

BRIEFING NOTE:

To: OSCG, Vice Chairs and Party Spokes

From: Michelle McHugh, Interim Overview and Scrutiny Manager

Subject: Budget Scrutiny meeting 18th December 2008

In scrutinising SDLT's budget report and Cabinet's budget proposal, members may wish to give consideration to the following:

1. Unavoidable spending proposals
2. Delivery of planned / additional savings
3. Assumptions underpinning the report/proposal
4. Exclusions from the budget report/proposal

This briefing paper provides members with key lines of enquiry in relation to each of these areas.

1. Unavoidable additional spending proposals

A total of £10.458 million additional spending proposals have been recommended by SDLT for funding. Of this £0.223 million is allocated to fund capital financing costs of proposed capital investment.

A total of £10.046 million additional spending proposals are included in Cabinet's budget proposal. This includes a number of SDLT's recommended spending proposals being reduced and having a phased implementation, in addition to an increased spending allocation to support recent increases in the demand for children in need services.

In considering the spending proposals, members may wish to consider the following:

- What method of prioritisation has SDLT / Cabinet used to identify additional spending proposals?
- Where there are differences between SDLT report and Cabinet proposal, what are the reasons for these differences?
- What evidence is there to suggest the spending proposals are unavoidable?
- Giving the finite resources available, are members confident that the spending proposals presented are the most important proposals to fund?
- How do the spending proposals contribute to meeting Corporate Priorities, LAA targets and addressing narrowing the gap?
- As additional savings have been proposed in order to meet the costs of additional spending, what evidence is there to suggest the priority of the spending proposals outweighs the priority of the options outlined in the saving proposals?
- How robust are the figures contained in the spending proposals? What methodology has been used to identify the potential cost associated with the spending proposals?

- What assumptions have been used in relation to the level of statutory service provision required? For example, while some services may be a statutory function, the level at which the service is provided may be discretionary.
- What impact will the proposals have on WCC capacity / flexibility to respond to the anticipated increase in demand for public services due to the current economic climate?

2. Delivery of planned / additional savings targets

In considering the proposed planned / additional savings, members may wish to focus on those areas highlighted as medium/high risk. In particular members may wish to give consideration to the following:

Process of identifying savings proposals:

- What method of prioritisation have SDLT / Cabinet used to identify savings proposals
- Where there are differences between SDLT report and Cabinet budget proposal, what are the reasons for these differences?
- How robust are the figures contained in the savings proposals? What methodology has been used to identify the level of potential savings?
- What evidence is there to suggest the level of reduction is appropriate? Should it be more or less?
- What other avenues of service delivery have been considered? For example partnership working.
- What evidence is there to suggest that a joined up approach to rationalisation has been undertaken to ensure the same level of outcome is achieved for less input?

Impact / implementation of savings proposals

- What will be the service outcomes of the proposals?
- What are the secondary impacts associated with the proposals?
- How will proposals impact upon the delivery of corporate priorities and LAA targets?
- What evidence is there that proposals will not adversely impact upon the narrowing the gap agenda, or lead to new gaps arising?
- How will the savings proposals impact upon other Directorates and stakeholders?
- In relation to proposals that highlight external provision as an option for future service delivery, what evidence is there to suggest that there is sufficient expertise within directorates to ensure effective commissioning of services and effective performance management of associated contracts? What are the risks associated with external provision?
- How will proposals associated with publicly valued services impact upon public satisfaction and public confidence in public services?
- What are the longer term risks associated with the proposals? What plans are in place to effectively manage long-term risks associated with the proposals?

- What impact will savings proposals have on WCC capacity / flexibility to respond to the anticipated increase in demand for services due to the current economic climate?
- How will the impact of the savings proposals (service outcomes, risks, narrowing the gap, contribution to corporate priorities/LAA) be monitored?

