



**CABINET**

**14 FEBRUARY 2017**

**REPORT OF THE FINANCE & RESOURCES SCRUTINY COMMITTEE**

<b>Subject:</b>	<b>Scrutiny Review of Draft 2017/18 Council Budget Proposals</b>
<b>Recommendations:</b>	<p>That the Cabinet:</p> <ol style="list-style-type: none"><li>1) Notes the headline themes from the Budget Scrutiny Review set out in paragraph 4.4 of the report.</li><li>2) Recognises that the Finance &amp; Resources Scrutiny Committee (F&amp;R SC) has confidence in the capacity to deliver the following proposals:<ul style="list-style-type: none"><li>• 15-009-13 and 16-009-01 (Apprenticeship Levy)</li><li>• 16-002-04 (Children, Families &amp; Education structural budget deficit for 2017-18)</li><li>• 16-002-06 (New models of care delivery)</li><li>• 16-002-07 (Changes to the Leaving Care policy)</li><li>• 16-002-08 (Children's Placement Commissioning Efficiencies)</li><li>• 16-002-02 (Children's Services workforce remodelling)</li><li>• 16-002-10 (Rationalisation of school improvement services)</li><li>• 16-002-03 (First point of contact improvements)</li><li>• 15-004-19c (Fees and charges – Children, Families &amp; Education)</li><li>• 16-002-09 (Commercial trading and strategic alliances)</li><li>• 16-001-04 (Adult Social Care Services financial controls, income and improved debt provision)</li><li>• 16-001-16 (Adult Social Care Services staffing and effective structural efficiencies)</li><li>• 13-002-06 (School meals and meals at home services)</li><li>• 13-009-07 (Project Angel – transition pressure)</li><li>• 15-004-19d (Fees and Charges – Place Commissioning)</li><li>• 15-006-45 (Partnership with Neighbouring Authorities – Place Commissioning)</li><li>• 16-006-03 (Trading Standards Reduction)</li></ul></li></ol>

- 3) Recognises that F&R SC considers proposal 16-004-01 (Next Generation Working) to be achievable, although the Committee would have preferred the proposal to have identified reductions in specific budgets that would be made to achieve it.
- 4) Agrees that the efficiency saving from Next Generation Working be allocated to specific budget lines in the interests of supporting effective budget management during 2017/18.
- 5) Recognises that F&R SC considers that savings from community-based working are achievable but that risks associated with partnership working, IT infrastructure and the timing of the proposed saving means that it questions the ability to achieve the proposed saving from proposal 16-004-06 (Community Hub Review) in 2017/18.
- 6) Recognises that F&R SC is not in a position at this point to reach an informed conclusion about the ability to achieve the specific savings identified from proposal 16-004-07 (Unitary Local Government re-organisation).
- 7) Recognises that F&R SC welcomes that no proposed savings from proposal 16-004-07 (Unitary Local Government re-organisation) are identified for the first two years of the Medium Term Financial Plan.
- 8) Recognises that F&R SC supports the inclusion of unitary local government reorganisation in the Medium Term Financial Plan as an area where savings can potentially be generated.
- 9) Agrees that town and parish councils should be engaged at every stage in the development by Northamptonshire County Council of any unitary local government proposal, reflecting those bodies' role in local democracy.
- 10) Recognises that F&R SC notes that there are risks associated with forecasting of future demands for children's services but has confidence in the capacity to deliver proposal 15-002-15 (Children's Services demographic growth).
- 11) Recognises that F&R SC notes that there are risks associated with the implementation of culture change required by proposal 16-002-01 (Targeted early help service contracts), but has confidence in the capacity to deliver the proposal.
- 12) Recognises that F&R SC welcomes recognition of the structural budget deficit for Adult Social Care Services reflected in proposal 16-001-01 a & b (Structural Budget Deficit for 2017/18).

