

DERBYSHIRE COUNTY COUNCIL

CABINET

**REPORT OF THE CHAIRMAN
IMPROVEMENT AND SCRUTINY COMMITTEE - RESOURCES**

18 DECEMBER 2012

BUDGET REVIEW

1. Purpose of Report

To summarise the findings of the 2012 Scrutiny Budget Review Working Group.

2. Information and Analysis

Introduction

This Review was conducted by a Working Group drawn from the Improvement and Scrutiny Committee – Resources and was made up of Cllr P Murray (in the Chair), Cllr GJE MacDonald, Cllr P Makin, Cllr JA Twigg, Cllr A Western and Cllr R Russell.

This report and its recommendations will feed into the Council's overall budget consultation work, as well as helping to inform the Cabinet when setting the 2013/14 budget.

The challenges facing local government finance show no signs of abating. The Authority's Five Year Financial Plan (2012/13-2016/17) identifies a savings target for the period covered by the plan of £125m, equivalent to an average of £25m pa or 5% budget reduction.

	2012-13 £m	2013-14 £m	2014-15 £m	2015-16 £m	2016-17 £m
Budget Reductions Required	25	24.8	17.5	25.9	26.2
Annual Savings as a percentage of Base Budget	4.66%	4.73%	3.38%	5.04%	5.17%

Source: Five Year Financial Plan 2012/13-2016/17

This Review has considered each of the Council's five principal portfolios of work¹. The Working Group were sympathetic to the problems faced by Chief Officers in designing and delivering public services in these economically challenging times; they feel that it is important to understand the rationale for the budgetary and service delivery choices that are made, ensuring these choices are consistent with the Council's stated priorities, contained in the Council Plan 2010-2014, and meet the needs and expectations of Derbyshire residents.

As with previous Budget Reviews the focus has not been on local and national policy decisions but on:

- The identification of each directorate's progress towards achieving their current year's efficiency targets and delivering a balanced budget;
- The identification of areas where pressures on budgets are greatest and what is being done to mitigate these;
- Highlighting areas of best practice within directorates; and
- Considering the cumulative effects of budget reductions on services.

The Director of Finance and the Cabinet portfolio holder for Finance and Management have, for the second year, presented the revised Five Year Financial Plan 2012/13 to 2016/17 to each of the Authority's scrutiny committees at their September and November meetings. The Working Group were very appreciative of the time and effort taken to brief each scrutiny committee, in particular as 64% of backbench members sit on one or more of these committees.

Summary of Findings

Adult Care

The over 65s are expected to account for roughly one quarter of the county's population by 2036, up by 17% from 2010². The continued growth in this sector of the population will shape the structure of public spending in the coming decades as well as influencing public spending priorities. The situation facing services for older people has been described as the perfect storm of reducing resources and a rapidly ageing population.

It is these challenges that are impacting on the ability of the Adult Care directorate to deliver a balanced budget. For the financial year 2012/13, £8m of efficiency savings have been identified, with an additional £1m to be found to meet the directorate's budget reduction target for the current financial year. However, these savings do not address Adult

¹ Adult Care, Children and Younger Adults, Corporate Resources and Chief Executives, Cultural and Community Services, and Environmental Services.

² Office for National Statistics

Care's underlying structural deficit of around £8m which has built up over a number of years. The majority of savings have come from back-office functions; it is becoming increasingly difficult to make further savings without these having an adverse impact on the Adult Care service offer.

Further financial pressures may be faced by the directorate from the Care and Support Bill and the potential legal challenge into higher fee levels. The implications of these pressures need to be monitored and included in subsequent financial planning.

The Working Group sought assurances that the Resource Allocation System (RAS) currently being used by Adult Care meets not only the requirements of older service users, but also meets and reflects the often complex needs of different client groups. Assurances were given that the current system reflects the different requirements of clients with complex and non-complex needs. This is an interactive process that identifies both indicative and personal budgets, as well as having the facility to make adjustments if the needs of clients are not being met. The RAS is also producing high quality data that assists performance benchmarking.

