

Resources Scrutiny Commission: Budget Scrutiny Report to Cabinet

Members of the Commission: Cllrs Clarke (Chair), Shah (Vice Chair), Stevens, Brain, Khan, Kent, Alexander, Goulandris, Morris, Hickman, Pearce.

Also in attendance at one or more meetings were: Cllr Gollop, Cllr Weston, Cllr Cheney and Cllr Holland

Officers present: Mike Jackson, Executive Director of Resources and Head of Paid Services; Denise Murray Director of Finance; Michael Pilcher, Finance Business Partner, Jacqui Jenson, Executive Director Adults, Children and Education; Alan Stubbersfield, Service Director, Education, Learning & Skills; Terry Dafter, Service Director - Care and Support – Adults; Neil Sinclair, Interim Finance Business Partner; David Tully, Interim Finance Business Partner; Lucy Fleming, Head of Democratic Engagement and Johanna Holmes, Scrutiny Advisor.

Chris Holme, Interim Service Manager - Corporate Finance contributed towards the information.

Context

Budget Scrutiny this year was carried out by the Resources Scrutiny Commission. This report has been produced following two meetings of the Commission on the 10th and 14th January 2019.

Prior to this, the Scrutiny 'Budget Task and Finish Group' (under the Chairmanship of Cllr Stevens) also met six times with finance and other officers between the end of September and the beginning of December. The Commission would like to record their gratitude for the excellent work produced by the Task and Finish Group (T&F Group).

There have been a number of difficulties in adequately scrutinising the budget; these are dealt with in detail in the section of this report entitled 'Process and Suggested Improvements'. Note that this section contains caveats concerning the rest of the reports.

The relevant comments from both the Scrutiny 'Budget Task and Finish Group' and the Resources Scrutiny Commission have been inserted where applicable under each agenda item below.

1. Budget Consultation - Report of Findings

Scrutiny Commission Comments

Members were encouraged by the following;

- The broad array of communities that officers sought to engage with and the steps taken to achieve this. Members were particularly impressed by the fact that officers had proactively gone to shopping centres, cafes and libraries and other public areas with their iPads to obtain opinions from a much wider cohort than is usual in such consultations. This approach led to a considerable increase in response rates (especially from those who are often 'hard to reach' groups).
- The valuable insights and high quality data gained by the consultation process.

The Commission commended officers on the high standard and achievements of this piece of work.

2. Adults, Children and Education (ACE) Directorate Savings

Scrutiny Commission's General Comments

- Members noted the high costs currently required to care for people with learning difficulties e.g. over £200,000 per person each year.

- Members were encouraged to see that the costs of Adult Social Care (ASC) for those 64 years and over were now considerably lower than they were. Officers predicted that the budget for ASC for 64+ was to be reduced from £71 million to £59 million over three years. The Commission Members were encouraged by this although a number of them were sceptical that these figures could actually be achieved.
- It was acknowledged that some of the issues in this spending category were influenced (both on the income and expenditure side) by matters outside the control of this council.
- Members considered that they did not have enough detail with regards to what sits below the headline budget figures i.e. how do the savings break down and how are savings going to be achieved? It was recognised by Members that it was difficult to scrutinise information when only the headlines figures are provided because of the timing and circumstances.
- Members were pleased that an apparently balanced budget had been achieved. They did however express concern about likely future pressures on this budget item.

3. Adult Social Care

The Task and Finish Group divided this item into two separate categories ASC for 64+ and ASC for 18-64. Officers presented a report entitled Better Lives Programme which covered the entire spectrum of ASC.

Task and Finish Groups Comments

ASC 64+

- It appears to the Commission that the spending might come in £1 million lower than in 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 Residential /Nursing Care to Homecare and Extra Care Housing. There is still a lot to do and ultimately the ageing population will force these costs up again.
- The T&F Group were satisfied that the finances appeared to be operating within the 'financial parameters'.

ASC 18 – 64 years

- The group felt this was a complex area, but it was apparent to them that the costs are increasing. Unfortunately they were unable to identify easy ways to control them. This year will be £4 million (in total) more than last year. The factors that are driving this are not fully understood. There is almost certainly going to be a major cost increase in 2019/20 also.

Officer Presentation and Comments by Commission Members

- Members were encouraged to hear that no additional savings were being proposed and that it appeared that things are moving in the right direction.
- It was the Commissions understanding that holistic actions have brought the costs down for the ASC for 64+ provision.

