



Overview and Scrutiny Report

Budget and Council Plan Sub-Group



18 January 2012

1. Executive Summary

- 1.1 The role of the Council's Overview and Scrutiny Committee is to examine the delivery of services and influence decision makers to ensure they meet the needs, and improve the lives, of people in North Tyneside. This includes scrutinising the Council's budget and strategic plan. A small sub-group of members of Overview and Scrutiny Committee is tasked with this work.
- 1.2 The sub-group met throughout December 2011 to scrutinise the Budget and Council Strategic Plan for 2012/15 and the detailed business case documentation relating to the budget proposals from each Directorate. The challenge provided by the sub-group has given non-executive members of the Council, on behalf of the residents of North Tyneside, the chance to examine in detail the choices faced by the Council, to ask questions about the implications of the proposals, to discuss alternative options and to influence the decision making process.
- 1.3 This year scrutiny of the spending and service planning process has been undertaken in the context of the financial challenges set by the Spending Review 2010 and the Council's Change, Efficiency and Improvement Programme, which aims to deliver £47.606m of savings over the next three years, including £16.180 in 2012/13. In this connection the sub-group believes that there are significant risks associated with the budget and strategic planning proposals. This report seeks to highlight those risks and other issues.
- 1.4 It makes a series of recommendations aimed at minimising the risks and ensuring that the Cabinet's proposals address the financial challenges facing it and support the delivery of effective services for the people of in North Tyneside.
- 1.5 It also includes recommendations aimed at improving the Budget and Council Plan setting process for future years.

2. Background

- 2.1 The Council's Overview and Scrutiny Committee is made up of councillors from all political parties. The committee has no decision making powers itself but examines the delivery of services and seeks to influence decision makers to ensure they meet the needs, and improve the lives, of people in North Tyneside. It does this by
- a) reviewing and challenging the impact of decisions and actions taken by the Mayor, Cabinet and partner organisations;
 - b) carrying out investigations into services and policy areas of interest and concern to the people of North Tyneside;
 - c) involving communities in its work and reflecting their views and concerns; and
 - d) supporting and assisting the Elected Mayor, Cabinet and partner organisations in the formulation of their future plans and strategies by making evidence-based recommendations to them on how services can be improved.
- 2.2 The Council's constitution places a duty on the Overview and Scrutiny Committee to examine and contribute to the formulation of the Cabinet's budget and strategic planning proposals. At its meeting on 5 September 2011, the committee agreed to appoint a sub-group to exercise these responsibilities.
- 2.3 The remit of the sub-group, as agreed at the September meeting of Overview and Scrutiny Committee was to:-
1. hold two full-day meetings to undertake this scrutiny, with an additional meeting to agree recommendations
 2. That Directors and Cabinet Members be requested to attend the meetings to allow detailed scrutiny of proposals on a Directorate basis.
 3. That these meetings be scheduled to take place soon after the Cabinet meeting in November when the budget proposals and background business case information would be available.
 4. That the sub-group report the outcome of the review and any recommendations to the Overview and Scrutiny Committee on 9 January 2012.

3. Method

- 3.1 At the 5 September meeting of Overview and Scrutiny Committee the sub-group was agreed to be comprised of
- 4 Labour members
 - 2 Conservative members
 - 2 Liberal Democrat members

- 1 Church representative
- 1 Parent Governor representative

Invitations were issued to all of these individuals and groups but in the event no Conservative members attended the sessions of the sub-group, no Church or Parent Governor representative, and only one Liberal Democrat so the sub-group consisted of four Labour members and one Liberal Democrat:

Councillor Bruce Pickard – chair
Councillor Jim Allan
Councillor Ray Glindon
Councillor Martin Rankin
Councillor Marian Huscroft

- 3.2 The sub-group met for a short context-setting introduction to the Budget and Council Strategic Plan on November 29 and then for two day-long sessions held on December 5 and 7 and three evening sessions held on December 9, 14 and 21. At these sessions it received presentations from the council's four directors and a number of heads of service. These were on the economic and social context in which the Council had to deliver its services and the major issues that had to be taken into account when planning the coming year's activity. The business case for each major element of the directorate's planned work was presented. The sub-group also examined the Cabinet's priorities as described in the Council's Strategic Plan. During these presentations members requested additional information from officers to clarify points and supply extra detail. This information was provided and duly considered by the sub-group.