The funding for Adult Care is an issue that is firmly on the national agenda. It is becoming increasingly difficult, due to demographic changes, to fund services from existing local authority funding streams and council tax contributions. If local authorities continue to be affected by austerity measures up to 2016/17, the Strategic Director estimates that approximately £10m per annum will need to be removed from his budget. He raised concerns that this would 'undo' all the work that has been undertaken in recent years to improve services. Cabinet and the Council may have to consider reducing or removing the non-statutory element of the Adult Care offer. Bringing this budget into a balanced position will require some difficult and potentially unpopular decisions to be made. The Working Group believe that it will be important to ensure that funding for safeguarding services is protected.

Chief Executives and Corporate Resources.

The transfer of responsibility for the budget and the management of Public Health to Derbyshire County Council from the Primary Care Trust (PCT) will take place at the end of March 2013. Financial planning is being undertaken with the assumption that the current level of funding will be maintained. Within this budget, the Authority will inherit £20m of contracts; work is currently being undertaken to understand these complex contracts and how to effectively manage these. The Strategic

Director for Policy and Community Safety sees this as an opportunity to develop and improve public health services.

Additional budget pressures impacting on the Chief Executive's and Corporate Resources directorates come from the ending of regional development fund programmes. Derbyshire County Council has identified £100k one-off additional funding to support the work of the Tourism Destination Management Partnership given its importance to the local economy and is seeking support from partners such as the District and Borough Councils and local educational institutions to ensure the continuation of tourism promotion and activity. Private sector organisations are also being approached to provide funding to support the marketing role.

The potential costs associated with equal pay claims remain considerable with £15m of reserves set aside for any successful claims. Pressure is also being placed on the Emergency Planning budget and concern was raised about the maintenance of contributions from the PCT and the impact that will be felt by the service if this is not forthcoming.

The Authority is leading the national Broadband Delivery UK (BDUK) project in the county, branded Digital Derbyshire, to deliver superfast broadband. To secure the £7m Government grant awarded to Derbyshire, the Authority has agreed to fund £1m and to underwrite the remaining £6m. As yet, no partner contributions have been obtained, however the opportunity to secure access to European funding streams is currently being explored. Concern was raised by the Working Group regarding the agreement to underwrite such a significant amount of funding and the corresponding difficulties being experienced in securing match funding, as required by the bid, especially in such challenging financial times. This is an area the Working Group feels it will be important to monitor in the coming months.

A number of invest to save projects are currently being undertaken including the replacement of software systems in both the Children and Younger Adults and the Adult Care directorates. Development of the business centre and 'hybrid' mail is currently generating on-going revenue savings of £300k per annum.

The largest invest to save project remains the Changing the Way Derbyshire Works Programme, with a rolling target of £17m savings to be achieved across the organisation. Property rationalisation is generating both revenue savings and capital receipts of approximately £10m to date. There are currently 55 Authority owned properties vacant and 800 employees have been relocated to working in more cost effective locations. Business cases for the remaining identified disposals are currently being formulated but there remained a need to

achieve revenue savings whilst maximising capital receipts notwithstanding a depressed property market.

It is anticipated that the Smarter Travel programme will generate up to £8m in revenue savings, and the development of an in-house 'staff agency' saving £400k. The Business Services Review will contribute approximately £2m of savings.

The Changing the Way Derbyshire Works Programme has so far identified £9m of savings, with a balance of £8m yet to be achieved to allow the programme to realise its target of £17m.

Children and Younger Adults

The current budget reductions being experienced by the Children and Younger Adults (CAYA) Department are presenting significant challenges in meeting the directorate's statutory obligations. The provision of safeguarding services accounts for approximately 40% of CAYA's revenue budget.

Some underspends from the financial year 2011/12 have been carried forward and have made a positive contribution towards the current year's savings target, with the prospect of delivering a balanced budget for the current financial year. The balance of underspends has been returned to General Reserves. The directorate will receive the return of top-sliced funding that was taken nationally in respect of Academy School Conversions. Derbyshire has experienced a lower than average proportion of schools that have chosen to convert their status. There is a financial impact on the Authority from each converted school that does not purchase back Derbyshire County Council Services. It is important to stress that Academy schools should still be part of the Derbyshire 'family'.