- 13) Recognises that F&R SC remains concerned about the capacity to deliver Adult Social Care Services within the financial parameters resulting from proposal 16-001-01 a & b (Structural Budget Deficit for 2017/18) in the absence of supporting contingency funding in the draft budget.
- 14) Recognises that F&R SC considers that it is not in a position at this point to reach a conclusion about the robustness of proposal 16-001-01 a & b (Structural Budget Deficit for 2017/18), given the need to meet any outturn pressure that may remain at the end of 2016/17.
- 15) Ensures that it is confident that proposal 10-024-01 (Adult social care demographic and prevalence pressures) is based on a sound projection of future demographic change and demand for services before agreeing to recommend it to full Council.
- 16) Recognises that F&R SC has confidence in the capacity to deliver proposal 16-001-05 (Adult Social Care Services Prevention & Eligibility), whilst acknowledging that it would have a social impact on care home residents that should be managed appropriately.
- 17) Recognises that F&R SC considers that proposal 16-001-07 (Purchasing & Placement Savings) is achievable, whilst acknowledging that there is a high degree of risk to achieving the total saving involved due to reliance on work with partners progressing as required.
- 18) Recognises that F&R SC has confidence in the capacity to deliver proposal 16-001-17 (Partnerships – Adult Social Care Services) but acknowledges that there is a degree of risk involved due to the need for work with partners to progress as required.
- 19) Recognises that F&R SC welcomes the £4 million reduction in the level of saving required from proposal 16-001-18 (Review of Olympus Care Services).
- 20) Recognises that F&R SC questions the capacity to deliver the full saving required from proposal 16-001-18 (Review of Olympus Care Services) in 2017/8 and takes this into account before agreeing to recommend this proposal to full Council.
- 21) Recognises that F&R SC welcomes the withdrawal of proposal 16-008-14 (Third Sector – Voluntary & Community Sector – Support) from the draft budget for further consideration of risks involved.
- 22) Agrees that further consideration of proposal 16-008-14 (Third Sector – Voluntary & Community Sector – Support) should include appropriate dialogue with Voluntary Impact Northamptonshire and Healthwatch Northamptonshire.

- 23) Recognises that F&R SC considers proposal 15-004-19a (Fees and charges – Wellbeing & Prevention) to be achievable whilst acknowledging that there is a small risk involved in it.
- 24) Recognises that F&R SC considers proposal 15-008-13 (First for Wellbeing business case savings) to be achievable in relation to the proposed saving for 2017/18.
- 25) Recognises that F&R SC considers proposal 16-008-15 (Commercial Income Target – Wellbeing & Prevention) to be achievable whilst acknowledging that there is a risk involved in it.
- 26) Recognises that F&R SC questions the ability to achieve the full saving attributed to proposal 13-009-08b (Property operational savings) in 2017/18 and takes this into account before agreeing to recommend the proposal to full Council.
- 27) Recognises that F&R SC is not in a position at this point to comment on the achievability of proposal 16-006-09 (No 1 Angel Square asset exploitation), given that a business plan is still to be produced.
- 28) Recognises that F&R SC has concerns about the impact on the overall Council budget of not achieving the proposed £2 million saving from refinancing 1 Angel Square and takes this into account before agreeing to recommend proposal 16-006-09 (No 1 Angel Square asset exploitation) to full Council.
- 29) Recognises that F&R SC supports reviewing Home to School Transport and that the Committee considers that this is an area where there is scope for efficiency savings.
- 30) Ensures that it is confident that the potential requirements of the Bus Services Bill do not represent an excessive risk to achieving proposal 13-006-01 (Total Transport – Social Enterprise Model) before agreeing to recommend it to full Council.
- 31) Recognises that F&R SC encourages the involvement of a wide range of transport providers in the Total Transport project with a view to maximising the benefit that it can produce for Northamptonshire.
- 32) Ensures that it is confident in the level of risk to the future effectiveness of the Technical Rescue function associated with proposal 14-006-23 (Review of Northamptonshire Fire & Rescue Service) before agreeing to recommend it to full Council.

	<b>33) Recognises that F&amp;R SC considers that the Place Joint Venture is an area where savings can be achieved, but is not in a position at this point to comment on the achievability of the proposed saving in 2017/18 for proposal 15-006-44 (Place Joint Venture).</b>
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## 1. Purpose of Report

1.1 The purpose of this report is to present the recommendations resulting from scrutiny of the draft Council budget 2017/18 proposals for consideration by the Cabinet.

## 2. How this decision contributes to the Council Plan

2.1 The Council's vision is to make Northamptonshire a great place to live and work. This is achieved through increasing the wellbeing of your county's communities and/or safeguarding the county's communities.

This initiative specifically delivers increased wellbeing and/or safeguarding by ensuring that:
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| <ul style="list-style-type: none"><li>• People of all ages are safe, protected from harm and able to live happy, healthy and independent lives in our communities.</li><li>• People have the information and support they need to make healthy choices and achieve wellbeing.</li><li>• People achieve economic prosperity, in a healthy, low carbon economy which give access to jobs, training and skills development.</li><li>• Communities thrive in a pleasant and resilient environment, with robust transport and communications infrastructure.</li><li>• Resources are utilised effectively and efficiently, in coordination with partners and providers.</li></ul> |
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## 3. Background

3.1 The draft Council budget 2017/18 and Council Plan 2017/18 were approved for consultation by the Cabinet at its meeting on 13<sup>th</sup> December 2016.

