

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1. MEETING:	Cabinet
2. DATE:	5th September, 2012
3. TITLE:	Scrutiny of the Budget Setting Process: report from the Self-Regulation Select Commission Budget Sub-Group
4. DIRECTORATE:	Resources All Wards

5. SUMMARY

This report outlines the main findings and recommendations arising from the Self-Regulation Select Commission budget sub-group's discussions with portfolio holders on the 2012/13 Budget Setting Process. The report and its recommendations have been considered by the Self-Regulation Select Commission and Overview and Scrutiny Management Board on July 20, 2012.

6. RECOMMENDATIONS

That Cabinet:

- a. Receives the report and considers its recommendations;**
- b. That Cabinet's response to the recommendations is fed back to OSMB within two months of its submission.**

7. BACKGROUND

Since the formation of the Coalition Government in May 2010, the removal of funding and grants has amounted to a resources gap in the Council's finances of more than £60m over the period 2010-2013. Whilst the funding from central government has declined; the pressure on services does not diminish, particularly in adult social care and the challenges of safeguarding vulnerable children in the Borough.

The Council has made a commitment to maintain delivery in priority areas and "protect services for those most in need". Clearly the decisions taken by the Cabinet about the allocation of resources has been very difficult and the scrutiny sub-group appreciates the huge challenge of formulating a budget under these circumstances.

8. TERMS OF REFERENCE

8.1 One of the key roles of scrutiny is to ensure that the Council is using its resources wisely and getting value for money. The pressure to make savings makes the need to provide analysis and challenge on behalf of the public all the more critical; balancing the delivery of services to meet council priorities, whilst meeting residents' expectations on the quality and level of services provided.

To this end, proposals were made to change the way that scrutiny of the budget was undertaken. As select commissions were no longer directly aligned to portfolios and directorates, the Self-Regulation Select Commission was delegated with budget scrutiny responsibility, with Overview and Scrutiny Management Board (OSMB) maintaining an overview of discussions and developments.

8.2 In its report, 'On the Money: The Scrutiny of Local Government Finance', the Centre for Public Scrutiny has identified four key areas where scrutiny can add value to the council's financial management arrangements. These are:

- challenging whether processes are effective and accessible and ensuring that there is a level of integration between corporate and service planning and performance and financial management
- challenging how resources are allocated and used and examining their impact
- testing whether the council is directing its resources effectively to meet its priorities and is achieving value for money
- providing an additional and transparent challenge to the executive's management of the council's finances.

This is the basis on which the Select Commission conducted the budget scrutiny exercise.

9. PROCESS

9.1 In preparation for the budget exercise the 2011-12 Chair, (Cllr Darren Hughes) received briefings from Andrew Bedford, Strategic Director for Resources and Stuart Booth, Director of Finance. The Director of Finance also delivered a training session outlining an overview of local government finance and RMBC's budget process. All members of the Self-Regulation Select Commission were invited to attend.

9.2 Following a discussion on the revenue outturn 2010/11 at the meeting of SRSC of 15 September, a sub-group consisting of Councillors Atkin, Ellis, J. Hamilton, Hughes and Sharman was set up to consider the Select Commission's involvement in the budget setting process. Cllr Hughes subsequently made a presentation to the OSMB on its suggested approach, which was endorsed. Councillors Falvey and A. Russell were nominated from the OSMB to join the sub-group, ensuring that a balance of members was represented.

9.3 A two-tiered approach was taken, questioning Cabinet Members in turn on their portfolio budget proposals, concluding with a session with the Council Leader.

9.4 Part One examined budgetary issues arising from the 2010/11 outturn and if directorates were on course to make 2011/12 savings. The discussions focussed on:

- spending in accordance with the agreed 2011/12 budget in each portfolio area
- whether there are any significant under spends/overspends
- impact on services/priorities
- risk and mitigation

9.5 The meetings with the portfolio holders commenced on Friday 4 November and concluded on Thursday 17 November. In summary, issues emerging from these discussions include:

- Pressures related to the resourcing of Children and Young People's Services, particularly in respect of Looked after Children and the early intervention and prevention agenda
- Asset management and the disposal of council properties or land at maximum value at a time of economic difficulty
- Service restructures – managing continuity and capacity with fewer staff and resources
- Commissioning – getting better value for money
- Relationship with voluntary sector and Parish Councils
- Continuing health care needs
- Prioritisation of services and impact on service users
- Completion of strategic partnerships and associated risks

- Impact of decisions taken by partners on council services (health, policing etc)

9.6 On the basis of these discussions, a second round of meetings was set up, week commencing Monday 19 March and concluding on Wednesday April 25, 2012. The meetings broadly focussed on the following:

- In-depth scrutiny of savings proposals and delivery of corporate priorities in line with the MTFs; with reference to equality assessments, legislative requirements, service and performance implications;
- Issues emerging from budget consultation;
- Consideration of alternative forms of service delivery or design
- Opportunities for income generation;
- Challenges for each portfolio area - 2012/13 and beyond

9.7 Because of the scale of the challenge in setting a balanced budget, the second round of meetings did not take place prior to the proposed 2012/13 revenue and capital budgets receiving Council's approval. This is regrettable. However, all members whether executive or scrutiny, have learnt from this process and many of the administrative difficulties encountered will be avoided as the 2013/14 round is entered, thereby ensuring further improvements to scrutiny arrangements.

9.8 The sub-group would like to thank the Leader and Cabinet Members for their co-operation and willingness to share their views on the challenges so openly. They also extend appreciation to officers who supported this process.

10. OUTLINE OF DISCUSSIONS

The following section provides an overview of discussions with aligned recommendations, relating to specific comments on moving forward in 2013/14 and the information shared with the scrutiny sub-group.

10.1 Clarifying the 'core offer'.

Several Cabinet Members commented that year-on-year reductions in funding meant that driving out further efficiencies across 'back-office' and customer facing services was not viable in the long term. Despite doing 'more for less' over recent years, this option is becoming more difficult. Although the sub-group received the Budget Matrix outlining statutory and non-statutory services, entitled "Opportunities for new working arrangements", and many Cabinet Members spoke about defining the Council's "core offer"; further work is required to establish greater clarity about what this means in practice.

Recommendation 1.

The sub-group considers that a tipping point has been reached; where decisions about transforming delivery or even ceasing provision in some areas will need to be articulated, as 'salami slicing' services cannot be sustainable.

10.2 Risk and business continuity.

The sub-group were told throughout the exercise that staffing in many services is pared to the bone, with, for example, reductions averaging 12% across the Resources Directorate in 2012/13, bringing overall reductions to 30%, and in some cases 50% over the last two years. Given some services have been restructured two or three times since the 2010, it is difficult to understand where further efficiencies are to be found and whether the same level of services can be delivered with reduced resources. Whilst supporting efforts to avoid compulsory redundancies wherever possible, the sub-group is concerned that some business-critical officers have been released without the full consequences of these decisions being understood by all Members.

Recommendation 2.

In these circumstances, the scrutiny members would argue for a realistic assessment of the risks attached to these reductions, particularly in relation to delivering Council priorities and sustaining performance.

10.3 Saving from 2011/12

A key question asked early in the process was whether the savings from 2011/12 would be realised. The sub-group were informed that there were risks attached to this that may have further ramifications for the 2012/13 budget.

Recommendation 3.

That Cabinet Members examine whether 2011/12 savings have been realised and explore the impact on services and priorities if this is not the case. The results of these deliberations to be reported to Self-Regulation Select Commission at the earliest opportunity.

10.4 Communication issues

The sub-group reiterate that the scale of the challenge in reaching a balanced budget is not to be underestimated. However, there are concerns about how the Council deals with service spending reductions which are sensitive and may impact on its wider reputation. For example, Scrutiny Members are aware from their surgery reports that there are public concerns about frontline services, be it libraries, highway maintenance or levels of litter or fly tipping. These issues could quickly have a negative impact within our communities if decisions about how resources are allocated are not communicated clearly (to the public and ward members).

Recommendation 4.

Whilst appreciating that difficult decisions have been taken to reduce spending; the sub-group seek assurances that how we communicate service changes as a result of these spending reductions, is taken into account and clearly evidenced when the budget is being considered.

10.5 'Unforeseen consequences'

Members were concerned to ensure that Cabinet Members routinely consider the impact of decisions taken in one portfolio and its potential impact on another, particularly across areas such as health and well-being, community safety, early intervention and tackling areas of disadvantage. Although, there were many good examples of cross-cutting working, when we put the question to each of the Cabinet Members we spoke to it was felt that this was an area that could be further improved. The sub-group appreciate that changes have been made to the portfolios by the Leader early in 2012/13 municipal year and hopes that this addresses any areas of uncertainty or overlap.

Recommendation 5.

That portfolio responsibilities are clarified and communicated to ensure that duplication is minimised

Deprived Neighbourhoods Agenda – the Cabinet has endorsed efforts to 'do things differently'; working with partners and communities and re-allocating limited resources in an attempt to address many of the entrenched difficulties experienced by a substantial proportion of people in Rotherham. The review group supports these efforts to build community resilience, however it is important that the work to improve the physical environment of neighbourhoods is not overlooked. However in the allocation of resources, needs to be tailored to need rather than a 'one-size fits all' approach. The scrutiny members were concerned that decisions taken to reduce spend in one area, may impact negatively on the ability to deliver this agenda.

