

Agenda

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Scrutiny Report Budget 2016/17

Budget 2016/17 Member Challenge Group Membership

Richard Udall (Lead Scrutiny Member)
Liz Eyre (Deputy Lead Scrutiny Member)
Bob Banks
Philip Gretton
Robin Lunn
Roger Sutton
Liz Tucker

Officer Support

Alyson Grice and Samantha Morris, Overview and Scrutiny Officers
Jodie Townsend, Democratic Governance Manager

Further copies of this report are available from:

Overview and Scrutiny Team
Legal and Democratic Services
Worcestershire County Council
County Hall
Spetchley Road
Worcester WR5 2NP
Tel: 01905 843579
Email: scrutiny@worcestershire.gov.uk
Website: www.worcestershire.gov.uk/scrutiny

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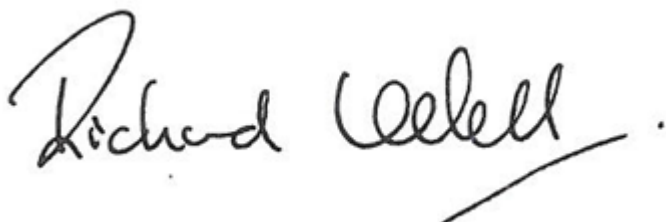
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Chairman's Foreword

I would like to thank the members who served on this vital member's challenge of the budget. Also the Officers who have helped to provide timely and detailed information, in a way which can be easily understood.

The process has been difficult, the goal posts of the budget have been moved a few times and it has been difficult to get a true picture of the financial situation until quite late in the process. Clearly we have suffered from a reduced grant from Central Government. Successive governments have failed to understand the needs and aspirations of our County and once again we find ourselves in a difficult situation. However, the budget is in our opinion sound and legal. We wish to offer help and assistance to the Cabinet to support their campaign for fairer funding.

Our recommendations are aimed at how we can continue to scrutinise the implementation of the budget and on how we can assist the Executive with their plans for the next budget. We hope our report is considered to be both constructive and supportive. We have put party politics to one side in order to deliver a report which hopefully, will both encourage debate and will receive a favourable response.

A handwritten signature in black ink that reads "Richard Udall". The signature is written in a cursive style with a long horizontal stroke at the end.

Cllr Richard Udall
Lead Member, Budget 2016/17 Member Challenge Group

Budget 2016/17 Scrutiny Report

Background and purpose of the scrutiny

1. On 7 July 2015 OSPB agreed to set up a Member Challenge Group led by the Chairman and Vice-Chairman of OSPB as part of scrutiny of the 2016/17 budget. The Member Challenge Group was set up as a cross-party group of members whose aim was to provide a more in-depth challenge to the Panel Chairmen on their findings.
2. The Terms of Reference were:
 - To examine how the Council is planning to meet funding reductions whilst delivering its Corporate Priorities.
 - To consider whether the proposed budget is achievable and realistic, and meets residents' needs in the medium term.
 - To consider the level of risk associated with the budget changes.
 - To understand the impact on residents of the budget proposals and how they are being managed and mitigated.
 - To consider ways to achieve savings and suggest appropriate proposals.
3. Since October 2015, following corporate strategy planning, the Group has met with the Leader of the Council, Panel Chairmen, the Chief Executive and other senior officers to discuss the outcomes of corporate strategy planning and developing budget proposals.
4. Throughout January 2016 the Overview and Scrutiny Panels held discussions on 2016/17 budget proposals with Cabinet Members and senior officers. The Panels' views and comments were reported to the Member Challenge Group on 22 January 2016.

Conclusions and Recommendations

5. Overview and Scrutiny Panels considered the purpose of Budget Scrutiny and how it could add value to the Council's financial management arrangements and in doing so considered the following evidence:
 - Budget Proposals detailed in 17 December 2015 Cabinet Report
 - Presentation from the Senior Finance Officer on the Budget Setting Process and Implications
 - Opportunity to question Cabinet Members and Directors.
6. As specific budget proposals following the Local Government Settlement were still being worked on in the midst of the Budget Scrutiny and could not be provided to the Panels, Members felt unable to challenge whether processes were effective and accessible and ensure that there was a level of integration between corporate and service planning and performance and financial management.
7. In addition the Panels were not in a position to be able to challenge how resources were allocated and used and examine their impact, as well as ensuring that all implications of decisions had been identified and considered.