3.2 Selected proposals from the draft budget have subsequently been scrutinised by the Overview & Scrutiny Function.

3.3 The Budget Scrutiny Review carried out during December 2016 – January 2017 has followed the established model used by the Council's Overview & Scrutiny Function for this purpose. This consists of the following stages:

- An initial Budget Scrutiny meeting open to all scrutiny councillors, to get an introductory overview of the draft budget proposals; to enable members of the public to suggest focus areas that could be considered during the scrutiny review; and to enable scrutiny councillors to identify particular budget proposals for further scrutiny.
- A series of "challenge meetings" led by Finance & Resources Scrutiny Committee members but open to all scrutiny councillors to scrutinise selected areas from the draft budget proposals.

- Agreement of proposed recommendations at a final Budget Scrutiny meeting for presentation to the Finance & Resources Scrutiny Committee for confirmation.

3.4 The Budget Scrutiny Review is built on the work of the Overview & Scrutiny Function throughout the remainder of the year. It is supported by the work of the Council's three service-focussed Overview & Scrutiny committees to scrutinise the effectiveness and development of Council services, and by that of the Finance & Resources Scrutiny Committee to monitor the Council's financial position and its response to pressures.

#### **4. Budget Scrutiny Review Conclusions**

##### **Recommendations**

4.1 The draft recommendations resulting from the Budget Scrutiny Review are set out in Appendix 1 to this report.

4.2 Recommendations on each proposal considered by the Budget Scrutiny Review are accompanied by a Red / Amber / Green (RAG) rating intended to indicate scrutiny councillors' conclusions about the level of risk involved in each case. These RAG ratings represent a subjective judgement, although when drawing them up scrutiny councillors made use of a risk matrix that sought to take into account both the capacity to deliver a particular budget proposal and the potential effect it would have on future service provision. It should be noted that the RAG rating is intended to highlight and supplement the written recommendations on each proposal that have resulted from the Budget Scrutiny Review; the RAG rating is not intended to represent a complete conclusion about the proposal in itself.

##### **Headline themes from the Budget Scrutiny Review**

4.3 In addition to the recommendations on specific draft budget proposals resulting from the Budget Scrutiny Review scrutiny councillors have identified various headline themes that they wish to bring to the attention of the Cabinet. These themes are relevant to many of the draft budget proposals considered by the Budget Scrutiny Review and Appendix 1 of this report identifies where a theme applies to a particular proposal.

4.4 The headline themes that the Committee wishes to highlight are as follows:

- **Zero-based budgeting:** The Committee welcomes the fuller use of the zero-based budgeting approach in the development of the 2017/18 draft budget and the continuation of this approach in future. As part of this, the Committee encourages the presentation of future draft budgets in a format that fully reflects zero-based budgeting by setting out all areas, not just those that are subject to changes. The Committee also considers that it would be helpful for future draft budgets, and in-year financial information presented to Overview & Scrutiny, to state whether or not zero-based budgeting has been used in the development of different areas.
- **Equality Impact Assessment:** The Committee welcomes improvements to the Equality Impact Assessment process used as part of the budget development process.
- **Avoiding unintended consequences:** The Committee emphasises the importance of the Council providing funded partner organisations with clarity about its plans and, as far as possible, future funding intentions. The Council has a four-year government

funding settlement: councillors wish to highlight the benefit that could result if the Council was able to apply this principle to partners such as Voluntary & Community Sector organisations. The Next Generation Council seeks to establish a new model for service delivery. The Council should make sure that proposals intended to deliver an immediate benefit do not have unintended consequences that could affect its long term aims. The Council should consider fully who might be reasonably affected by a proposed decision, review the matter, and then make the decision.

