BUDGET REPORT

Introduction

The Overview and Scrutiny Commissioning Committee at its meeting on 10\textsuperscript{th} November 2009 established a Task and Finish Group to undertake the annual Examination in Public of the County Council budget for 2010/11 and the Medium-term Plan for the three financial years ending in 2013/14. Membership of the Group consisted of Peter Hardy (Chairman), Patricia Birchley, Michael Brand, Adrian Busby, Tim Butcher, Niknam Hussein, David Polhill and Paul Rogerson.

The Task and Finish Group held meetings in public on January 12\textsuperscript{th}, 20\textsuperscript{th}, 21\textsuperscript{st} and 22\textsuperscript{nd}. On the first three dates each member of the Cabinet appeared in turn to give evidence on their individual portfolio budgets, and on the final date the Task and Finish Group met to prepare this report.

The Group received excellent support throughout from Michael Chard (Policy Officer) and Clare Gray (Democratic Services) and Jackie Yates (Head of Finance and Procurement).

The Objective

The Examination focused on the following key question

\textit{Will the proposed budget for 2010/11 and the medium-term plan for subsequent years enable the Council to continue to provide the level of services expected by Buckinghamshire residents?}

The issues addressed with each Cabinet Member included:

1. The impact of service reductions and efficiency savings
2. The impact of a possible prolonged economic downturn
3. The balance of statutory and discretionary service provision
4. The effect on service delivery of forthcoming reductions in staff due to Transformation
5. The potential for reducing vacant posts and/or reducing use of agency staff
6. Major corporate risks affecting services within the portfolio
7. Performance outturn for 2009/10 and the implications for 2010/11
8. The adequacy of the capital programme

The Context of the Budget

The budget has been prepared in the face of the worst economic downturn since the 1930s and in the expectation of future large cuts in public spending with consequent threat to the level of funding Buckinghamshire receives from central Government. The amount of Government funding for the financial years after 2010/11 will not be known at least until after the coming General Election. Since Government contributes 30\% of the Council's revenue this makes budgeting very uncertain.
The recession is affecting hard working families in Buckinghamshire with significant numbers of jobs being lost. For those in work, salary increases have been limited or salaries frozen. At the same time they may have seen their capital eroded. Pensioners and others on fixed incomes are vulnerable to increases in living costs. In setting the level of council tax increase, the Cabinet has had to take into account the effect of the recession on living standards in Buckinghamshire.

At the same time demographic change is leading to increased demand for services for the elderly and the disabled, and the Government has announced a scheme for free personal care for the elderly. The latter could place an uncertain extra burden potentially amounting to several million pounds annually on Buckinghamshire council taxpayers. The Baby Peter case has highlighted the risks in the child protection service and has led to increased demand for child placements leading this year to a projected £2.2 m overspend in the Children and Young People’s portfolio as at the end of November.

The capital budget of the Council was severely restricted by changes to the funding formula and becoming a ‘floor authority in 2006/7. The Council’s Capital Programme has subsequently been heavily dependent on capital receipts from the sale of surplus assets and Developer Contributions. The economic recession and the resulting downturn in the property market, particularly commercial property, has undermined this approach.

The Task & Finish Group (the “Group”) well understood that Cabinet Members faced a huge challenge in formulating a budget which would meet the statutory duties of the Council and at the same time meet residents’ expectations on the level and quality of services provided. As in previous years the focus of the budget was on making efficiencies in the provision of services and in limiting the effect of any necessary reductions in service.

The Examination was designed to enable Cabinet Members to explain their budgets in public and to be questioned on the choices that had been made.

**Assessment of Overall Budget**

Looking at the budget as a whole, the Group accepted that the suggested rise in Council Tax of 2 per cent is appropriate, taking into account the recession, the general rate of inflation, and the need so far as possible to fund the current level and quality of services. In inflation increases for staff and allowances for Councillors have been frozen. Council tax represents 70 percent of the Council’s net revenue funding.