8. With the possibility of four year budget settlements, it will be necessary for the role of Budget Scrutiny to be set out more clearly as there will not be the need for timing issues caused by waiting for and reacting to the Local Government Settlement each year.

Recommendations

9. In recognising the challenging financial circumstances the Council finds itself in, as a result of the continuing reduction in funding from central government and the increasing demand for services, the Member Challenge Group has the following comments:

Budget scrutiny

10. All Overview and Scrutiny Panels have considered whether they have been able to undertake effective scrutiny of the 2016/17 budget. This should include scrutiny of the budget setting process as well as the budget itself. The Member Challenge Group is concerned that effective budget scrutiny has not always been possible as the scrutiny function has not been involved at an early enough stage. In the light of these challenges, the Member Challenge Group **recommends that the OSPB devises a revised budget scrutiny process utilising the talent and experience of the Corporate and Communities O&S Panel and the Budget Member Challenge Group**. This should scrutinise and monitor the development and implementation of the current budget and the start of the 2017/18 process. Early scrutiny involvement should be considered a constructive addition to the process.
11. Given the complex nature of much of the budget information, **a development day should be held for all scrutiny Members** to ensure they fully understand how to interpret the information they are given. This should include a full explanation of the details of the budget setting process.

Fairer funding

12. The Member Challenge Group **recommends that scrutiny should work with Cabinet in its lobbying of central government on a fairer funding deal for the County**. Members' 'on the ground' detailed service knowledge could be used to support effective lobbying for change.

Children and Families O&S Panel

13. The Children and Families O&S Panel welcomed the £5 million being added to the budget for looked after children. However the Panel also noted that, at the same time, £6.3 million savings needed to be found from other budgets within Children, Families and Communities. How these additional savings will be found is not clear. The Member Challenge Group is concerned about the impact these additional budget cuts may have on preventative services, and the potential longer term effect on numbers of looked after children coming into the system. The Group would wish to be reassured about how the £6.3 million cuts will be delivered and **recommends that the Children and Families O&S Panel is fully involved as budgets are further developed**.

14. The Panel was also concerned about the large overspend in relation to Home to School Transport, currently standing at £677k. The Member Challenge Group **recommends that the Children and Families O&S Panel undertakes a scrutiny of Home to School Transport to better understand the service, the reasons for the overspend and what is being done to correct the situation.**

Adult Care and Well-being O&S Panel

15. The Adult Care and Well-being O&S Panel welcomed the additional funding that would be available for adult social care as a result of the proposed 2% increase in Council Tax. However, at the same time the Panel was concerned that the reduction in the Revenue Support Grant meant that, instead of having extra funding available, the budget would 'stand still'. There was also concern about the robustness of the local marketplace in relation to adult social care. In the light of these concerns, the Member Challenge Group **recommends that the Adult Care and Well-being O&S Panel continues to monitor whether the Council is meeting its obligations under the Care Act and reports any concerns to OSPB.**

Corporate and Communities O&S Panel

16. The Member Challenge Group **recommends that the County Council works to maximise all opportunities for income generation**, in particular in relation to:
- Place Partnership
 - Best use of the County Hall campus and other assets, including country parks;
 - A review of agricultural land to support economic strategies;
 - Additional revenue raising powers.
17. The Group also **recommends that the Corporate and Communities O&S Panel examines how the Commercial Team can ensure that the Council is getting the absolute best deal and delivering value for money for its residents when undertaking commissioning.**

Economy and Environment O&S Panel

18. The O&S Panel and the Member Challenge Group acknowledge that the amount of reserves held by the Council is a matter of judgement for the Chief Financial Officer. However, the Group **recommends that the Council considers using money from reserves to cover the £2 million shortfall.** This would leave £11 million in reserves, a figure which would remain in line with CIPFA guidelines.
19. The Group **recommends that a detailed Scrutiny review of the impact of Climate Change on the Council be conducted.** This should cover matters such as the problems caused, issues faced, impact of, opportunities presented and cost of climate change on the Council.

