

Executive summary report for Resources Scrutiny Commission written by Clive Stevens

Back in September 2018 and faced with the usual problem, “how do we make a difference?” So we decided to influence the consultation, understand better areas not looked at in 2017/18 and deep dive those areas that look high risk (financial variability). Looking back I think we actually did quite well..

1. Budget question 4 is open ended and asking the public for their input – true engagement. The latest news is that returns are running at 5 x the level of last year. But in January we shall see what has been said.
2. We inputted into the MTFP, but only one suggestion was included, so undaunted, the chair made a statement at Cabinet and Cllr Cheney said he would look at the other five issues. (See page 10)
3. We looked at HRA and Capital strategy, but missed out on Local Government Settlement, Public Health, Reserves and Risk. I think officers were preoccupied with emerging pressures, we were pretty busy concentrating on the key high risk areas. Resource Scrutiny will need to look at the areas we didn't cover:
4. Those pre-identified High Risk Areas we did cover were the Dedicated Schools Grant and specifically Special Educational Needs, Adult Social Care (both 64+ and Working Age which is 18 to 64). All three areas have proved to be worthy of study. Two I would say are not operating within “financial parameters” (I'll explain what I mean by that in a minute), but one (ASC 64+) appears to be within. My term “financial parameters” means if BCC sets a budget in February 2019 then there is a reasonable chance that the actual costs will be within £2 or £3m of that budget by the following year.

There are other areas of the budget that might not be operating within “financial parameters” but we didn't look at them.

Report highlights:

DSG – when we first saw this the pressures were £1.5m (based on early planning assumptions), a month or so later, (following more detailed review) these have risen to £4.9m, by the end of 19/20 (which includes £1.8m c/fwd). If these pressures stay at this level or rise further there will be a decision that needs taken about how to fund this deficit. Additional deep dive scrutiny talking to Special Needs Coordinators in schools reveals all sorts of issues between them, Heads and the Council trying to keep a financial lid on this. It concerns us that the needs of some children might not be being met and yet SEN Scrutiny isn't due until 2019. See pages 3, 7 and top of 8 for more detail.

ASC (64+) – 2018/19 is looking like it might come in £1m lower than 17/18 (figures before one-offs). Although this is well over budget, it is commendable and the underlying graphs show that demand is moving from Res/Nursing Care to Homecare and ECH. There is still a lot to do and ultimately the aging population will force these costs up again. See pages 8 and 9.

ASC (Working Age 18-64) – also includes preparing for adulthood. This is an amazingly complex area and our first look into it. It is quite clear that the costs are increasing and that it is not clear what to do to control them. This year will be £4m (in total) more than last year. The factors that are driving this are not fully understood (perhaps nationally). It is almost certainly going to be a major cost increase in 2019/20 too (unless extra funding comes in). See pages 8 and 9.

Future

We plan to hold a one off Budget T&F meeting in February 2019 to understand how the latest pressures impact on the Budget that councillors will be voting on. Probably based on P8 forecast; This shouldn't need much if any officer resource.

A big thank you to all those on the Budget T&F and to officers too. They have been thanked by me.

MTFP and Budget T & F Group Report to Resources Scrutiny Commission for 10th January 2019 P 2

Next pages (appendices): The various notes and reports are in chronological order, have been circulated and amended at the time plus a public statement to Cabinet at the end.

- A) Pages 2 & 3 Preliminary Report to OSMB 1 – scope, consultation, MTFP (1) and DSG (1)
- B) Pages 4 to 6 Preliminary Report to OSMB 2 – capital strategy and investment, MTFP (2), Council Tax and Business Rates and Emerging pressures
- C) Page 7 & 8 Meeting Notes #5 – HRA and DSG (2)
- D) Page 8 & 9 Meeting Notes #6 – ASC (18-64) and ASC (64+)
- E) Page 10 Chair’s statement to Cabinet about recommendations not taken up in the MTFP

Appendix A

Preliminary Report (1) to OSMB for 25/10/18 - Budget Task and Finish - Clive Stevens (Meetings #1 and #2)

The Budget T&F Group has met twice and continues a fortnightly program of review. The chosen scope is to “deep dive” everything we didn’t look at last year. So we will give the general fund a fairly light touch except ASC (18-64yrs) which is showing evidence of escalating costs. We will also closely scrutinise how the savings program is tracking and have tried to suggest improvements to the consultation process.