1. **The Group accepts the rationale for the proposal to increase Council tax by 2 per cent.**
The Group was concerned that the projections for 2011/12 and 2012/13 showed significant surpluses (£3.1m and £11.7m respectively) which undermined the overall budget narrative of “coping with austerity”. Whilst it was understood that these projections included a number of optimistic assumptions, for example the full delivery of the Transformation programme and Pathfinder according to plan, the Group felt that the Council needs to work on the basis of a robust medium-term plan. As in previous years, too much emphasis has been placed on the initial budget year.

Further, even the initial year’s budget is a “work in progress”. One member described it as a “stopgap” budget, with major uncertainties such as funding free care for the elderly necessarily unresolved. Also there are unknowns connected with for example the Safeguarding service and the Pathfinder project which will become clearer as the year progresses.

2. It is recommended that the budget and medium-term plan are reassessed mid-year as soon as key uncertainties around government polices and funding are resolved/ diminished.

The Group was concerned about the high level of cost (10% of the budget) shown “below the line”. Whilst it is understood that much of this relates to long-term debt funding, there are additional contingency amounts which the Group felt should be itemised in the interests of transparency and to aid budget monitoring.

3. It is recommended that there is greater transparency on the below the line items which will help secure public support for the budget narrative of “coping with austerity”

The Group were concerned that the capital budget is largely unplanned beyond the budget year 2011/12. The reason given for this was that there was no certainty of any funding. Some members of the Group believed that the Council should be taking advantage of low interest rates to increase the amount of prudential borrowing in order to tackle the acknowledged backlog in investment in infrastructure. The response from Cabinet members was that a judgment had been made about the level of prudential borrowing for 2010/11 (£7.6m) and that all borrowing resulted in an additional cost to the revenue account which could only be funded by further service reductions. However, the Group was disappointed that recommendations from the Examination in Public in 2009/10 had not been implemented. The following recommendation was also put forward by Overview & Scrutiny last year.

4. It is recommended that a capital borrowing strategy is developed in order to inform the circumstances in which prudential borrowing will be permitted to fund long-term capital programmes.

The Corporate Plan sets out the objectives of the Council. The latest Plan was adopted by Council in September 2009. The Group was concerned that the linkage
between the Aims outlined in this Corporate Plan and the funding available in the budget/medium-term plan is very weak.

5. It is recommended that the mid-year reassessment of the budget and medium-term plan (recommendation 2) explicitly takes into account the Aims set out in the newly adopted Corporate Plan.

In addressing the key question of “can the Council continue to meet residents’ expectations?”, the response of Cabinet Members was that residents’ expectations were not easily knowable, but given limitations on Council funding it would be difficult to maintain services at the level expected. There was also a belief that residents’ expectations of services are increasing over time. The Group felt that, as shown by the recent controversy over gritting side roads, residents may well in fact have unrealistic expectations because for example they are not aware of the large and increasing costs of social service provision which take up more than half the available budget. The Council needs to try to bridge the gap between performance and expectation, part of tackling this challenge is communicating Council expenditure and outcomes to the public on a regular basis.

6. It is recommended that the Council communicates its financial strategy and its service plans more effectively to the public.

Assessment of Individual Portfolios

Details of the meetings with individual Cabinet Members are set out in the minutes of those meetings:
(http://www.buckscc.gov.uk/moderngov/ieListMeetings.aspx?CommitteeId=667)

A summary of the issues arising in individual portfolios is set out in the attached Table.

A number of further recommendations arise concerning items within the individual portfolios.

