

Report of the Budget Scrutiny Working Group

1 Introduction from the Chair

The Working Group was established following the report to the 26 November 2019 Overview and Scrutiny Committee '*Planning for Scrutiny of the Council's Budget*'. This recommended the creation of a budget scrutiny 'task group' which would draw on members of various committees, follow a defined timeline, and pursue certain lines of enquiry.

Membership of the Working Group included Councillors **Tom Bennett**, **Max Chauhan**, **Marie-Therese Rossi** and **Linda Wade** and I would like to thank them for their contribution.

Owing to the short timescales involved in the budget process, it was necessary for the Working Group rigorously to prioritise those areas and savings proposals requiring more in-depth scrutiny and to work at pace. This report contains recommendations relating to the 2020/21 savings proposals and also for scrutiny itself further to enhance and strengthen this important area of scrutiny. As part of the work, the Working Group also looked at a number of savings proposals in the current year (2019/20) to identify if the savings had been delivered and impact.

I would also like to thank the designated lead officers for providing information and attending a question and answer session with the Working Group as well as Scrutiny and Governance Officers for undertaking additional research and providing support.

Councillor Adrian Berrill-Cox

Chair of the Budget Scrutiny Working Group

2 **Membership, Terms of Reference and Methodology**

2.1 The **members** of the Working Group are noted below.

- Cllr Adrian Berrill-Cox (Chair)
- Cllr Tom Bennett
- Cllr Max Chauhan
- Cllr Marie-Therese Rossi
- Cllr Linda Wade

2.2 In summary, the purpose of the Budget Scrutiny Working Group was to aid the Overview and Scrutiny Committee (OSC) in scrutinising the Council's budgeting process for the 2020/21 budget. The Working Group has reviewed and made recommendations on budget proposals and the financial position of the Council.

2.3 The scope of the Working Group was to consider the Medium-Term Financial Plan, the draft Revenue and Capital Budgets, and to report back to the OSC with findings and recommendations.

2.4 Owing to the short time frame available for this scrutiny, it was agreed to have a first meeting to agree the terms of reference and scope followed by two focused meetings to examine key documentation and to hold question and answer sessions with officers identified as the service leads for the proposals.

2.5 An Interim Report was included in the Agenda of the meeting of 9 December 2019. This set out the prioritisation approach that would enable the Working Group to focus on those areas that they thought needed greatest attention. The Working Group also met on the 19 December 2019 to work through more detailed savings proposals with Finance Officers and to lay the foundations for the third and final meeting.

2.6 The Working Group met again in January for a scrutiny question and answer session with the Director of Financial Management followed by sessions with nominated lead officers for the savings proposals in 2019/20. The Working Group identified and focused on several at-risk savings, new savings proposals, and new capital investment proposals, for which the lead officers provided information.

3 **The Approach and Key Questions**

3.1 As part of the prioritisation process, the Working Group agreed to structure the scrutiny on five areas:

- Under-achieving or 'at-risk' savings
- New savings proposals
- New capital investment proposals
- The financial sustainability of Adult Social Care services
- Income generation proposals and new income generation opportunities

- 3.2 The agreed approach was to conduct testing that could, by means of questioning about sustainability and realistic proposals, be satisfied that there had been research and benchmarking about performance and approaches used by other councils. Appendix One contains more detailed notes of the Working Group meeting of 14 January 2020 which included question and answer session with designated lead officers for the savings proposals.
- 3.3 During the course of the scrutiny, the Working Group identified two priority areas - income generation and the financial sustainability of adult social care services that would be more suited to an in-depth approach over a period of months to enable a greater focus on the detail. It was agreed to make recommendations to the Overview and Scrutiny Committee about future scrutiny in relation to these areas.

Income generation proposals and new income generation opportunities

Recommendation One

- Income generation proposals should be a work item for financial scrutiny into the 2020/21 financial year.
- 3.4 The Working Group decided that the item on income generation proposals should be continued as part of the next year's financial scrutiny process. The consensus was that the earlier in the budget cycle this work starts, the more opportunity scrutiny would have to look at the feasibility of proposed opportunities, and the more likely such proposals make it into the budget. The Working Group decided that making limited recommendations on unconsidered potential income opportunities during this scrutiny was unlikely to be of great value.
- 3.5 However, the Working Group did consider some proposed opportunities for income generation as part of its work on savings proposals. In particular, it considered increased registrar commercialisation opportunities and filming costs.

The financial sustainability of Adult Social Care (ASC) Services

Recommendation Two

- The Overview and Scrutiny Committee include scrutiny of the Adult Social Care (ASC) services to the Scrutiny Annual Work Programme for 2020/21.
- 3.6 The Working Group recognised the long-term challenges that ASC services face in regard to financial sustainability and was aware this is an issue of concern for many other councils. The need for local services is changing, driven by demographic shifts in the Borough (an increasingly elderly population) and the increasing complexity of the support that existing users need. Moreover, uncertainty about the shape of funding from integrated health services, especially the North West London Collaboration of Clinical Commissioning Groups, posed a connected strategic challenge.