Members: Clive (Chair), Tim Kent (VC), Graham Morris (subbing for Mark Weston), Don Alexander, Olly Mead (to be substituted), Afzal Shah and Nicola Bowden-Jones. Stephen Clarke (Chair of Resource Scrutiny which is the group “we report into”) attends too.

I would like to thank officers for their hard work and insightful presentations.

So far we have reviewed the T&F group’s scope, the budget consultation (its scope), MTFP (medium term financial plan) and the DSG (direct schools grant). We also noted that (as of 28/9/18) the P4 forecast is £7m behind budget. But assuming it can be clawed back and as long as the £76m of savings which were consulted upon in Dec 2017 are being delivered and if other pressures and incomes come in as expected then future budgets look balanced until 2022/23. That’s a lot of big IFS especially if you consider what impacts Brexit might have over the coming years. I have heard talk of inflation, staff shortages, building cost overruns and delays to name but a few, so some further efficiency savings or income increase proposals are recommended.

Issues covered so far:

1.The Scope: General Fund (light touch with detail into ASC 18-64, savings program tracking and consultation). Deep dives into Capital program, MTFP, Direct Schools Grant, HRA, Public Health, Reserves and Risk.

The budget process for any particular spend area involves defining the current need, then allowing for pressures like inflation, demographics then factoring in savings and service quality changes (both of which eventually need to be consulted on before the budget is approved) and the end result is the new budget. It is an iterative process to ensure the totals align with the total income from business rates, council tax and any other sources.

The T&F group have so far “deep dived” into Consultation, MTFP and DSG....see below:

2.Consultation (Nov 2018 feeding into 19/20 budget): An initial desire was to offer the people of Bristol with a more meaningful consultation, so discussion was commenced even before our first meeting. The idea being to combine the usual list of savings proposals and changes along with something more open ended “key cost issues of the day” like how do we get more in-house foster carers, how do we offer more extra care homes etc...these would make up say 8 to 10 MTFP/Budget discussion questions which cover large cost areas. Then.. -The usual list would then be considered and presented to Cabinet in January.

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-The open ended, “big issue” responses would take longer to analyse and might be used to inform budget amendments (by any party including Labour) in February or inform work to feed into the following year’s budget.

Officers responded that this idea was not recommended for these reasons:

- i) The public would be uncertain as to what was feeding into the 19/20 budget,
- ii) The timescale and resource needed for analysis of the open ended responses,
- iii) The time taken to prepare different consultation formats, explanations and videos,
- iv) I am now adding a fourth and that is following the Judicial Review anything to do with consultation (or lack of it) should be thought about quite carefully.

We discussed this input as a group and decided to accept the officers’ recommendation as long as there is headroom in the savings proposals so the public are presented with true choices. So for example, if £10m of savings are needed then £15m would be proposed. We await to see if this is agreed with.

3. MTFP - The following feedback is for OSMB and for the Executive to consider next week. Six points:

- The MTFP is essentially a document of principles and behaviours to guide decision making. This may involve some officers having to drop cherished projects, it is important to embed these principles deeply.
- Need to avoid short termism regarding outsourcing, we must place more value in building BCC’s knowledge base for effective commercialisation and service delivery.
- If a zero based budget review is to occur, the value is maximised if done in conjunction with process re-engineering and then benefits locked in by ICT developments.
- Investment cases require more rigour in defining expected outcomes. That way these can be tracked, alterations to the project made and so benefits from the investments are fully achieved.
- Regarding the first bullet point, there needs to a mechanism for resolving where two policies are at odds e.g. maximising revenue from assets and the need to strengthen the community.
- Regarding commercialisation; BCC has many, unique strengths including the people and businesses we provide services to. Commercialisation should focus on activities where we can lever off our unique position and strengths.