The Strategic Director stressed to the Working Group the importance of making the distinction between the delivery of a balanced budget in the current financial year and the medium-term financial outlook for the directorate. The continued requirement to deliver significant year on year budget reductions when combined with the volatility inherent in demand-led service provision is making the situation exceptionally challenging.

Vacancy control is still being undertaken; any essential recruitment activity is authorised by the Senior Management Team and is predominately undertaken to ensure that the directorate's safeguarding activity remains robust. The Working Group was very supportive of this approach.

The figures associated with Looked after Children (LAC) have stabilised. It was reported that systems are in place to identify 'toxic'

environments and where children and young people require support at an early stage. A target to reduce the numbers of LACs has been identified, but account must always be taken of the Authority's statutory responsibilities to protect children. A reduction in the number of LAC and the use of foster as opposed to residential care is both cost effective and produces better outcomes for the child. It is important to maintain the level of available foster care placements and significant work has been undertaken here in previous years; the continuation of foster care campaigns is essential. There is also a need to be mindful of the level of payments made to foster carers by other Authorities, especially those neighbouring Derbyshire, ensuring that there are no significant disparities in rates.

The Working Group received details of new initiatives being undertaken by the directorate including Multi-Systemic Therapy that is currently being trialled in the south of the county. Initial indications, both in terms of cost and impact, are positive and once its effectiveness has been monitored this approach would be rolled-out in the north of the county.

The impact of welfare reform plans on the directorate's services is currently being assessed and may result in a budget bid to support children who become increasingly at risk of neglect as families struggle financially. The impact of the next spending review may result in the need for radical changes to the type and scope of services delivered. It was reported that the directorate will always seek to ensure that better value for money and improved services are delivered. It is anticipated that by the financial year 2014/15 there will be an annual shortfall in budget of £15m which will make the maintenance of current service levels very difficult.

Cultural and Community Services

It is clear that this department has made significant efficiency savings and anticipates exceeding its 2012/13 budget reduction target by over 5%. There is a degree of concern regarding the opportunities for further efficiency savings, in this relatively small directorate, without significant alterations to the type of service provided. However, the Strategic Director is looking to identify new opportunities to generate savings or increase income and is working closely with other local authorities to identify additional opportunities for collaborative working with the aim of delivering further efficiency savings.

The impact of budget reductions on the materials fund will take some time before this is felt by service users. Any one-off funds that become available will be used to support the replenishment of the library stock. It was acknowledged that should additional funds become available in the future it will be relatively straightforward to redress the quantity and variety of materials provided; however, it may take longer to recapture

library users that ceased accessing this service as a result of the fall in quality of the available materials. The extension of the resources that are placed online has contributed to reducing subscription costs.

Income from the library service is declining in part due to the success of initiatives such as better communication with users via text and e-mail, reducing the number of overdue books and the corresponding income that would be generated here.

The County's libraries continue to be well used and act as a community hub for a range of activities including some of those previously undertaken by tourist information centres. Engagement with libraries continues to be good and new visitors have been drawn in by the lending of e-books. The important role played by the provision of children's books in bringing people back to libraries was highlighted. Significant efficiencies have been gained via the introduction of self-service into a number of sites and will ultimately support the opening of some libraries 'out of hours', reflecting the changing needs of service users. The roll-out of self-service has now been optimised with many remaining libraries unsuitable for this initiative.

The Working Group agreed that it would be important to ensure that any further reductions in the budget do not adversely affect the provision of trading standards activity, which has an important community safety role to play. This will be a challenge as the principal resource in this department is staffing and reducing staffing further may present a risk factor to the Authority. Although every effort will be made to meet the required budget reductions, manage outcomes and ensure the service is fit for purpose, it was acknowledged that this will not be in the same form as in the past.