4. Service and Spending Review Process

- 4.1 The focus of the Council's service and financial planning is to identify savings and efficiencies to meet the challenges presented by the government's 2010 spending review whilst protecting front-line services and continuing to improve life in the borough. The Council has responded by setting up its Change, Efficiency and Improvement Programme, which aims to deliver £47.606m of savings over the next three years, including £16.180m in 2012/13 which will contain the overall 2012/13 revenue budget at £167.591m. This programme forms the backbone of the Council Strategic Plan.
- 4.2 The approach of the sub-group was to:
- a) receive details of each director's proposals;
 - b) examine and test the proposals to ensure they addressed the financial challenges facing the Council and supported the delivery of the Council's priorities; and
 - c) consider their impact from the perspective of service users.
- 4.3 The sub-group believes this scrutiny process adds value to the processes by which the budget and Council Strategic Plan are created. The challenge provided by the sub-group adds to the transparency and accountability of the process in that non-executive members of the Council, on behalf of the residents of North Tyneside, have had the opportunity to examine in detail the

options faced by the Council, to ask questions about the implications of the proposals, to discuss alternative options and to influence the decision making process.

- 4.4 The effectiveness of the sub-group is dependent on the quality and timeliness of information presented to it. The sub-group would like to place on record its thanks and appreciation to the all those officers who contributed to the compilation of the files of business cases and background information and preparation of supplementary information requested by members during the study.
- 4.5 Having received and examined the directors' presentations, the sub-group identified a number of issues that they wished to report to Overview and Scrutiny Committee. These were presented to the 9 January meeting and discussed. The Committee also added its own concerns and made its recommendations for ways in which the budget and the Council Strategic Plan could be improved. This document is a compilation of both sets of issues and recommendations and is addressed to Cabinet for their consideration.

The Overview and Scrutiny agreed that the unprecedented pressures on the Council budget make it desirable to look for consensus on where savings are to be made so that it is clear to all that the members of the Council are working together for the public good.

The remainder of this report is concerned with these issues, comments and recommendations.

5 Council Strategic Plan

- 5.1 The sub-group and the Overview and Scrutiny Committee examined the proposed themes and priorities contained in the Council's Draft Strategic Plan 2012-15 with a view to seeing whether or not the proposed allocation of finance and other resources would deliver the policy priorities of the Council and also to see how easy the Plan would be to monitor during the year.
- 5.2 The sub-group and Committee conclude that the plan contains many worthwhile but ambitious and aspirational objectives but that it fails to make clear that this is a period of shrinking budgets and the effect of this on the borough, no matter how well the cuts are managed, may be a reduction in the level of service provided.
- 5.3 The current iteration of the Council Strategic Plan 2012–15 (CSP) and its associated Action Plan contain a number of outcomes and outcome measures that are expressed in vague or general terms. This vagueness makes it impossible to be sure what outcomes are intended, when they are expected to be achieved or what effect they are designed to have on the people of the borough or its visitors. If the delivery of the plan is to be successfully monitored then outcomes and outcome measures need both to be expressed in the precise language referred to as SMART (Specific, Measurable, Achievable, Relevant and Time-constrained).

- 5.4 The purpose of the Business, Technical and Leisure outsourcing packages should be made clear together with the timelines for implementation. Since it is not certain that these plans for outsourcing will succeed, the fallback position for the Council should also be made clear in the Plan.

Recommendations

- R1 The Council Strategic Plan should clearly set itself within the context of a shrinking budget and the possibility of a decline in the level of service being delivered.**
- R2 The Council Strategic Plan and Action Plan outcomes and outcome measures need to be SMART.**
- R3 The Council Strategic Plan should contain all the plans for outsourcing services, with timelines, clear outcomes and outcome measures.**
- R4 It should also describe the contingency plans it has in reserve should one or more of the outsourcing packages not be implemented on schedule or not deliver the hoped-for level of savings.**

6 Risks

- 6.1 In their current form, neither the Council Strategic Plan nor the proposed budget gives a sense of the Council's overall exposure to the risk of its plans failing or what the consequences of such a failure might be. Whilst individual business cases do have a risk assigned to them, the information presented to the sub-group did not include a summary of the overall picture. In response to this issue the summary below was provided to the sub-group.