4. DSG (Dedicated Schools Grant)

The Government calculates the funding for schools. The formula is complex. The funding flows into four funding blocks. Two blocks are underfunded compared with the actual needs here in Bristol. These are Early Years and the High Needs Block. The T&F Group will probably revisit this in December, key issues are:

- High Needs Block is underfunded by £4m, to get this fully reallocated from other blocks requires approval from the Secretary of State.
- Regarding High Needs, things are further complicated because it seems schools are slow to register their Special Needs funding requirements (They would argue differently from what I hear) and there is concern about children who have undiagnosed needs. Understanding these pressures will go a long way to better budgeting.
- Consultation on changes and any savings proposals needs to be done this November.

In conclusion: We have 4 more meetings scheduled. We have fed in our comments on the MTFP. Consultation hopefully will offer the people of Bristol a true choice. The DSG needs to be kept under close review. And the risks need to be better understood especially around Brexit.

Thank you - kind regards - Cllr Clive Stevens (Chair Budget T&F)

Appendix B

Preliminary Report (2) to OSMB for 27/11/18 - Budget Task and Finish - Clive Stevens (Meetings #3 and #4)

This covers work from two further “deep dive” meetings, we looked at the Capital Strategy (Guidelines), Capital Investment Program, Income from C.Tax and Bus. Rates and emerging pressures of which there are many and how they might affect the MTFP.

As a reminder, the Members are: Clive (Chair), Tim Kent (VC), Mark Weston, Don Alexander, Nicola Bowden-Jones and Afzal Shah, unfortunately these meetings clash with Olly’s Planning Course at UWE.

We would like to thank officers immensely for the amount of work and clarity they have provided, and their very fast response in “clearing” this report.

(In the previous report #1, submitted to OSMB on 25/10/18, we scoped the program and covered consultation, MTFP (words) and Direct Schools Grant DSG.)

1. Capital Strategy:

There are three goals of BCC Capital Investment (same as last year):

- sustainable inclusive growth of the city (where the Council benefits from increased business rates or council tax revenues for example). Analysis last year showed that at least 80% of planned investment was to do this and we were told this high percentage was being reviewed.
- investment to improve or maintain infrastructure
- Investment to make savings (e.g. productivity) or to generate a return to BCC by commercialisation for example.

Future capital investment falls into two priorities:

- Essential projects. These need to meet two of these three criteria: it is statutory (must be done), or external grant funded and it meets goals in the corporate strategy or one city plan and thirdly any revenue implications like interest are paid through external funding or cost savings. On reflection I’m not sure what happens if something is statutory and doesn’t meet the other two criteria.
- Other projects = everything else. These are assessed against seven criteria (and following our scrutiny) an eighth which is “capacity to deliver”. The eight criteria are listed in Appendix 1.

2. Capital Investment Program:

- re-profiling including the outcome of the Arena decision has reduced predicted additional borrowing (over 5 years) from £330m to £261m and so reducing forecast general fund costs (financing) of £2.5m/year. This has also released £8m of “Strategic CIL” to be able to support the Capital Program. In fact CIL including this could support **some** £20m of capital investment over the 5 years.
- but Capital Pressures are emerging, including possible acceleration of Avonmouth and Severnside flood defences scheme, and cemeteries.

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3. Council Tax, CT Base & Business Rates (NDR) income:

- the Council Tax collection fund is in surplus of £1.8m (BCC gets £1.5m). It is due to better outturn of collection of 17/18 money. The collection rate for money due that year is 99.1% the second highest rate in the country (core cities) and officers are to be commended. Historically we budget on 98.5% and so that % will be looked at next year but the impact of Universal Credit could knock us back down.
- the Council Tax reduction scheme continues to fall (slowly) by £1.3m this year in theoretical cost and 2.4% lower in terms of claimant numbers as primarily pensioners are lifted out of the scheme, some reduction in working age claimants too.
- student exemptions: The headline "loss" now reaches £12.9m/year as you will see in the report coming to Full Council on Dec 11th BUT we were told that local government funding formula from a few years ago, includes some of that but not the "lost income" due to expansion in numbers since then. No figures can be provided but I would imagine our "loss" is still many millions and primarily due to university of Bristol expansion since the change. This year's increase in exemption is 397 more band D exemptions. By comparison net new housing (after exemptions subtracted) is estimated at 1,201 band D equivalents.
- the business rates NDR collection averages around breakeven, last year was a £87k in surplus to BCC. Interestingly the appeals provision standing at £25.2m is currently scheduled to be increased by Full Council by another £4m (using the Government 4.7% guidelines) even though the appeals rate is decreasing. (Message from officers: This is primarily a timing issue – they will increase again when it becomes more advantageous for agencies to support, and there is a significant risk they will increase further). However I think this is an area for further questions especially given the emerging pressures (see MTFP at 4. below). There are uncertainties regarding the NHS claim for charitable rate relief now at the Crown Court (not against Bristol but any judgment will surely affect us) and the reduction of rates for retailers with cash machines; officers are coming back to us on that.
- there was a prior year adjustment of over £700k which brings the net benefit to BCC as a positive £892k.