4. Dedicated School Grants (DSG)

T&F Group Comments on DSG

- When the T&F Group first looked at this the cost pressures were £1.5 million (based on early planning assumptions). Only a month or so later (following a more detailed review), these had risen to £4.9 million. Commission Members expressed concern that if these cost pressures continue to increase in this way a difficult decision will need to be taken about how to fund this deficit.

Additional deep-dive scrutiny carried out by the T&F Group included talking to Special Needs Coordinators in schools and Head Teachers. This revealed considerable concern amongst these

professionals concerning the funding position. The T&F Group were concerned that the needs of some children might not be being met. This was particularly the case in view of the fact that the Special Educational Needs (SEN) Scrutiny on the actual service provision isn't due until later in 2019.

Scrutiny Commission Comments

- Members were of the strong opinion that despite the provision of additional funding financial resources in this area were still inadequate.
- Members understand that the numbers of children and the complexity of their needs have increased and that this is increasing costs and generating a cumulative pressure on the High Needs Budget. They did applaud the fact that officers specifically confirmed that the Council budgetary process did now seem to be based on the anticipated needs of children and not the anticipated spend.
- £58.2 million is the likely spend, resulting in a £3.3 million forecast deficit; Members appreciated that this figure had reduced. Questions were asked about borrowing from the future and comments were made about the risk involved.
- Members would require further clarification but currently understood that the £2 million transferred across to the High Needs Block was from the Growth Fund (money for expansions of existing and new schools) and heard officer's reassurances that this is being monitored and does not affect schools' abilities to deliver mainstream education.
- The Commission Member stated that schools still appear to be underfunded and that there should be more clarity that the responsibility to fund them properly actually lies with central Government. The costs of education (both mainstream and SEN) should not need to be funded and subsidised by other areas of the Council.
- It was agreed that the Transformation Programme would be scrutinised by the Adults Children and Education (ACE) Scrutiny Commission.

5. Local Government Finance Settlement

Officers explained to the Commission that the settlement for Bristol was largely in line with their expectations and assumptions with the exception of the following:

- Redistribution of the surplus in the National Business Rates levy account resulted in £1.5m of additional funding not previously anticipated within the MTFP.
- Members understand that a review of the conditions attributed to further one-off funding has resulted in overall additional funding in the region of £2.7 million net (including £1.5m above) plus the possibility of the extra 1% in Council Tax (approx £2 million, now confirmed). However, it was clear to Members that there are still some large potential shortfalls in the individual budgets.
- Post the settlement government announced an additional High Needs DSG of +£1.0m in 2018/19 and another £1.0m in 2019/20. However this is still estimated to leave a cumulative deficit of by March 2020.

6. Capital Programme

- The T&F Group had previously looked at the Capital Strategy (not Capital Programme) and so were disappointed that the figures they had been provided with didn't breakdown the percentages into categories as this meant it was difficult to fully understand what the information was actually conveying i.e. what has changed, been add or removed? Members said that they may want to look at this again in more detail in due course.
- A number of Members questioned the decision to include in the budget potential Community Infrastructure Levy (CIL) which had not yet been received or even individually identified in the figures.

7. Reserves

- The T&F Group had not previously had time to look at this subject but noted the officers' presentation on the subject.
- Members were assured that in terms of the comparison of reserve levels with their peer councils they were 'in the middle of the pack'.

8. Arena Funding

- Members wanted to understand what the revenue impact of not going ahead with the arena at Arena Island was and to know what the interest savings were. Officers confirmed that £2.5 million per year is being saved.
- Members were keen to understand more about the differing land values for the site depending on the eventual use but were told it would be valued at the time depending on the scheme. Members were surprised that such calculations had not already been carried out by officers utilising the various different possibilities for the land use.
- Members requested to receive further information in due course about the alternative business cases that will be submitted to the LEP Board for the now unused £53 million.

Members' Additional Comments

- Some concern was expressed that lots of funding this year is one-off i.e. £7 million of one-offs. These payments may appear to give a more optimistic view of the situation than the reality.
- Organisational restructure and the importance of comparing data between financial years; officers were asked to ensure there is a way to retain historic information so that comparisons can be made in the future between budget lines even after organisational responsibility (and therefore financial budgeting) have been redistributed between departments. Officers confirmed that this could normally be achieved albeit using manual processes.
- P7 Budget Monitoring Report; Debt Management – concerns were raised about the figure of 24,000 outstanding invoices (it was explained that it was not 24,000 individuals and many were ASC related contributions). In any event the situation is improving.