Recommendation

- R5 The Committee recommends that this summary is added to the budget and the Council Strategic Plan and that each saving is shown as a proportion of the relevant budget.**

	SAVINGS			
	Risk Rating			Value
Directorate	Red	Amber	Green	Total
	£000s	£000s	£000s	£000s
Chief Executive's Office	-338	-570	-548	-1,456
Children, Young People and Learning	0	-1,621	-1,430	-3,051
Community Services	-4,219	-7,668	-1,225	-13,112
Finance and Resources	0	-1,942	-510	-2,452
Corporate Items	0	-167	-6,804	-6,971
Total	-4,557	-11,968	-10,517	-27,042
% of savings at risk	16.85%	44.26%	38.89%	

7 Relationship between Council Strategic Plan and Budget

- 7.1 The Budget and Council Strategic Plan are two parts of a single whole that say what the Council intends to do and how it is going to pay for what it does. The documents should therefore be able to be read together.
- 7.2 In a year when such unprecedented changes to the way in which the council delivers its services are being proposed it is even more important that the CSP and the budget can be read together and the relationship between strategy and the means to achieve it made plain. At the moment it is impossible to see the relationship between Plan and budget and therefore to judge whether or not the budget will support all the planned activities.
- 7.3 There are many examples of actions proposed in the budget that are at odds with the aspirations of the Council Plan – for example providing support for vulnerable people (CSP Priority 3) but cutting £2.184m of floating support (Business Cases F8 and F10).

Recommendations

- R6 The Committee recommends that the relationship between the Council Strategic Plan and the budget is made clear by identifying the spend associated with each activity.**
- R7 The Committee recommends that Directors and Heads of Service are required to see that all activities funded by the Council's budget have a published delivery plan.**
- R8 The inconsistencies between the Council Plan and the Budget, such as those set out in 7.3, are removed so that both documents tell the same clear story.**

8 The Corporate Core

- 8.1 If all the plans for outsourcing services are realised, North Tyneside Council will be a very different organisation in a year's time from the one it is today yet neither the CSP nor the budget says what the corporate core of the organisation will look like.

Running an enabling Council and overseeing contractual relationships with big international organisations is likely to require additional skills to those currently possessed by the Council and its staff. The nature of these skills (+ knowledge and experience) is not considered in the Plan, the Budget nor the business cases that underlie it.

The Committee regards this as a serious oversight and recommends that the final versions of both Plan and Budget deal with this matter in detail.

Recommendation

- R9 The Budget and the Council Strategic Plan should each contain a section on the Corporate Core – what will it look like if outsourcing goes ahead? This should clarify what skills, knowledge and experience will be needed to ensure that the Council is resourced to cope with the new ways that services will be provided.**

9 Impact Assessments

- 9.1 Although the business cases that support the draft budget do address the impact of the cuts on service users and on the people of the borough generally, they only deal with the borough as a whole and do not look at local effects. This is a weakness that needs to be addressed before the equity of the cuts can be judged.
- 9.2 The way that the proposed cuts to the Council's budget will impact on local employment need to be made clear before the budget can be properly debated. The way that cuts are made and the areas of service provision in which they are made could have far-reaching effects on levels of unemployment in the borough and on the number of benefit claims being made. Members need to see this information so that they can put forward alternative proposals designed to have a lesser impact.
- 9.3 When services are being cut in a number of areas it is important to try to foresee their cumulative effect and how one cut will impact on another. The business cases deal with their particular service and client group but there appears to have been no assessment of the cumulative effect of the savings or how any particular group of people might be impacted by a range of cuts.