4. Emerging general fund pressures (Period 6) and MTFP (numbers)

- ACE (ASC £10.7m and Education £1.6m). The ACE budget is to be rebased this year which means the in-year budget will be increased to reduce the variance of outturn (forecast) to revised budget back to zero, again. This time we will see a £12.3m budget increase in ACE (with decreases elsewhere so the total Council budget doesn't change). This £12.3m is rebased using from £5.12m of ongoing cost mitigations partially from the release of contingencies built into the ACE budget and £7.2m of one-offs (S31 and social care grants). The issue with using one-offs is that although this year's budget 18/19 will stay balanced there will be a £7.2m pressure to add next year plus all the other pressures on ACE next year 19/20.
- DSG (This is subject to ongoing review due primarily to increasing pressures on SEN/HNB - and to be reviewed in more detail by the Task and Finish Group on 30/11 - it is though encouraging that the true situation of pressures in this area is now being better understood.
- The pressures have led to a recalculation of the MTFP which now shows an initial deficit of £1.9m for next year and £2.9m deficits for 20/21 and 21/22 (beyond then is the territory of the new fair funding review). This leaves no headroom for further pressures and all savings need to be delivered. So it could require identification of further efficiencies.

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-The MTFP assumes Council Tax increases of 2% (but no increase in ASC precepts beyond 19/20 and ASC grants held at £2m/year).

-A full MTFP refresh is planned for the summer of 2019, so don't go booking any holidays 😊!

5. Consultation update (two weeks in)

- Over 400 replies so far which is double the response rate two weeks in last year. All councillors are urged to advertise the consultation in their e-newsletters and other communications and if possible even hold meetings.

<https://bristol.citizenspace.com/bristol-city-council/budget2019-2020/>

Officers have a PPT you can use if you wish. Last year BCC had 700 responses by close. This year's close is due 17/12/18.

6. Future work

- We are to review the DSG again, HRA on 30/11 (all welcome) and on 10/12 we will cover the Local Government Finance Settlement, Public Health, ASC 18-64, risk and reserves (anyone welcome too).

- We are considering an Extraordinary Budget T&F meeting sometime in February 2019 to understand the latest on general fund pressures and how that relates to the Budget that will be voted upon maybe a week later, this idea is to ensure Councillors are even better informed than they already are.

Thank you and kind regards - Cllr Clive Stevens

Appendix C

Meeting # 5 (30/11/18) Notes – HRA (Housing Revenue Account) & DSG (Direct Schools Grant – revisited)

Present: Cllrs Clive Stevens, Don Alexander and Tim Kent. Michael Pilcher plus from HRA Paul Cook and Lorna Whitlock. And from Education Kevin Jay and Anne Sheridan. Jo Holmes (Scrutiny).

Apologies: Cllr Mark Weston

HRA

- Council Tax Reduction Scheme – members asked how many council tenants are receiving this. Officers didn't know the actual figure and said they would need to get back to Members.
- 29k homes, last decrease in rent is 19/20 then CPI increases. Totally ring fenced, must do a 30 year plan.
- Benchmarking with other LA HRAs (not really comparable with Private rents). Officers said they have some comparable data with Manchester and they could share this with Members.
- Bad debts at 2.6% of gross rent, possibly might increase due to Universal Credit (put in at 2.9% for 21/22). Asked for % on CTRS.
- Capital spend modelled to double on new builds:
New build 19/20: £21m, 20/21: £28m, 21/22: 41m (approx. £160k / property). 500 new houses – officers said they could provide a more detailed note on this so it was clearer.
- Other capital (to keep to appropriate standard - not repairs) at £29m/yr rising to £31m/yr by 21/22

Note: New policy: Some HRA will be building mixed communities (good) which then means some of the development will be sold, that will finance those remaining as council homes. This means more money in the HRA to build more council homes. The receipts from the private sales don't appear to have been factored in yet. (This is not right to buy).