20. The detailed findings of the Overview and Scrutiny Panels are summarised below. The summaries cover discussions at Panel meetings in November 2015 and January 2016.

Adult Care and Well-Being Overview and Scrutiny Panel

21. The Adult Care and Well-being Overview and Scrutiny Panel were supportive of the progress made by the Directorate in difficult times. Although the savings plan was very ambitious, around half of savings were anticipated to be achieved through Invest to Save Programmes. In order to meet the balance of the savings targets, it was necessary to use Reserves which the Panel agreed was regrettably unavoidable.
22. In relation to the cuts to the Public Health Ring-fenced grant, Members were informed that it was hoped that services would be maintained, certainly for the current financial year, despite less funding.
23. The Panel was pleased to hear of changes that would have a positive impact, especially freeing up Social Worker time. The advances in technology were exciting and the Panel would receive updates in due course.
24. The Adult Care and Well Being Overview and Scrutiny Panel considered the purpose of Budget Scrutiny and how it can add value to the Council's financial management arrangements. In January 2016 it considered the following evidence:
- December 2015 Budget Proposals at Cabinet
 - Presentation and Q&A with Richard Harling and Sue Alexander (Director and Head of Finance) on Budget Setting Process and Implications
 - Opportunity to question Cabinet Member for Adult Social Care
 - Opportunity to question Director of Adult Services and Health
25. As a result of the information provided the Panel has agreed the following comments on the 2015/16 Budget Setting Process:
- The Panel supports the objective of replacing demand for residential care facilities by providing extra care facilities in an attempt to create a sustainable and balanced budget. However the Panel believes that this objective may require additional finance in the short-term to support its delivery and to provide future savings.
 - The Panel recognises the pressured environment that the Cabinet Member and officers are working under given the financial pressures and the ever increasing demand for services.
 - The Panel is assured that DASH has robust budget development processes given the evidence that it has demonstrated has been considered in the course of developing its budget. The Panel is further assured that DASH has identified and considered the implications of its proposals and is in a position to adhere to its statutory and legislative obligations.
 - The Panel understands that DASH has conducted adequate consultation when considering major issues but has not consulted on more minor matters.
 - The Panel shares the concern of the Director that the sustainability of the marketplace is an area of risk, given that the private and voluntary sectors are facing increasing cost and inflationary pressures.

- The Panel has confidence in the leadership and commitment of the Cabinet Member.
- The Panel is concerned by the loss of the Care Act Grant and how this will be mitigated within the budget.
- The Panel believes that it is inevitable that we will eventually see an impact on the quality of services provided, balanced against the requirements of legislation, if funding continues to be reduced.

26. The Panel would like to make clear that:

- There appears to be no consistency in the funding streams being provided by Central Government which creates difficulties for Local Authorities when setting budgets in relation to Adult Social Care.
- The Panel believes that Adult Social Care faces huge cost pressures and that the Draft Local Government Settlement is not a fair settlement for Worcestershire.

27. In addition to what is listed above the Panel would like OSPB to note the following:

- The service users in relation to the remit of the Panel are often the most vulnerable and least able to articulate their needs in society, it is therefore vital that the Panel fulfils its role in ensuring decisions taken by the Cabinet Member have been thoroughly thought out and robustly developed. The Panel has no reason to doubt that this is the case.

Children and Families Overview and Scrutiny Panel

28. The Children and Families Overview and Scrutiny Panel acknowledged that the Children's Services Directorate was going through a period of significant change and had confidence in the direction of travel. Members were however concerned that despite having a detailed Financial Recovery Plan, there was at present little evidence of the changes impacting positively on the £5.8m overspend.