Recommendations

- R10 The Committee recommends that a geographical impact assessment is undertaken for the proposals as a whole to determine their impact on different parts of the borough and that its findings are reported back to Overview and Scrutiny Committee.**
- R11 The Committee recommends that Economic Prosperity and Housing sub-committee is commissioned to undertake an assessment of the impact of the budget proposals on local employment and on the level of benefit claims being made and to report its findings to Cabinet in time for next year's budget scrutiny process.**
- R12 The Committee requests that Cabinet seeks to identify the cumulative effects of the proposed budget savings and to identify any groups of people who are likely to be affected by multiple reductions in the services they currently receive.**

10. Support to Vulnerable Adults

- 10.1 The draft budget contains a proposal to cut over £2m from the support given to help vulnerable adults to live in suitable accommodation but does not make clear the likely impact of the cuts on the people involved. The business cases (F8 and F10) indicate that women make up 61% of the client group receiving floating support, so its removal may have gender inequities.
- 10.2 In the business case for withdrawing housing-related floating support from vulnerable adults it is stated that the Gateway Service will be able to deal with the resulting additional demand for its services. The Committee was unable to find evidence for this statement and is concerned that a significant number of vulnerable people will be left without adequate support.

Recommendations

- R13 The Committee recommends that a full impact assessment is done on the effects of withdrawing housing-related floating support from vulnerable adults and its findings shared with Overview and Scrutiny Committee prior to the budget being set.**
- R14 The Committee asks Cabinet to provide evidence to Overview and Scrutiny Committee that demonstrates that the Gateway Service will be able to cope with the increased demand resulting from the proposed cuts in housing-related support.**

11. Concerns over Outsourced Services

- 11.1 Although the budget contains projected savings for each of the outsourced packages of services it does not contain credible evidence that these savings can be made. The understanding of the Overview and Scrutiny Committee is that the savings projections are based on relatively short conversations with the representatives of organisations interested in bidding for outsourcing packages and are therefore not reliable. The Committee believes it possible that an organisation may overestimate its ability to deliver in order to stay in the bidding process and that only as that process evolves will the likely true savings become clear.
- 11.2 Whilst the Overview & Scrutiny Committee recognise that there are many variables in the outsourcing process, they remain concerned that it is not yet clear how likely it is that the proposed savings will in fact be realised; nor how any future savings will be achieved for the Council in the event that outsourcing goes ahead. The Committee also wish to be clear about the contingency plans to fall back on in the event that outsourcing does not succeed and what insurance might be necessary to deal with this contingency.
- 11.3 The model for the way that services are provided in future appears to favour outsourcing to existing, most likely large, commercial enterprises. Many other models are possible, such as management buy-outs, mutuals, social enterprises, worker cooperatives, Public Private Partnerships and shared services with other authorities.

Recommendations

- R15 Firm evidence is sought that the Council's potential partners in delivering outsourced services can indeed deliver the promised level of savings.**
- R16 The budget is modified to include contingency plans should one or more of the externalised service packages fail.**
- R17 Cabinet does all that it can to ensure that the full range of alternative ways of providing Council services is considered for the duration of the CEI programme.**

12 Consultation

- 12.1 Although the sub-group reviewed the programme for consultation on the budget proposals they are of the view that some significant gaps remain. In particular they were dissatisfied with the approach taken at the Area Forums because although people were able to comment on particular issues they have not had the chance to say what they believe should be the Council's overall priorities. Furthermore, in some parts of the borough the Area Forum appears to have been the primary means of consultation.
- 12.2 Even though the time for consultation might be thought to have passed this budget is so important to the Council that the people of the borough should be given their chance to say what is a priority for them and how the necessary savings are best made.

Recommendations

- R18 Overview & Scrutiny Committee recommends that Cabinet considers how meaningful consultation can continue up to the point at which the budget is approved by Council.**
- R19 Overview & Scrutiny Committee further recommends that Cabinet ensures a comprehensive and transparent programme of consultation is agreed ahead of next year's Budget Setting and Council Plan process.**

13. The Contracting Process

- 13.1 The Council is intending to enter into negotiations with major commercial enterprises, whose ultimate purpose is to make a profit. It can be assumed that they will be looking to negotiate contracts that are most advantageous to themselves. This type of negotiation is very familiar to them but much less familiar to the Council. The Committee is concerned that we are adequately represented in these negotiations and seeks clarification about how this will be ensured.
- 13.2 Does the Council have the skills in house to write the contracts for these major outsourcings? If not, how will it specify the contracts? The Committee is

concerned as to whether or not the skills exist in house to write these major contracts and, if not, what it will cost to buy them in.

