be removed from the savings options. In addition it was suggested that

the Overview and Scrutiny Library Working Group look at the impact of a reduction in library opening hours and library usage by the public as part of its evidence gathering.

- Members rejected the proposed saving option where funding for the Community Development Team is taken from the AAP budget. It was felt that other services would make similar calls upon the AAP budget and this was not appropriate. The Budget Working Group accepts that there is a need to review the arrangements of the Community Development Support unit including further consideration of the proposals for staffing reductions e.g. the deletion of three Community Development posts.
- In relation to the proposed residential homes closure savings, the Budget Working Group made reference to the previous Overview and Scrutiny investigation report and recommendations for the retention and improvement of existing care homes which had been accepted by Cabinet and were now Council Policy. However, it was accepted that future arrangements for provision were ultimately a matter for Cabinet to determine.
- The Working Group was opposed to reductions in care funding linked to changing the eligibility criteria but wished to have more information about the difference between 'critical' and 'significant' designations and the likely numbers of people that would be impacted upon by any resulting change.

Regeneration and Economic Development Service Summarised spending, Investment and Potential Savings Options

47. The total net base budget for Regeneration and Economic Development in 2008/09 is £33,110,000.
48. A number of budget pressures were identified for the Directorate in relation to the Housing Revenue Account, reduction in Planning Application Fees, loss of rental income from industrial sites, use of Budget Support Funds and miscellaneous.
49. In addition a number of areas were identified for investment as follows:-
 - County Economic Assessment – Additional Staff and Consultancy Services
 - Integrated Regional Strategy – Consultancy Service
 - City Regional Partnership Working
 - Loss of Single Programme Funding
 - Loss of Planning Delivery Grant
 - Social Regeneration – Local Housing Allowance
50. With reference to savings achievable through efficiencies 8 areas were identified for example reduction in supplies and services, with a further 6 areas identified for proposed savings which were achievable with difficulty for example planning service reduction in staffing.

51. A further 2 areas of savings which were identified, if taken, would result in undermining of the service and/or be politically sensitive for example further reduction in staffing for the planning service .
52. Members of the Working Group identified the following issues in relation to the Regeneration and Economic Development Budget proposals:
 - The removal from proposed savings of any reference to the Modern Apprenticeship scheme. The Budget Working Group felt that the Authority should be extending not diminishing the Scheme.
 - Members were opposed to the proposal (savings which undermine the service) for a reduction of the contribution by the Authority to the Dales Centre.

Neighbourhood Service

53. The net base budget for Neighbourhood Services in 2008/09 is £92.424m.
54. A number of budget pressures were identified for the Directorate in relation to Energy inflation, Highways Maintenance Term Contract, subsidised bus services, Landfill Tax, Concessionary Fares, Housing Revenue Account, reduced income streams and staffing pressures not budgeted.
55. In addition a number of areas were identified for service investment as follows:
 - Waste project - resources to deliver solution
 - Public transport - subsidised services
 - Electricity at Work Regulations - testing of underground cables
 - Bus Strategy - demand responsive transport
56. In relation to LGR savings for the first year totalling £1,022,000 were identified (recreation and Sport Management, Open Spaces Management, Environmental Health/Consumer Protection, Street Cleansing, waste collection and waste disposal).
57. With reference to savings achievable through efficiencies 20 areas were identified for example waste recycling initiatives; with a further 10 areas identified for proposed savings which were achievable with difficulty for example not painting street lighting columns.
58. A further 11 areas of possible savings were identified which if taken would result in the undermining of the service and/or be politically sensitive for example Trading Standards reduction in staffing.
59. In relation to Neighbourhood Services, the Budget Working Group identified the following issues in relation to the Budget proposals:
 - The removal from the proposed savings of any reference to Highways related savings, as it is considered that Highways are a priority for the Authority and require ongoing investment.

- In relation to other identified savings proposals i.e. disabled access ramps it was suggested by the Working Group that Member budgets could be used to contribute to the provision of such a service. It was noted that this is a statutory requirement.

Corporate Resources

60. The revised based budget for Corporate Resources for 2009/10 is £25,188,000 with transition costs (met from reserves) totalling £6,211,000.
61. In addition the Service had identified a number of LGR Bid savings (various staff reductions together with Member allowances) totalling £10,060,000.
62. The Service had identified 2 areas of investment as follows:
- LGR Bid
Members Revenue Budgets
 - Other
Replacement of lost DWP Grant
63. With reference to proposed savings options for Corporate Resources, they fell into the following categories:
- Rationalisation of staffing
 - Indirect employee costs
 - Premises
 - Supplies and services
 - Other support services
 - Increased fees and charges

The total of these proposed savings amounted to £1,663,000.

64. Members of the Working Group identified the following issues in relation to Corporate Resources Budget proposals.
- In relation to Members' Revenue Budgets, Overview and Scrutiny would want to see very clear criteria for the use of any Member Allowance i.e. £50,000 per Member or electoral division, that address issues of invest to save and add value by seeking opportunities to pool budgets with other public sector bodies involved in the Area Action Partnerships (AAP's) in order to meet local priorities.
 - Members of the Working Group remain cautious of the potential "perceived" implications by local communities of resources being allocated specifically to Members set against "perceived" service reductions.

Assistant Chief Executive's Office

65. The revised base budget for the Assistant Chief Executive's Office for 2009/10 is £11,827,000 with transitional costs (met from reserves) totalling £1,524,000.
66. In addition the service had identified a number of LGR bid savings (various staff reductions) totalling £1,579,000.
67. With reference to investments, the service had identified one area, Area Action Partnership Budgets.
68. In relation to proposed savings options for the service they fell into the following categories:
 - Corporate Policy & Communications
 - Rationalisation of staffing
69. Members of the Working Group identified the following issues in relation to the Assistant Chief Executive's Office Budget proposals:
 - The Working Group accept the need to adequately resource the Area Action Partnerships however the establishment costs of £3.5m may well be used in a phased approach over the next twelve month period (the Working Group identified the possibility of slippage in this budget which could be redirected).

Recommendations

(to be agreed at the end of the special meeting on 16 January 2009)

- a) That in future budget cycles it is essential to ensure the early engagement of Non-Executive Members to allow for a full and detailed response to be prepared by Overview and Scrutiny.
- b) That Cabinet consider the specific budget issues raised in this report in relation to each of the Service Directorates.
- c) That as a result of the complex nature of this particular budget Overview and Scrutiny would recommend that Cabinet consider a standstill budget for 2009/10 thereby avoiding any significant cuts in services but maintaining a level of service that continues to meet local need.

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