3. Assumptions underpinning the SDLT report and Cabinet budget proposal

SDLT's budget report and Cabinet's budget proposal are inevitably based upon a number of assumptions. Members should give consideration as to whether the assumptions used are valid and appropriate for WCC as an organisation and valid and appropriate for the 2009/10 budget. For example:

Assumption	KLOE
Inflation and the costs of financing the approved capital programme will be the first call on available resources	What evidence is there to suggest that this is the most appropriate use of resources?
The medium term saving targets included in 2008/09 budget resolution will be delivered	What will be the impact of the medium term savings included in 2008/09 budget resolution not being delivered? How much flexibility / capacity is there to deal with this circumstance if it arose?
Corporate reserves should not be used to balance the budget on a one-off basis.	How should corporate reserves be used? What would be the impact / consequences of using corporate reserves to balance the budget on a one-off basis?
Budget should be set around a low / high council tax increase. (SDLT budget report contains proposals which would result in 3.26% council tax increase, Cabinet's budget proposal is based around a 4.93% council tax increase.)	How will a low/high council tax increase impact upon service outcomes? What will be the impact of a high/low council tax increase on service users and taxpayers? What is the opportunity cost associated with supporting a low council tax increase, as opposed to investing in services?
Assumption that the Medium Term Financial Strategy is still appropriate to the needs of WCC	What impact has the current economic climate had on the appropriateness of the Medium Term Financial Strategy?

How do the assumptions underpinning the SDLT report and Cabinet budget proposal, enable WCC to deliver on its Corporate Priorities and LAA targets?

4. Exclusions

SDLT's budget report and Cabinet's budget proposal are based upon the exclusion of a number of potential increases / decreases in cost. These exclusions and associated key lines of enquiry are outlined below

Exclusion	KLOE
<p>Fall in Council Tax collections and less than predicted rise in taxbase due to economic climate and slow down of property market</p>	<p>What will be the impact of a fall in the collection of council tax and a less than predicted rise in the taxbase?</p> <p>What are the current forecast in relation to level of potential increased cost associated with a fall in council tax revenue?</p> <p>How will this potential cost increase be effectively managed?</p> <p>What will be the impact of managing this cost increase through the reserves highlighted?</p>
<p>Energy Costs – due to increased energy costs there may be an end of year overspend. Supporting any overspend has not been included in the budget, Directorates will need to meet any overspend from reserves.</p>	<p>What is the current forecast in relation to the level of potential overspend associated with energy costs?</p> <p>How will meeting any overspend impact upon Directorate reserves?</p> <p>How will using Directorate reserves impact upon flexibility / capacity of Directorates?</p> <p>How will any overspend be managed if it cannot be met by Directorate reserves?</p>
<p>Redundancy Costs – no provision is made in the budget for redundancy costs associated with proposed savings</p>	<p>What is the level of potential redundancy costs associated with savings options outlined in budget report / proposal?</p> <p>How can redundancy costs be effectively managed?</p> <p>What will be the impact of managing redundancy costs through the reserves highlighted?</p>
<p>Rate of Inflation – if inflation falls over next few months as predicted, there should be an increase in the level of available resources.</p>	<p>What is the most appropriate way of allocating any increased resources associated with a fall in inflation? EG. Should an increase in resource be used to</p>

Exclusion	KLOE
	further reduce council tax increase, alleviate some of the saving targets or to provide further investment in priority areas?
<p>CPA/JAR - no allocation is made in relation to implementing improvement plans associated with CPA /JAR. SDLT propose that the Development Fund should be used to implement the improvement plans from CPA/JAR. Such funding falls outside the current terms of reference for the Development Fund, therefore it is proposed that the Development Fund be renamed the Capacity Building Funding, with the Chief Executive being given delegated authority to make allocations from the fund.</p>	<p>How should the CPA/JAR improvement plans be funded?</p> <p>What are the arguments for/against funding CPA / JAR improvement plans through a Capacity Building Fund?</p> <p>Should services redirect resources to priority areas associated with CPA/JAR improvement plans?</p>

How do the exclusions outlined above enable WCC to deliver its Corporate Priorities and LAA targets?

Draft Cabinet 2009/10 Budget Proposals, as at 11 December 2008

On 31 July, we authorised SDLT to recommend budget proposals, asking them to focus on the Council's four corporate priorities and Medium Term Financial Plan. We asked them to place an emphasis on the protection of front-line services whilst being mindful of the impact on council tax payers.

Many of the options placed before us are not things we would, in normal circumstances want to take forward. However, the financial position in which we find ourselves is unprecedented in recent times, with volatile energy prices and inflation and falling interest rates. This has forced us, as it did SDLT, to take a hard look at what we have to do, what we ought to do and what we would like to do.

The Cabinet's budget proposals provide our direction of travel for the organisation. We recognise that the detail of the proposals may need to change over the next couple of months as more information becomes available and we continue to undertake further investigation into some of the areas raised today. We hope to be able to bring down the increase in the council tax when we present our final budget proposal to Cabinet on 29th January.

