

Meeting: Overview, Scrutiny & Policy Development Committee

Date: 4 January 2016

Title: Budget Sub - group report

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Wards: All

1. Purpose of Report

To inform Overview, Scrutiny & Policy Development Committee of the work undertaken by the budget sub-group in scrutinising the 2016/19 Financial Planning and Budget proposals.

2. Recommendations

The Overview, Scrutiny & Policy Development Committee is recommended to refer the conclusions of the budget sub-group, as set out in the report below, to Cabinet for consideration as part of the 2016/17 budget setting process.

3. Background

Invitations were extended to all members of the Overview, Scrutiny & Policy Development Committee and all members of the Liberal Democrat and Conservative groups, to seek volunteers to serve on the Budget sub group. The Council's constitution places a duty on the Overview, Scrutiny and Policy Development Committee to examine and contribute to the formulation of the Cabinet's budget and strategic planning proposals.

The following Members served on the group:

Cllr Sandra Graham
Cllr Jim Allan
Cllr John O'Shea
Cllr Judith Wallace

The group met on the 14 December, where the Deputy Mayor, Head of Finance and Heads of Service presented the 2016/19 Business Cases for:

- a. Creating a Brighter Future - Savings.
- b. Budget and Financial Plan - Growth
- c. Housing Revenue Account
- d. Investment Plan

It was decided that following the consideration of each of the cases a short report be produced to reflect the sub-groups views.

4. Approach

The proposals were developed with the expectation for continuing reductions in Central Government funding and rising cost pressures from increasing demand for services.

The proposals were based on a set of assumptions regarding grant reductions as the full impact of the Spending review still remained uncertain and included assumptions to the proposed 2% increase in Council Tax to fund Social Care.

The initial budget proposals for the Housing Revenue Account had been prepared on the assumption of 1% rent reduction over the next four years. It was highlighted that the full impact of the Summer Budget announcements still remained unclear as both the Welfare Reform Bill and the Housing and Planning Bill were still making their way through the legislative changes and were still going through parliament.

The aim of the budget was to continue to deliver the priorities of the Our North Tyneside Plan and the Creating a Brighter Future change programme. With the underlying principle that the change programme would enable those who are able to do so, to do things for themselves, whilst managing the demand and costs for services. With the focus on delivery of services to the individual as not all services could be provided universally.

This would be realised through working better with partners and redesigning services to customer priorities, with the understanding that investment in technology was being undertaken.

5. Budget sub - groups observation

It has been very challenging to establish proposals this year due to the number of uncertainties. These being the effects of the chancellor's 2015 Spending Review and Autumn Statement and the delay on knowing the settlement North Tyneside will receive.

At the time of the proposals being scrutinised, the Authority had still not received the Provisional Local Government Settlement and its duration. Therefore all proposals were estimates at this stage.

5.1 Authority's Borrowing Strategy

By continuing to maintain a low level of cash balances the risk of investment is reduced, it was thought that the authority's treasury management has been too risk averse and there is a need to look to maximise its funds.

The sub group endorses the approach of the Authority's Borrowing Strategy.

Recommendation 1: With the overall forecast for long term borrowing rates to increase over the next few years, consideration should be given to weighing the short term advantage of internal borrowing against the potential long term costs. There is a risk for missing taking loans at long term rates which will be higher in future years.

5.2 Creating a Brighter Future/Target Operating Model (TOM)

In order to continue to deliver specialist services to those of most need and managing the demand for other services, there is a need that the frontline workforce will deliver universal services to help residents to help themselves. Some of these services would be accessed through the Council's website and for others front line workforce would be trained to signpost residents to relevant services depending on need.

The Target Operating Model (TOM) would provide a network of frontline services via excellent quality community based facilities – a one stop shop approach providing services under one roof would require multi-skilling and generic skill sets from the workforce.

Therefore was noted that it is inevitable that a smaller high performing, flexible and agile workforce will be needed to deliver services.

An important element of the overall Financial Strategy is the Authority's approach to changes needed to achieve savings.

The strategic driver for citizen interaction and delivery of service for external and internal customers is paramount to the Authority's plans and its alignment to the Target Operating Model. It is recognised that significant investment is in place for this to be realised.

For this to deliver what is proposed it is critical that the first principle – Accurate information is available to citizens and council officers to enable them to get things right first time.

The Authority needs assurances that the digital technology and information flow environment is in place and will deliver exactly what is expected.

This is a huge cultural change for citizens and Council officers alike and any adverse experience will harm the effectiveness of delivering leaner processes and ultimately the savings proposed.

Recommendation 2: It recognised that risks could be mitigated by ensuring all systems were in place and working to what is expected. It is critical that risk assessments are undertaken prior to implementing any staffing changes.

5.3 The Cashless Project

The sub-group understood the need to maintain efficient, effective and secure methods of handling payment transactions, minimising the amount of cash handled and reducing risks arising from security issues, fraud and money laundering.

Scrutiny heard that the Authority was working with its bank (Barclays) to use its training package to inform/develop staff.

There was a clear need to strengthen engagement with residents over the changes to the Target Operating Model and cashless working by the Authority.

Recommendation 3: Consideration should be made to provide a training package to all staff and be available to citizens in Customer Service Centres.

5.4 Housing Revenue Account

There is a need to understand what effects the proposed changes made by Central Government will have on the Housing Revenue Account. How this will affect residents/tenants and the ability for the Authority to ensure that its priorities to tenants are maintained best as possible, taking into account of the reduction in revenue and restriction that will be imposed by the Welfare Reform & Work Bill and Housing & Planning Bill.

There is a need to ensure residents and tenants are aware of the effects of the universal credit and welfare reforms will have on the future resourcing of the Housing Revenue Account.

Recommendation 4: There is need to be aware of the settlement from Government when the Authority receives it and any further proposals that may be made upon receipt of the settlement.

Recommendation 5: Scrutiny understood that one of the biggest challenges is the collection of rent and arrears. The Authority should strive to ensure that all data systems are in place to support this and to help tenants to pay their rents with encouragement to set up direct debits.

5.5 Reserves & Balances

It is considered that the authority does not hold extensive reserves although there could be public impression that it does.

Recommendation 6: Scrutiny believes it would be beneficial that the level of reserves held by North Tyneside should be transparent to its citizens. Therefore this should be highlighted in future engagement.

5.6 Investment Plan

Recommendation 7: Scrutiny believes that a preferred solution be decided upon for the Depot Rationalisation at the earliest opportunity.

6. Background Information

The following documents have been used in the compilation of this report and may be inspected at the offices of the author:

Cabinet Report – 2016-19 Financial Planning and Budget Process: Cabinet's Initial Budget Proposals.

2016/19 Business Cases for:

- a. Creating a Brighter Future - Savings.
- b. Budget and Financial Plan - Growth
- c. Housing Revenue Account
- d. Investment Plan