Note: Since our meeting on 30/11, Don Alexander has discovered that HRA budget can be extended to parks and facilities for Council House Tenants, not just the buildings themselves.

DSG (2nd review) – update

- Main concern is High Needs Budget (HNB) (overspend).
- Noted also underspend in Early Years budgets. This is because funding is based on Government January only census data as opposed expenditure based on more regular census analysis throughout the year.
- Regarding the HNB. The Schools Forum has agreed to transfer of £2.566m from other funding blocks (Schools Block and Central Services) and more if the growth allocation from Government (numbers growth in schools) is over £3.9m. (Unlikely).
- From T&F Group perspective the issue is funding the actual needs. Historically funding schools has only ever been from Government funding. But as this is so underfunded there is potential to have to take this from the General Fund. but the Judge (JR) said at the end its for LAs to fund the needs.

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- Predicted needs 18/19 is £54,230 about £100k more than the recently reset budget. - For 19/20 the needs are predicted to rise to £58,187 which is £4.9m more than the forecast funding from Government (That is £51.494 plus the £2.566 authorised by the Schools Forum = £53.266).

The Chairs view is that “something will have to snap. We either fund the needs and carry the loss on the Schools Budget for a further year (what then in 20/21? Maybe sorted in fair funding review?) OR we underfund the HNB (unlawful)”. Officers have stated that savings or additional income source would be needed to fund this.

Appendix D

Meeting # 6 (10/12/18) Notes – ASC (64+ revisited and Working Age 18 – 64)

Present: Councillor’s Clive Stevens, Mark Weston, Don Alexander, Afzal Shah and Gary Hopkins (sub for Tim Kent), Neil Sinclair (Interim Finance Business Partner, Resources), Johanna Holmes, Scrutiny Officer.

Notes: Joint effort Clive and Jo.

ASC Overview

- Forecast variances to 18/19 budget of £11m for 18/19 (£64yrs+ at £8m, 18-64 at £10m and “preparing for adulthood mainly” 18 – 25 at £3m offset by staffing savings of £6m and one-offs of £4m). This is before the P7 reset.
- Figures show big reliance on one-off funding again this year.
- Figures show the number of people receiving care has gone up by 2% (currently 5,322 service users) but costs have gone up by 4%. (17/18 to 18/19)
- 17/18 act. 64+ £72.8m 18-64 £63.7m Prep Adult £7.6m
- 18/19 P6 64+ £71.1m 18-64 £66.6m Prep Adult £8.9m
- The figures are difficult to judge trends because there’s little comparable data going back very far. This issue partly due to one-off funding and no two years being funded in the same way. This makes it really difficult to learn from the past and is especially confusing for councillors.
- But the figures above are comparable. You can see 64+ is actually a little lower than last year, the numbers of people in nursing/residential care have fallen by over 100 total and prices are plateauing. This is the impact of the better lives program.
- BUT this has not impacted 18-64year olds nor Preparing for Adulthood.
- **We looked at the pressures, the success (or otherwise of the Better Lives Program). We were not shown any draft 19/20 budget numbers yet but have a feel for what a sensible range would be as long as Finance present gross figures before all the one offs, show them clearly, for a net figure .**

Better Lives Programme (ASC 18-64 yrs)

- BCC appears to be paying a lot for the care it’s funding. More than many other LA’s and above the national average. Officers are currently looking for ways to bring the costs down.
- There are skills gaps BCC needs to address regarding 18-64. The council are recruiting more officers who understand this area of work and know what is needed when commissioning services. There is now a larger and more specialist commissioning team working to improve the pricing and control the costs. Officers are currently also putting a plan together to address overall spiralling costs (such as

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residential care costs) and would like to share this plan with members when it is a bit more developed.