- **Reliance on current partnerships:** The Committee considers that, although essential, the reliance on partnership working with other organisations proceeding as required remains a risk factor in relation to some draft budget proposals.
- **Timing of budget delivery:** The Committee considers that the planned timing for some draft budget proposals to be delivered creates a risk that required savings may not be achieved in full in 2017/18. Proposals must be based on robust timing plans. The absence of such plans affects the degree of confidence that the Committee can take in the ability to deliver required savings.
- **Clarity about the make-up of budget proposals:** The Committee considers that there is a need for greater clarity about the make-up of proposed efficiency savings and similar draft budget proposals and how the delivery of these will be allocated to specific budget lines. This could be provided by a full zero-based budget consisting of more than just proposed changes. This level of clarity would enable the Committee to take more confidence in the ability to deliver proposals, as well as supporting in-year financial scrutiny.
- **Ability to deliver the overall draft budget:** The Committee considers that the number of proposals given a red or amber risk rating by the Budget Scrutiny Review – 15 proposals representing £45.8m total savings and £30.5m spending in 2017/18 – indicates that there is a comparatively high risk associated with the delivery of the draft budget as a whole. The identification of fall back options and contingencies that could be used if proposals cannot be delivered as intended would give the Committee greater confidence that this risk can be managed effectively.
- **Effective debt management:** The Committee emphasises the need for the Council to continue to have a sound, but appropriately sensitive, approach to debt management and recovery of organisational debt. Sufficient emphasis needs to be given to this function across all directorates, to ensure a sound approach for dealing with specific debts. The alternative is that Council resources will effectively be supporting other organisations.
- **Information for Budget Scrutiny:** The Committee wishes to see that Overview & Scrutiny has access to the fullest possible background information about draft budget proposals when carrying out the Budget Scrutiny Review and sufficient time to consider it: a minimum of 24 hours ahead of Budget Scrutiny meetings has been suggested. The Committee recognises that the capacity to respond to Budget Scrutiny is linked to the overall demands involved in the development of the Council budget. There is scope for Overview & Scrutiny to consider its approach to scrutinising the draft budget in future and how this might be improved. Changes to the way in which the Council operates, such as zero-based budgeting and the implementation of the Next Generation Council, provide a further impetus for this.

- 4.5 As with previous Budget Scrutiny Reviews it should be noted that the recommendations and themes set out in this report represent councillors' conclusions on those areas of the draft budget that they have been able to consider during the time available in December – January. The absence of recommendations or comments on other areas should not be understood to mean that these are endorsed by the Finance & Resources Scrutiny Committee.
- 4.6 The starting point for this Budget Scrutiny Review was the same aim that should apply to all Overview & Scrutiny work: to enable non-executive councillors to work with the Cabinet, senior officers and partners to provide constructive challenge that assists the Council and that ultimately benefits the residents of Northamptonshire. Clearly the Cabinet's ability to agree recommendations resulting from the Budget Scrutiny Review will be influenced by the Council's current financial position and the overall pressures on resources that it faces. However, the Committee hopes that the Cabinet will still recognise the spirit in which its recommendations are made and consider them in the same way.

## **5. Responses to the Budget Scrutiny Review**

- 5.1 The recommendations resulting from the Budget Scrutiny Review set out in Appendix 1 to this report include recommendations directed to the Cabinet concerning the draft budget and some recommendations directed to the Overview & Scrutiny Function identifying potential areas for further scrutiny in future.
- 5.2 Appendix 1 to this report sets out proposed responses by the Cabinet to those recommendations presented for its consideration, including any cases where these recommendations have been incorporated into the final draft budget proposals to be presented at the Cabinet meeting on 14<sup>th</sup> February 2017. However, the Cabinet will agree its formal response to the recommendations from the Budget Scrutiny Review at the meeting on 14<sup>th</sup> February, as part of the process of considering and agreeing the final draft budget that it will recommend to full Council on 23<sup>rd</sup> February 2017.
- 5.3 Recommendations from the Budget Scrutiny Review directed to the Overview & Scrutiny Function will be considered by the relevant Overview & Scrutiny committees for inclusion in their ongoing work programmes.

## **6. Consultation and Scrutiny**

- 6.1 Scrutiny of selected areas from the draft Council budget 2017/18 is intended to be an evidence-based process, informed by dialogue between scrutiny councillors and other relevant parties, including the Council's Cabinet Members and senior officers, but also representatives of external organisations or members of the public who may have a particular interest in proposed actions.
- 6.2 A summary of Budget Scrutiny Review activity as a whole during December 2016 – January 2017 is given at Appendix 2 to this report. The Committee wishes to highlight the following points from this:
- All Cabinet Members have participated in the Budget Scrutiny Review challenge sessions relevant to their portfolios and the Cabinet Member for Finance has attended across the board.
  - Each of the district and borough councils in Northamptonshire was specifically advised of the Budget Scrutiny Review and invited to contribute, following on from

their participation in the same exercise last year. Comments on the proposal concerning unitary local government reorganisation were received from Corby Borough Council's Director of Corporate Services, on behalf of district and borough council finance officers, and in writing from the finance portfolio holders of Daventry and South Northamptonshire district councils.

- Representatives of statutory and non-statutory service providers have contributed to scrutiny of other draft budget proposals in areas including children's services and support for the Voluntary & Community Sector.