Transportation

The “We’re Working On It” programme was introduced two years’ ago to tackle the backlog in road maintenance, with local member involvement as to the priorities. The council tax consultation and the day-to-day experience of individual councillors suggests that the public remain very concerned at the state of the roads in Buckinghamshire. This has been exacerbated by the effects of the recent freeze. The Cabinet Member for Transportation stated very clearly that her budget is insufficient to meet public expectations, and in this circumstance the Group felt that it would not be appropriate to cut a major popular initiative on road maintenance.
7. It is recommended that there is a reinstatement of the reduction in the “We’re Working On It” road maintenance programme. (£675k)

Localities, Culture and Learning, Planning and Environment

The Group further felt that certain of the portfolio budgets had elements of discretionary spend which are difficult to justify in a time of austerity. These discretionary elements should have been more effectively challenged in the budget process in terms of both their priority and their value for money.

In addition, there was concern that it is intended the underspend in the waste budget projected for 2009/10 will not be carried forward.

It will be necessary in the lean years ahead to prioritise what the Council has to do (statutory services) over what it would like to do (discretionary services). The Overview and Scrutiny Commissioning Committee has made an initial study to understand this distinction and its implications in individual portfolios.

8. It is recommended that the work undertaken by the Overview & Scrutiny Commissioning Committee on mandatory and discretionary spend be further developed, and the results input into a mid-year budget and medium-term plan review (recommendation 2 above)

Resources

The Group felt that given the importance of property sales to the Council’s capital programme more progress should have been made in formulating a long-term property strategy. The council has a large property portfolio some of which is surplus to requirements and much of which is deteriorating in quality. The overview and scrutiny review into Capital Receipts (2008)\(^1\) recommended that the Council rationalise its property portfolio in line with the Lambert Smith Hampden Strategic Property Review.

The Group was particularly concerned at the state of some of the Council’s school buildings. It was stated that £56m of essential maintenance is outstanding and that without funding from the ‘Building Schools for the Future’ programme such repairs would have to be staggered over a number of years.

The Examination of the Budget in 2009 made the following recommendation which still applies one year later.

9. It is recommended that the completion of a Corporate Property strategy is made a priority in order to provide a vehicle by which to prioritise both

\(^1\) [http://www.buckscc.gov.uk/moderngov/Published/C00000124/M00002477/A100006429/CapitalReceiptsFinal.pdf](http://www.buckscc.gov.uk/moderngov/Published/C00000124/M00002477/A100006429/CapitalReceiptsFinal.pdf)
properties the County Council wishes to dispose of and a list of property development priorities across portfolios.

The Group was concerned at the costs shown in the resources portfolio for implementation of the Transformation programme (£5m over the next three years). Progress towards and acceptance of the objectives of the programme seemed inconsistent across the portfolios. The risks to the financial strategy of the Council of not delivering on Transformation (and to a lesser extent Pathfinder) are so great that the Group felt that individual Cabinet members should take direct responsibility for its success in relation to their portfolio.

10. It is recommended for the next three years that progress on Transformation be the major objective of each Cabinet Member, and they should make reports every three months to the Overview & Scrutiny Commissioning Committee in respect of their portfolios.
<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Deputy Leader</th>
<th>Achievement and Learning</th>
<th>Safeguarding</th>
<th>Transportation</th>
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<th>Culture and Learning</th>
<th>Resources</th>
<th>Planning and Environment</th>
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</thead>
<tbody>
<tr>
<td>2010/11 Draft Budget (£)</td>
<td>8</td>
<td>25*</td>
<td>30</td>
<td>47*</td>
<td>108</td>
<td>9</td>
<td>27</td>
<td>21</td>
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</tbody>
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**Task and Finish Group Commentary**