29. The Panel emphasised the importance of ensuring that, when the interim Director and Assistant Director are replaced on a permanent basis, the appointees continued with the current direction of travel to allow for the impact of the changes to benefit the Directorate and ensure its ongoing stability.

30. The Panel welcomed the protection offered to Children's Service's by the proposed 1.94% increase in Council Tax to bridge the £5 million shortfall. From a corporate parenting point of view this was great news. However, the Panel expressed concern that this overspend was a repeat of last year's situation and felt it was not clear what the benefit of last year's additional money had been.

31. The situation appeared to be further complicated by the fact that there remains a £6.3 million funding gap in Children's Services with further cuts needed to bridge this gap. It was not yet clear where this additional money would be found. So, although £5 million was being added to budgets for looked after children, at the same time, £6.3 million would be taken elsewhere from Children Services budgets. There was concern that budgets for preventative services would be targeted for further cuts which might in the long run increase pressure on services for looked after children.

32. The Scrutiny Panel acknowledged that the Service might not need all of the additional £5 million but also recognised that the Council has a statutory duty to looked after children in the county. The figure of £5 million is based on last year's spend and would allow the Service to maintain the status quo.

33. There was also concern about the large expected deficit in relation to Home to School transport. This represented a 5.6% overspend on the agreed budget. The Panel would like to carry out further scrutiny work to investigate the causes of this overspend and analyse plans to remedy the situation.
34. The Panel also acknowledged concerns expressed at full Council in January about the use of external fostering agencies. The Panel had met earlier in the year with the Interim Head of the Fostering Service who had updated Members on ongoing work to bring foster carers in-house and reduce the reliance on external agencies. The Panel would receive a further update in the autumn following the appointment of a permanent Head of Service.

Economy and Environment Overview and Scrutiny Panel

35. The Economy and Environment Overview and Scrutiny Panel were encouraged by the Strategic Economic Plan (SEP). There was a considerable discussion about the re-organisation of BEC.
36. Cabinet had recently approved plans for Worcestershire Regulatory Services/Trading Standards to be bought back in-house. This would allow for oversight of the Service within the available budget and ensure it was not open to challenge. There were concerns about Children's Transport – targeted savings from the project to persuade parents to take a fixed grant rather than using Council transport provision had been brought forward. Take up was increasing year on year.
37. The Panel had no expressed concerns regarding the robustness of the budget setting process.
38. Members identified the following issues for consideration:
 - How can we generate savings through the reduction in the cost of oil/fuel? What opportunities are there to find savings in contracts and with energy to waste as a result of this reduction?
 - How can the Council best manage demand across services?
 - There is a need to review overall management costs in BEC.
 - There is a need to consider job vacancies to see if that position does need to be filled or if the role can be delivered in an alternative way.
 - A 'harder' review of already identified savings and efficiencies could identify more potential savings.
 - There is a £16million discretionary spend in BEC.
 - Inflation rates could generate opportunities for savings.
 - Overall contingency fund stands at £13million, this could be reduced to £11million and would still be above CIPFA guidelines.
 - How can we make Network Control operate quicker and more efficiently so that we can get infrastructure projects built more quickly when the money has been identified?
39. The Panel suggested the following recommendations to be considered by the 2016/17 Budget Member Challenge Group:
 - That a detailed Scrutiny review of the impact of Climate Change on the Council be conducted, ensuring that it covers matters such as the problems caused, issues faced, impact of, opportunities presented and cost of climate change on the Council
 - That the Council consider using the contingencies of £13million to cover the £2million shortfall. This would still leave £11million in reserves.

40. Members further suggested that the following could be added to the Panel's scrutiny work programme:

- Is the congestion around Worcester costing the Council and the Local Economy money?