The scale and scope of the Trusted Trader scheme is being maintained against a backdrop of budget reductions within the Trading Standards Department. This is a highly successful scheme with consistently high satisfaction rates from those using traders accredited by the scheme. The Working Group considered the funding surrounding trading standards and the options to increase the revenue generated here. It was agreed by the Working Group that this would be further explored once the budget review process was completed.

The decline in the opportunity to generate income in this department will impact on its abilities to achieve further budget reductions. The opportunities to develop new streams of revenue appear to be limited, however all available avenues are being explored.

The Working Group was pleased to be informed that the developments to the Record Office are within budget and on schedule to reopen in March 2013.

Environmental Services

To support the directorate in achieving its budget reduction target, vacancy control and some restructuring of services has, between 2010 and 2012, generated a reduction of 143 posts (11.42%) from the staffing establishment, avoiding the need to make compulsory redundancies. The charging of appropriate staffing costs to capital schemes has also had a positive impact on the revenue budget. Additional revenue savings have come from changes to the supported bus network. While the directorate was 'ahead of the game' in the early adoption of vacancy control, proactive management and consideration of staffing resources will need to be maintained for the foreseeable future.

As with previous years, one of the most significant financial pressures facing the Authority comes in the form of landfill tax. A larger proportion of the directorate's budget reduction requirements falls on the highways section; this is due to the protected waste budget. Landfill tax will continue to rise to £80 per tonne by 2014/15. The granting of planning permission for the Mechanical Biologic Treatment and Gasification facility in Derby is a positive move; this facility will not lead to dramatic financial savings but will stabilise the cost base here and mitigate the impact of any future tax increases.

The ability of this directorate to generate additional income has been affected by the stagnating housing market reducing the demand for land searches and section 38 agreements³. There has been a resultant drop in income of over £330k.

There has been a £16m reduction in the capital allocation, £12m of which relates to highways; this combined with the on-going revenue budget reduction requirements will affect the highways programme for a number of years. The department will, as in previous years, attempt to mitigate the impact on the highways network, although it is inevitable that deterioration will take place. Assessment of the cumulative impact is currently being undertaken and this is an issue that Cabinet should be mindful of when establishing the budget for the next financial year.

The Part-Night Lighting Programme is currently being rolled out on a parish by parish basis. This will have a positive impact on the revenue budget and it is anticipated that return on the capital investment in this programme will be realised within three years.

³ Under Section 38 of the Act, the highway authority may enter into an agreement with a developer of land on either side or both sides of a private street. The Authority can agree to adopt the street as a highway maintainable at public expense when all the street works have been carried out to their satisfaction, and the developer agrees to carry them out within a stated time.

Conclusion

It is clear that the Authority has undertaken significant work to effectively manage the budget reduction requirements to date. There is concern that the Authority will not be able to maintain the status quo in service delivery in the coming years, as the cumulative effect of reduced budgets and the increasing costs of the Adult Care demographics.

The achievement of efficiency savings by reducing spending on 'back-office' services has clearly had a positive impact and has in part protected services that are front-line in nature. The expectation of further reductions in central funding will entail the need to make value judgements in relation to the types of service the Authority delivers and the decommissioning of some non-statutory services will become inevitable. Meanwhile the Authority, through the LGA, is lobbying the Government to vire funding from the NHS to County Councils to support the Adult Care budget pressures.

3. Considerations (to be specified individually where appropriate)

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality of opportunity, human rights, personnel, environmental, health, property and transport.

4. Background Papers

Held in Improvement and Scrutiny.

5. RECOMMENDATION TO:

1. Cabinet protect funding for the provision for Safeguarding Services.
2. The Improvement and Scrutiny Committee- Resources receives regular updates on the progress of the Digital Derbyshire Project.
3. An overview of the funding of the Trusted Trader Scheme be considered by the Improvement and Scrutiny Committee – Resources
4. The cumulative impact of the revenue and capital budget reductions on the highways infrastructure is subject to further consideration by Cabinet.

**CLLR PAT MURRAY
CHAIRMAN
IMPROVEMENT AND SCRUTINY COMMITTEE – RESOURCES**