Recommendation

R20 Cabinet gives careful consideration on who negotiates and specifies major outsourcing contracts for them and that if suitable expertise is not available in-house then it is bought in. If it needs to be bought in then the cost of doing so should be made explicit in the budget.

14 Cabinet Challenge

14.1 Many of the business cases that underlie the draft budget appear to have been largely unchallenged.

Recommendation

R21 Overview and Scrutiny Committee requests Cabinet to furnish it with evidence of the challenge process to which business cases have been subjected.

15 Use of Pink Paper

15.1 The sub-group learned that information from the business cases had been shared with various groups as part of the consultation process before members had seen it. Aside from the issue of good communication this also raises the question of how many of the business cases really need to be on pink paper.

Recommendation

R22 Cabinet is asked to review the application of the use pink paper in the context of the relevant legislation.

16 Links between Key Documents

The links between the revenue budget, the HRA and the capital plan are not clear and as a consequence it is hard to see how changes in one affect the others. This makes it harder to appreciate the overall financial position of the Council.

Recommendations

R23 In future years the links between these three major financial documents should be made clear so that the way that changes in one affect the others can be seen.

R24 Where S 106 is used to create benefits for the borough these should be made clear in the business cases and the Council Strategic Plan.

17 Lessons Learned

The budget scrutiny process is a project conducted every year and, like all projects, it should end with a log of the lessons learned so that they can be applied in future years and the process made both more efficient and more effective.

Recommendation

R25 Strategic Services co-ordinates the creation of a lessons learned log that reflects the experience of the Committee, the sub-group and the officers involved in managing the process and supplying the information in order to improve it for next year.

18 Timescale for Responses

Recommendation

R26 Cabinet is requested to respond to the recommendations in this report in time for them to be considered at the 6 February meeting of Overview and Scrutiny.

19 Background Information

The following background papers and research reports have been used in the compilation of this report and copies of these documents are available from the contact officer.

- Report to Cabinet – 28 November 2011 – 2012/15 Council Strategic Plan and Budget Setting Process: Cabinet’s Draft Council Strategic Plan and Initial Budget Proposals
- Revenue Business Cases Summary and Revenue Business Cases
- Capital Business Case Summary and Business Cases
- Presentation to All Member Budget Conference – 29 November 2011
- Briefing Notes to Sub-group meetings
- Supplementary information requested by the sub-group as detailed in the notes of its meetings.
- North Tyneside Council Constitution – Budget and Policy Framework Rules

20 Acknowledgements

20.1 The committee would like to place on record its thanks and appreciation to the following officers for supporting the investigation and providing the evidence on which this report is based.

Graham Haywood, Chief Executive

Gill Alexander, Strategic Director of Children, Young People and Learning
Paul Hanson, Strategic Director of Community Services
Fiona Rooney, Strategic Director of Finance and Resources and Head of Paid Service
Julia Veall, Strategic Director of Strategic Services

Ian Conway, Head of North Tyneside Homes
Paul Cook, Head of Safeguarding
Viv Geary, Head of Legal, Governance and Commercial Services
Paul Gowans, Head of Cultural and Community Services
Mark Longstaff, Head of Commissioning and Resources
Jacqui Old, Head of Adult Social Care
Jon Ritchie, Head of Finance and Resources
John Scott, Head of Access and Inclusion
Phil Scott, Head of Environmental Services
Ken Wilson, Head of Regeneration, Development and Regulatory Services

Darrell Campbell, Principal Accountant, Finance and Resources
Anthony Gollings, Financial Business Manager, Finance and Resources
Jackie Laughton, Strategic Manager Policy and Partnerships
Alison Lazazzera, Strategic Manager Human Resources
Allison Mitchell, Senior Manager, Finance and Resources
Felicity Shoesmith, Manager Engagement
Katie Watson, Early Years Quality Improvement Manager

Simon Bennett
Robert Dixon
John Liddle
Sharon Ranade
Alison Stanners
Mark Stephens
Neil Tait
All of the Performance and Scrutiny team

20.2 The following officers and Members have been sent a copy of the report for their comments and information:

- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Chief Executive
- All officers listed in 20.1