In putting forward our proposals we have considered all the issues raised in the SDLT report and are accepting those that allow us to provide more focus to the organisation, concentrate on our core services and provide a framework for change for the future. Our changes are structured around a number of key themes:

- Reduced spending allocations or a phased implementation over more than one year, where possible and practical, to ease the immediate financial impact in 2009/10.
- Increased spending allocations where the later information indicates additional resources are necessary.
- Not taking forward the savings options put forward by SDLT where:
 - We consider the impact on the most vulnerable members of our communities to be too great,
 - Access to our services would be significantly reduced for particular communities or groups,
 - We feel the delivery of the savings would result in both higher costs for council tax payers in the future and higher levels of need for services from our citizens in the future. We feel this is particularly true around the preventative agenda in adult social care,
 - Where we believe that, at this time, the savings proposals are not sufficiently developed to be implemented in 2009/10 and we believe that alternative partnership approaches to taking these proposals forward may be more appropriate in the future.
- Netting off savings and spending proposals where these are complementary and both occur within a narrowly defined service area, and

- Increasing the savings included in the SDLT report where this can reasonably be done.

The Cabinet would like to thank SDLT for their report. We recognise that pulling together the information in the report before us today has been a difficult and lengthy process.

A summary of our proposals are set out in the tables below and attached are replacement appendices A to C that detail our proposals, as opposed to those in the report from SDLT.

Table 1: Summary of the Draft 2009/10 Conservative Budget Proposal			
	£m	Council Tax Increase	Comment
Government grant	(89.103)		
Council tax income (0% increase)	(216.243)		
Add spending requirements:			
2008/09 net spending before additions	301.239		
Inflation	11.735		
Provision for energy inflation	2.770		
Additional capital financing costs	4.357		
Shortfall in funding to meet the cost of the MTFS	14.755	6.82%	
Proposed Spending Allocations	10.046		See Appendix A for details
Shortfall in funding to meet total spending allocations	24.801	11.47%	
Medium Term Financial Plan Savings Targets	(7.531)		See Appendix B for details
Shortfall in funding after applying MTFP savings	17.270	7.99%	
Additional Savings to Deliver a 4.93% Council Tax Increase	(6.605)		See Appendix C for details
Net Additional Spending	10.655	4.93%	

Table 2: Summary of the Changes to the SDLT Proposals		
	£m	£m
Reduced Spending Allocations and Phased Implementation		
• Transformation of Libraries, Learning and Culture	(0.050)	
• Transforming Education (School Organisation)	(0.105)	
• Youth Offending Service Partnership Contribution	(0.060)	
• Smallholdings Nitrate Vulnerable Zone	(0.005)	
• Member Development	(0.020)	
• Pay and Conditions Review Phase2	(0.097)	
Sub-total		(0.337)
Increased Spending Allocations		
• Recent increases in demand for on Children in Need Services	0.070	
		0.070
Savings Not Proceeding – Vulnerable People		
• Reduction in Speech and Language Therapy	0.100	
• Reduction in Housing Support to Care Leavers	0.042	
• Reduction in Youth Offending Team Services	0.100	
• Reduction in Educational Support for Looked After Children	0.120	
• Review of Social Work Roles, Mobile Working and Improved Ways of Working in Children’s Social Care	0.525	
• Road Safety Education	0.051	
Sub-total		0.938
Savings Not Proceeding – Access to Services		
• Mobile Library Service	0.200	
• Stop Subsidising Post 16 Transport	0.400	
• One Stop Shops and Registration	0.033	
• Customer Service Centre	0.097	
Sub-total		0.730
Savings Not Proceeding – Preventative Agenda		
• Services to Low/Moderate Service Users	0.250	
• PHILLIS	0.400	
• Day Care	0.550	
Sub-total		1.200
Savings Not Proceeding – Future Saving/Partnership Approach		
• Museums Service	0.400	
• Community Protection	0.544	
• Countryside Services	0.103	
• Stratford Park and Ride	0.150	
• Healthy Workforce	0.064	
Sub-total		1.261
Savings Proposals Increased		
• Public Network - Increased Charging	(0.100)	
• Additional Reduction in the Library Book Fund	(0.150)	
Sub-total		(0.250)
Total Impact of Changes		3.612