- Concern about deliverability of localities project with proposed reduction in funding
- Significant proportion of discretionary spending
- Concern about securing capital funding (Building Schools for the Future)
- Backlog of £56m in schools essential maintenance
- Concern in continued reduction in School Improvement Service
- Concerns about the proposed disproportionate reductions in youth service leading to future problems
- 30% rise in child protection cases following Baby Peter case
- Demand led portfolio leads to high risk
- Overspend in 2009/10 of £2.9m
- To achieve a good quality road network would require £120m of capital investment
- Poor transport infrastructure is potentially damaging to Bucks economy
- Halving of ‘we’re working on it budget’ is controversial
- Concern at significant losses being made in civil parking areas (CEAs)
- Most significant budget (greater than £100m)
- Concern at increased pressure due to demographic change
- Significant cutbacks in 2009/10 budget with a proposed reduction in staff numbers and library hours
- Significant proportion of discretionary spending
- ‘High level of risk in delivering Transformation is a key issue for the Council
- Delays in developing corporate property strategy
- Concern at delivery of Shared Support Services Pathfinder programme
- Budget under pressure from costs of major procurement (EFW)
- Threat of further landfill tax rises
- Projected under spend in 2009/10
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<tr>
<td>Key Observations</td>
<td>O&amp;S Task and Finish group to review localities strategy and delivery (February-April 2010)</td>
<td>Limitations in funding may lead to future problems and reduced performance</td>
<td>Fully support the decision to protect levels of spending in this portfolio</td>
<td>Budget is under too much pressure</td>
<td>Well constructed strategy supports County Council's commitment to elderly and vulnerable</td>
<td>Lack of long-term strategy raises concerns about value for money</td>
<td>Effective management within this portfolio is key to delivering the Council's financial strategy</td>
<td>Under spend for 2009/10 should be carried forward releasing resources for other portfolios</td>
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<td>Discretionary spending needs more robust challenge</td>
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<td></td>
<td>'We’re working on it' budget should be reinstated</td>
<td>Capital strategy required to address infrastructure issues</td>
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## Subject of the Review

### Medium Term Plan (MTP) for 2010/11 to 2013/14

| Chairman | Peter Hardy |
|———|———|
| Review members, including co-optees | TBC |
| Officer contact | Michael Chard (x7728) |

### Purpose of the Review

(Reasons for undertaking the review, including where the ideas have come from)

To review the likely 2009/10 financial and performance outcomes. To examine the draft MTP and budget proposals for 2010/11 to 2013/14 and make recommendations to Cabinet to inform the setting of the final council budget.

### Anticipated outcome(s)

- Improved Member understanding of MTP for 2010/11 to 2013/14 and the relationship between finance, performance and risk.
- Commentary on budget proposals for 2010/11 to 2013/14.
- Recommendations to inform Cabinet and Council in their budget deliberations.

### What is the potential impact of the review on

- Residents
- Equality issues, e.g. access to services, vulnerable groups
- Health inequalities
- Adding value to the organisation
- Partners

- The review will provide assurance that a planned approach has been adopted in allocating resources to meet the Council's priorities.
- To ensure that the proposed budget provides value for money for Buckinghamshire residents.
- As this is an inward facing review no equality and diversity issues have been identified.

### Link to Council Corporate Plan priority

Deliver effective and efficient services

### Consideration of Local Area Agreement targets

### Methodology

- 2 day select committee style meeting
- Initial Member briefings on finance, performance & risk.
- Desktop examination of financial plans, reports etc.
- Written and oral evidence provided at Committee meetings.

**Press & Publicity**
- Press releases
- Completed review published on public website and Centre for Public Scrutiny (CfPS) website
- Link to review sent to all frontline members and contributors

**Key background papers**
- Current Revenue & Budget Position 2009/10
- Draft Medium Term Plan (MTP) 2010/11-2013/14
- Quarter 3 performance information
- Quarter 3 risk registers
- Budget Consultation

**Use of demographics/ needs data**

**Written evidence to be provided by:**

**Oral evidence to be provided by:** Cabinet Portfolio Holders

**Potential partners**
None identified.

**Resources required**
Policy Officer/Democratic Services and Finance Officer support

**Timetable**
Start date: beginning December 2009 with a total of 2 meetings in public from 20-22 January 2010.

**Reporting mechanism**
Recommendations made to Cabinet and to Council in February 2010