- Certain cohorts are increasingly growing such as the older age group and those with complex needs.
- I think it is true to say that the Budget T&F Group were amazed at the complexity of issues, services and difficult cases. Solving this is a different order of magnitude in difficulty to the 64+ which was difficult enough.
- Various hypotheses were discussed about the different causes e.g. having a specialist children's hospital in Bristol acting like a magnet and then individuals stay to access the services. At this stage it is not known if that impacts the numbers.
- There is a "bulge" in numbers in their 50s, this is a legacy issue. Once they reach 65 they will move across to 64+ budget.
- Discussion about how the group can support officers on this subject going forward. Members are quite keen to do more but also don't want to take up officers precious time.
- Members suggested that more work with other LA's should be done (to both share costs and learn from each other).
- Taking learning difficulties as an example which is 239 people about 10% of the service users, there are approx. 2 or 3 people entering the system per year with severe learning difficulties costing over £200k a year each. Those leaving the system are more (4 or 5 people a year) but costing closer to £60k a year. So even if numbers slowly reduce (which is difficult to imagine) the average cost of care packages will increase.
- The complexity of all this is mindboggling (to the Chair at least).
- And it is clear to the Task Group that Local Authorities can't continue to support this type of activity in the long term. The cases are complex medical issues and LAs can't be expected to have these skills, nor the governance, and that's even if they had the funding, which they don't either. We need to work with other LAs to spell this out clearly to Government.

Adult Social care for over 65 year olds

- We must applaud officers. Costs in 18/19 will be slightly less than 17/18.
- The Better Lives program has put a cap on residential rates and is beginning to bring down demand (but not as fast as the MTFP would like). The actions are well thought through and bedding in. We can see a stabilisation of costs for a year or two before demographics (>85s) overwhelms it. But for now officers deserve a "well done, have a cup of tea, now get back to work" because there is still a lot to do to ensure success of all the programme for 64+ care.
- It seems to us that the quality of care is as good or better as defined by the service user. That's up to ACE Scrutiny to check.
- Some examples:
- Stoke Gifford Retirement Village for the over 55's – this has recently opened and was said to be a good example of how older people can be supported to stay in their own homes longer. This is better for people and for tight budgets.
- Also, it was said that we need more mixed communities where different age groups live together and support each other (Japan are a good working model of this). Lockleaze was said to be an area that is being looked at for trialling this type of mixed community. More are needed.
- Discussion about how a housing company can help with future RTB i.e. help the council continue to keep hold of houses that have been kitted out with assisted technology for people with support needs. It costs a lot of money to kit houses out to a high specification and we don't want to keep losing them once it's all been installed. Members suggest we should be lobbying in the meantime to enable the council to keep hold of them.
- Looking ahead - new funding was announced in Chancellor's budget this year for 2019/20.

Appendix E

Statement to Cabinet – 5 Dec 2018 - Agenda 16 - MTFP and Capital Strategy – Cllr Clive Stevens

Although the scrutiny box is unticked, the Budget Task and Finish Group did look at these; the MTFP twice and the Capital Strategy once and both in some detail.

It seems you have taken on one of our recommendations, the one relating to including social value when trying to maximise the return from assets (p187). That was an example of a more general point where we thought you needed a mechanism for officers to resolve instances when two MTFP decision principles are in tension with one another, for example charging fees in parks or for road closures versus building social capital and resilience.

We actually made some other recommendations too these don't appear to have been included but in case you missed them they are here:

- MTFP: Investment cases need more rigour in defining predicted outcomes that are measurable and directly related to the proposal.
- MTFP: Entrepreneurship should be focussed on areas that the Council already has strengths. When you go into the business world you need what's called a competitive advantage. Normally this can be a skill or resource that is beats what competitors Can do. Some examples are the land holdings BCC has, access to funds at low rates and as an expertise BCC is strong in Planning for example.
- Capital Strategy (para 26 table 23). For a project to be categorised as essential it needs two of the three criteria to be met. But what if a project has to be done to meet a statutory requirement but it doesn't meet either of the other two funding criteria?
- Capital Strategy (para 27 table 4). For non-essential projects you have seven criteria. We suggested an eighth: Capacity to deliver. (Much of capital program has been under delivered for years due to this factor).

I know it is a very busy time of year and you or your finance officers might have missed these points. Our Group appreciates being given the opportunity to undertake pre-decision scrutiny and as Chair I do hope our work is appreciated.