Recommendation 6.

That wider consideration is given to the impact of service reductions within other portfolio areas which may negatively impact on the Council's ability to deliver key priorities; and any risks and uncertainties arising from these discussions are clearly evidenced when budget proposals are being discussed.

Recommendation 7.

Given all parts of the public sector are facing budget pressures and seeking to make savings; the sub-group would seek reassurance that in the Council's work with partners (for example around policing and anti-social behaviour) that early discussions take place about the consequences of decisions taken by respective bodies which may have an impact on joint operations or services and these are clearly evidenced when the budget is being considered.

The review group were uncertain if the impact of decisions about the delivery of services, (for example issues around motorbike nuisance or grounds maintenance) had been explored with Parish Councils sufficiently prior to budget decisions being made.

Recommendation 8.

The sub-group would seek reassurance that the impact of decisions on parish councils has been explored by each of the relevant portfolio holders and directorates and risks mitigated when the budget is being considered.

The sub-group appreciates that the work on developing a response to the Welfare Reform agenda is still at an early stage; the issue of the impact of welfare changes was raised in a number of the discussions, particularly the negative effects on income for a significant proportion of households in the borough. Because of the fast changing picture, questions were asked to ascertain if the projections of deprivation were based on previous models and assumptions. Members were thanked for their timely interventions and reassured that this would be taken into consideration.

Recommendation 9.

The sub-group recommends that the development of core strategies and needs analyses, including the Joint Strategic Needs Assessment, reflect the developing Welfare Reform agenda.

Recommendation 10.

Similarly, given reductions in grant allocation to the Voluntary Sector, the sub-group would seek reassurance that the impact on advice and guidance services has been explored and risks mitigated.

10.6 Equality impact assessments (EIA)

Although the sub-group were reassured verbally that EIAs were taking place on those services subject to budget reductions, in full compliance with legislative requirements and good practice, they did not see the documentation prior to the budget being set. As the impact of proposed reductions could be far reaching, it is vital that the Council ensure that no group is adversely affected. The papers presented to Cabinet on the Proposed Revenue Budget and Council tax for 2012/13 did not include mention of any Equality Impact Assessments undertaken to support the budget proposals. Given the legal challenges to other authorities, the sub-group consider that reference to the completion of EIAs should be made more explicit in the Budget Report, and there should be opportunity to consider the impact of the proposed changes, especially on those groups considered to be the most vulnerable.

Recommendation 11.

The sub-group believes that steps should be taken to ensure that EIA requirements are taken into account and clearly evidenced in reports when the budget is being considered.

10.7 Voluntary Sector

On similar lines to the issues raised in connection with EIA, the sub-group could not assess the impact of the proposed reduction in funding to voluntary sector organisations prior to the budget being agreed. Several core strategies

particularly in relation to early intervention/prevention, advice and guidance, domestic violence, mental health and alcohol and drug misuse are dependent on voluntary sector delivery. Members were not clear whether the delivery of Council priorities would be compromised if voluntary sector partners were unable to provide services.

Recommendation 12.

The sub-group believes that steps should be taken to ensure that these requirements are taken into account and clearly evidenced when the budget is being considered.

Furthermore, they were unclear how the local authority ensures that it gets value for money from its contribution to the voluntary sector and other partnership arrangements.

Recommendation 13.

The sub-group believes that voluntary sector partners should demonstrate outcomes as a result of Council expenditure or grants and these are taken into account when the budget is being considered.

10.8 Children and Young People's Services

Despite efforts to manage the overspend in Children and Young People's Services, the sub-group has concerns that the agreed budget has some optimistic assumptions about the level of need, particularly in respect of pressures of looked after children and safeguarding. They were reassured that the Cabinet Member and Strategic Director were making considerable efforts to transform the service and address some of the historic areas of overspend. However, it was felt that this will not be achieved in the next 12 months and the scrutiny review group would support a longer approach to resolving this.

Recommendation 14.

The sub-group would support a longer approach to resolving the areas of historic overspend in Children and Young People's Services.

10.9 Adult Services

The pressures of an aging population are considerable; in response it is clear that a great deal of work has been done around the 'personalisation agenda' to ensure that people are supported to live independently. However, the sub-group are unclear whether the Welfare Reform agenda may undermine this initiative and put further pressure on services as benefits are withdrawn.