Corporate and Communities Overview and Scrutiny Panel

41. The Corporate and Communities Scrutiny Panel has considered the purpose of Budget Scrutiny and how it can add value to the Council's financial management arrangements. In January 2016, it considered the following evidence:

- December 2015 Budget Proposals at Cabinet
- Presentation and Q&A with Sean Pearce on Budget Setting Process and Implications
- Opportunity to question Cabinet Member for Localism and Communities
- Opportunity to question Director of Commercial and Change

42. As a result of the information provided the Panel has agreed the following comments on the 2016/17 Budget Setting Process:

- The Panel is supportive of the Direction of Travel being taken and believes the budget proposals that it has examined in relation to Corporate and Communities are linked to delivering the agreed objectives of the Council. Therefore the Panel confirms that it believes there are clear links between budget setting and strategic/operational plans based on the information that it has been provided with.
- The Panel has identified areas that it believes would benefit from further review for the purposes of improving the budget position of the Council and would like to see the relevant Scrutiny Panels involved in these areas at an early stage for development of the 2016/17 budget and beyond:
 - Examine how the Council can make use and generate additional income from the Place Partnership (Commercial Property Group)
 - Conduct a detailed review on how to maximise the earning potential of corporate facilities at County Hall (ie generate additional income through Council Chamber use/ weddings/ use of the Hive etc)
 - Examine how to make use of the Commercial Team to ensure the Council is getting the absolute best deal and delivering value for money for its residents when commissioning projects
- In addition the Panel would like to recommend that the Children and Families Overview and Scrutiny Panel conducts a detailed review of options for consideration in relation to services for looked after children. Particularly noting the need to find the suitable provision for looked after children which may be more appropriate and more cost efficient than placing them into residential care.
- The Panel encourages Members to bring forward ideas for budget savings and improved and more efficient service delivery.

43. In addition to what is listed above the Panel would like OSPB to note the following:

- As specific budget proposals following the Local Government Settlement were not provided to the Panel, the Panel feels that it is not able to challenge whether processes are effective and accessible and ensure that there is a level of integration between corporate and service planning and performance and financial management.

- In addition to above the Panel feels that it is not in a position to be able to challenge how resources are allocated and used and examine their impact, as well as ensuring that all implications of decisions have been identified and considered.
44. The Panel would recommend that with 4 year budget settlements the role of Budget Scrutiny be set out more clearly as there will not be the need for timing issues caused by waiting for and reacting to the Local Government Settlement each year. The Panel recommends that Cabinet and OSPB agree a more focused role for Budget Scrutiny that will allow it to fulfil in full the Budget Scrutiny Function and provide a positive contribution and value to the Council's financial management arrangements.

Appendix – Schedule of Activity

| <i>Date</i> | <i>Event</i> |
|------------------|---|
| 12 October 2015 | Member Challenge Group Meeting with Mark Sanders, Senior Finance Manager, Financial Planning and Reporting |
| 22 October 2015 | Member Challenge Group Meeting with the Leader of the Council, the Director of Commercial and Change, the Chief Financial Officer and the Senior Finance Manager, Financial Planning and Reporting |
| 17 November 2015 | Adult Care and Well-being O&S Panel meeting to discuss Corporate Strategy Week Outcomes |
| 28 November 2015 | Children and Families O&S Panel meeting to discuss Corporate Strategy Week Outcomes |
| 25 November 2015 | Economy and Environment O&S Panel meeting to discuss Corporate Strategy Outcomes |
| 30 November 2015 | Corporate and Communities O&S Panel meeting to discuss Corporate Strategy Outcomes |
| 2 December 2015 | Member Challenge Group Meeting with the Chairmen of the Adult Care and Well-being O&S Panel, Children and Families O&S Panel, the Economy and Environment O&S Panel and the Corporate and Communities O&S Panel |
| 12 January 2016 | Briefing with the Chief Financial Officer on the final budget settlement |
| 22 January 2016 | Member Challenge Group Meeting with the Chairmen of the Adult Care and Well-being O&S Panel, the Children and Families O&S Panel, the Economy and Environment O&S Panel and the Corporate and Communities O&S Panel |
| 28 January 2016 | OSPB to discuss Member Challenge Group findings |
| 4 February 2016 | Cabinet budget discussion |
| 11 February 2016 | Budget agreed by Council |

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