6.3 The Finance & Resources Scrutiny Committee wishes to record its thanks to Cabinet Members, Council officers, representatives of partner organisations and members of the public for the time and effort that they have contributed to the Budget Scrutiny Review during December 2016 – January 2017.

6.4 The Budget Scrutiny Review has also been informed of the responses to corporate consultation on the draft budget proposals received by the Council during the course of the Budget Scrutiny Review.

## **7. Equality Screening**

7.1 The recommendations resulting from the Budget Scrutiny Review have not been subject to Equality Impact Assessments, although the Scrutiny Review has involved scrutiny of individual draft budget proposals for which EqlAs have been completed. The Finance & Resources Scrutiny Committee recognises that any recommendations that it presents that will have equalities implications if agreed by the Cabinet would need to be considered as part of the continuing development of the final draft budget proposals ahead of the Cabinet meeting on 14<sup>th</sup> February 2017.

## **8. Alternative Options Considered**

8.1 Scrutiny of draft budget proposals is considered to be good practice and is not seen as an optional task for the Overview & Scrutiny Function.

8.2 The Budget Scrutiny Review is intended to add to the robustness of the final Council budget by reviewing the aims and deliverability of the draft proposals and assisting in ensuring that potential alternative options are considered as far as possible.

## **9. Financial Implications**

9.1 The Budget Scrutiny Review is intended to review the draft budget proposals published for consultation and not to produce an alternative budget. The Finance & Resources Scrutiny Committee recognises that any recommendations that it presents that will create additional financial implications if agreed will need to be considered as part of the continuing development of the final draft budget proposals ahead of the Cabinet meeting on 14<sup>th</sup> February 2017.

## **10. Risk and Business Continuity Management**

10.1 The risks associated with the proposals in this report are as follows:

Risk	Mitigation	Residual Risk
Additional budget pressures that need to be incorporated in the final draft budget proposals without additional resources to do so are identified.	The recommendations from the Budget Scrutiny Review are confirmed three weeks ahead of the Cabinet meeting that considers the final draft budget, allowing time for their final implications and deliverability to be considered.	Amber

10.2 The risks associated with not undertaking the proposals in the report are as follows:

Risk	Risk Rating
Confidence in the robustness of the draft budget proposals and in the degree of consideration given to their implications for the local community is reduced.	Amber
Non-executive councillors, members of the public or other partners perceive that challenge from the Overview & Scrutiny Function has not been taken into account in the development of the draft budget proposals.	Amber

## 11. List of Appendices

**Appendix 1: Budget Scrutiny Review - Recommendations and Commentary**

**Appendix 2: Budget Scrutiny Review - Summary of Activity**

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Contact details:	Tel: 01604 366053 Fax: 01604 366223 Email: <a href="mailto:jedmunds@northamptonshire.gov.uk">jedmunds@northamptonshire.gov.uk</a>
Background Papers:	Draft Budget 2017/18 and Medium Term Planning and Funding Position to 2020/21 Cabinet report (13 <sup>th</sup> December 2016).  Agendas for Budget Scrutiny Review meetings (December 2016 – January 2017).
Does the report propose a key decision is taken?	YES
If yes, is the decision in the Forward Plan?	YES
Will further decisions be required? If so, please outline the timetable here	NO
Does the report include delegated decisions? If so, please outline the timetable here	NO
Is this report proposing an amendment to the budget and/or policy framework?	NO

Have the financial implications been cleared by the Strategic Finance Manager (SFM)?	YES Name of officer: Damon Lawrenson
Have any capital spend implications been cleared by the Capital Investment Board?	NO
Has the report been cleared by the relevant Director?	NA- Although directors have been involved in Budget Scrutiny Working Group meetings that have contributed to identifying the recommendations on the draft budget proposals set out in this report.
Has the relevant Cabinet Member been consulted?	YES- Cabinet Members have participated in Budget Scrutiny Working Group meetings and/or been advised of resulting recommendations.
Has the relevant scrutiny committee been consulted?	YES Scrutiny Committee: Finance & Resources
Has the report been cleared by Legal Services?	YES Name of officer: Laurie Gould
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Simon Deacon
Have any property issues been cleared by Property and Asset Management?	NO
Are there any community safety implications?	None directly relating to this report
Are there any environmental implications:	Recommendations set out in the report are intended to contribute to achieving the Council's environmental outcomes.
Are there any Health & Safety Implications:	NO
Are there any Human Resources Implications:	None directly relating to this report
Are there any human rights implications:	NO
Constituency Interest:	Countywide

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