The Cabinet Member for Adult Services expressed concerns about older people's residential care and continuing health care pressures. Both of these areas are placing considerable financial demands on the Council. It is clear that these demands have been managed within the overall Adult Services budget. However it is likely that these pressures will prove more difficult to manage in the long term; for example the unit cost of in-house older people's residential care services

appears high compared with other similar areas. This may not be financially sustainable, particularly as resources become more stretched.

Recommendation 15.

The sub-group would ask for proposals to be put forward to address budget pressures related to older people's residential care in the medium term financial strategy.

10.10 Asset disposal

Given the depressed property market, the sub-group questions whether the savings put forward dependant on the disposal of assets is too ambitious. The sub-group were also concerned that the cost of site maintenance of vacant buildings awaiting disposal appeared under EDS (and now Resources) rather than being 'owned' corporately, potentially leading to 'artificial' budget pressures that are out of control of the host directorate.

Recommendation 16.

The sub-group asks that a realistic assessment of asset disposal and maintenance cost is undertaken, and reflected in future budget deliberations.

10.11 Emerging agendas

The Cabinet Member for Health and Well-being had good oversight of the emerging health agendas and how this linked to the Council priorities and wider delivery of services. However, a number of the innovatory projects set up to address some of the borough's entrenched health inequalities may not be sustainable as current funding is non-recurrent spend.

Recommendation 17.

That in areas reliant on grant funding or non-recurrent spend, that clear exit strategies are developed and implemented, and that these strategies are clearly evidenced in budget deliberations

In addition, although the Cabinet Member has clearly good oversight of the imminent transition of public health services, the review seek reassurances that steps are being taken to mitigate any financial risk attached to its transfer to the Council.

Recommendation 18.

The sub-group asks that a realistic assessment of risks attached to the transfer of public health is undertaken, and reflected in budget projections.

The Localism Act potentially heralds further changes to delivery of services and disposal of assets at a local level which may lead to budget savings. The review group would suggest that opportunities for partnership working or alternative service delivery, particularly with Parish Councils are explored in future budget deliberations. This may ensure that priority services – for example litter picking,

grass cutting or valued local assets, are maintained, albeit delivered or operated in partnership with other providers.

Recommendation 19.

The sub-group believes that steps should be taken, in line with Council priorities, to ensure that opportunities for partnership working or alternative service delivery are taken into account and clearly evidenced when the budget is being considered in future years.

10.12 Consultation

The sub-group recognise that efforts were made to discuss service priorities with key stakeholders and communities of interest to inform budget decisions. Unfortunately, the outcomes of the consultation could not be considered by the sub-group until after the process was concluded. They also understand that the number participating was relatively small, so it is difficult to determine whether the proposals reflect public priorities. Whilst they are satisfied that efforts were made to take stakeholder comments into account, the sub-group would suggest that to make the budget scrutiny process more robust in future years,

Recommendation 20.

That the outcomes of budget consultations are able to be used at a more timely point to inform our questioning of budget options particularly around more sensitive areas.

10.13 Budget process

The report outlining the Proposed Revenue Budget and Council tax for 2012/13, solely outlined areas for savings rather giving information or an overview of areas that would continue to be funded. This made it difficult to make judgement about priorities and need, impact on equalities or if budget proposals would impact on other services.

The sub-group appreciate the complexity of the information and the difficulty of arriving at a set of proposals across all council services. Although they were given a budget timetable, it would have been unreasonable to expect that each stage would be met within timescales.

Recommendation 21.

If Members are to undertake proper and robust scrutiny of budget proposals in future years, there needs to be a clear and shared understanding of what information can be expected, in what format and at what stage of the process.

11. FINANCE

See above. Any recommendations arising from the scrutiny of the budget process will be forwarded to Cabinet and SLT for detailed consideration.

12. RISKS AND UNCERTAINTIES

Consideration has been given to the risk attached to meeting the agreed spend in each of the respective portfolio areas.

13. POLICY AND PERFORMANCE AGENDA IMPLICATIONS

Overview and Scrutiny can test out and make explicit whether the Council is directing its resources effectively to meet its priorities and demonstrate whether it is achieving value for money. This process should ensure there is an alignment of resources to those priorities already agreed in Corporate Plan and relevant strategies.

14. BACKGROUND PAPERS AND CONSULTATION

- Interviews with Cabinet Members: October-November 2011 and March-April 2012
- Budget reports
- Self-Regulation Select Commission: 12 July, 2012
- OSMB: 20 July, 2012
- Centre for Public Scrutiny (2007); 'On the Money: The Scrutiny of Local Government Finance'
- Local Government Association (2010); Scrutiny of Finance: Councillor Workbook

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