Next Steps

The Commission suggested it may be necessary to convene another meeting to consider the budget as actually published. The position will be confirmed as soon as possible. In any event the Budget T&F Group plan to hold a one-off meeting in February 2019 to consider the P8 forecast and understand how the latest pressures impact on the Budget that councillors will be voting on.

Process and Suggested Improvements

In the first instance Members didn't have an actual budget to scrutinise as it was only published after our meeting on 14th January. When the timetable for Budget scrutiny was being agreed members were aware that this would be the case. Therefore, in order to deal with this issue the Commission empowered a Task and Finish Group to use the figures available from the Medium Term Financial Plan (MTFP). They were then asked to identify the areas where a 'deep dive' could most usefully be carried out. These areas were identified by using a risk analysis approach, in other words they were areas of most uncertainty and maximum impact. A copy of the Executive Summary of the Task and Finish Group report is attached at Appendix 1. Throughout this process we have assumed that we can use the MTFP as a guide for our scrutiny as it was being updated as the civic year progressed.

The other major issue has been the timely production of papers by officers for both parts of our budget meetings. The Commission were expecting adequate reports to have been produced on the 'deep dive' issues. As stated above, they were always aware that constraints of the budget timetable and the need for Cabinet to approve the papers first, meant that they would not have the full budget at their meetings. They were however expecting timely reports on the 'deep dive' issues. Unfortunately these reports were late.

The Constitution states that all papers relevant to public scrutiny commission meetings are due to be provided five clear working days before that meeting. This to enable Members of the Commission to adequately read and consider the papers and also to allow any members of the public to consider them and engage in the democratic process by asking questions or making statements.

With regards to the meeting on the 10th January the papers should have been provided on the 2nd January. In fact four reports were provided on the 8th January and a further report was only provided at 1pm on the day of the meeting.

With regards to the second meeting on the 14th January the papers should have been provided on the 4th January but weren't actually received until 5pm on the 11th January. This meant that there were actually no working days before the meeting for members of the Commission or the public to consider the papers. Serious consideration was given to cancelling the meeting and at least one Member of the Commission requested that this happen. In the event, the Chair made the decision to continue with the meeting on the basis that there had been an intervening weekend between the eventual publication of the papers and the meeting itself.

The provision of papers at such a late stage for both meetings was not considered acceptable by Members. In order for the Commission to adequately scrutinise these vital budget decisions it is imperative that adequate time is given to the Members to read and digest them. Such late provision also makes it virtually impossible for members of the public to participate in any meaningful way. This is vital if scrutiny is not to become a 'tick box exercise'.

There have been discussions with the Head of Paid Service (Mike Jackson) concerning this issue. Following those discussions it was apparent there was a communication issue concerning the scope of the meetings and the papers that would be provided. He agreed that the T&F Group had conducted a successful and useful piece of work and considered that the comprehensive report they had provided on the 'deep dive' issues would be the main information on which the discussions at the meetings would be focussed. While Commission Members and others involved in the planning of the meetings agree that this was an important part of the jigsaw, they had also understood that substantive reports on the 'deep dive' issues would be provided by officers in a timely manner.

Mike Jackson also raised the question of whether pre-decision public scrutiny is the best mechanism to scrutinise the budget in future years. Clearly there is tension between the need to receive adequate papers and the desire from members of the Commission to make a meaningful impact on the budget process. The problem is that the actual budget is only published five working days before Cabinet and therefore it will always be difficult to carry out pre-decision scrutiny. This Commission recommends that this is an issue that is carefully considered before the dates are set for budget scrutiny in future years.

In view of this, it is to be carefully noted that the rest of this report is to be caveated due to the late provision of papers. In fact, a number of the Commission Members do not feel they have had time

to adequately scrutinise the contents of the officers report that were provided to the Commission meetings.

Report prepared by Councillor Stephen Clarke (Chair of Resources Scrutiny Commission)

Appendix A: Budget Task and Finish Group Report – Executive Summary

MTFP and Budget T&F Group Report to Resources Scrutiny Commission for 10th & 14th January 2019

Executive Summary of the report written by Cllr 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 £2m 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.