- 3.7 Despite these pressures, the Working Group noted that there were no new savings for Adult Social Care in the proposed 2020/21 budget, and all savings which were committed to in the 2019/20 budget for Adult Social Care were on track to be delivered in full. Although the Working Group was pleased to see that there were no immediate significant budget pressures on Adult Social Care, concerns were expressed about its long-term financial sustainability owing to the issues noted above.
- 3.8 The Working Group felt that the most effective way of scrutinising this topic was to consider it in greater detail over a longer period of time. Members felt that the OSC should commit to dedicated scrutiny of this topic, preferably with the involvement of the Adult Social Care and Health Select Committee, would allow for this more in-depth scrutiny.

Priorities and Key Questions

- 3.9 The Working Group had two main priorities when considering the savings and savings proposals and capital investment proposals:
- Was the proposal achievable and realistic?
 - What would be the impact of proposals on residents?
- 3.10 There is overlap amongst these priorities but separating them out allowed the Working Group to structure its considerations and recommendations and so focus its inquiry.
- 3.11 In most cases the Working Group was reassured during the course of the scrutiny with the viability of proposals and had no recommendations. However, there remained some areas where the Working Group wished to make recommendations.
- Community and Resident Focused Environmental Service Transformation – (CREST) and in particular Phase 2;
 - Housing needs and supply savings and capital investment.

Recommendation Three

- Scrutiny continue to monitor the savings proposals relating to CREST 2, and monitor whether the underlying assumptions are robust, and the anticipated savings are achieved.

Recommendation Four

- Leadership Team also continue to monitor the savings proposals relating to CREST 2, monitoring whether resident feedback has ramifications on the level of anticipated savings.
- 3.12 The CREST 2 savings proposal was selected as requiring more in-depth scrutiny because the stated anticipated savings were felt to be over optimistic. This was because although the savings in the CREST 1 project had been delivered this had not been as anticipated.

- 3.13 During the question and answer session, officers assured the Working Group the underachievement was owing to staffing pressures and unexpected one-off costs. The proposed savings for CREST 2 reflected outcomes from CREST 1. Performance data would be analysed when the full data set was available, and it was confirmed this could be shared with scrutiny. The Working Group felt that savings of £250,000 in Year 1 from CREST 2 might be unachievable if there was unanticipated pushback from residents against proposals for the introduction of the Community Wardens. The Working Group expressed a wish for scrutiny to monitor the outcomes of both stages of the CREST project, and to keep under review as part of this scrutiny whether savings proposals continued to be realistic.

Recommendation Five

- To support the reduction of the savings proposal relating to housing registered providers from £960,000 over three years to £600,000 because this is more realistic and achievable, and to support the proposals to further enhance liaison and communication with registered providers.
- 3.14 The Working Group identified two inter-dependent high value savings proposals relating to housing need and supply and the additional housing capital investment that required in-depth scrutiny. A significant saving of £990,000 had been put forward when there was a forecast overspend in the current financial year (£633,000) in Housing Needs and Supply temporary accommodation budgets. The savings relating to increasing supply from registered providers were dependent on partner agencies which increased the risk. During the question and answer session, the lead officer informed the Working Group that the savings proposal was due to be revised down to approximately £600,000 as this was felt to be more realistic following discussions with registered providers. Details were also given of measures being put in place to further enhance partnership working with registered providers. It was confirmed by the lead finance officer that work would take place to mitigate the impact of this revised savings proposal on the budget gap for 2020/21. The Working Group fully supported the revised savings proposal.

Overview of Savings and Latest Budget Proposals

- 3.15 Although the scrutiny prioritised key areas, the Working Group members were keen to consider the overall budget position and summary details for those proposals where officer attendance had not been requested at the question and answer session.
- 3.16 As part of this the Working Group identified some areas that they were interested in receiving further information. These included the number of agency staff at the Council and any savings resulting from the disaggregation of Tri-borough services.

Recommendation six

- that officers consider long term effects when choosing by what percentage to increase fees and charges.

- 3.17 Whilst a 2% increase to charges is usually accepted as uncontroversial (as a roughly 'inflationary' figure), failing to increase a charge for a given year might have ramifications down the line if a larger raise is needed to 'catch up' the charge.

Consultation

- 3.18 The consultation period on the budget proposals was between 14 November 2019 and 17 January 2020. However, consultation was delayed because it could only be promoted after the snap general election. Online consultation was promoted on twitter, Council is conducting consultation on the budget proposals via an online survey, through the Chamber of Commerce, in newsletters to the voluntary sector and in the borough's libraries. Despite this there had been only a few responses so far and officers confirmed these would be brought to the meeting of Overview and Scrutiny on 28 January 2020.
- 3.19 Officers shared the headline feedback from these responses and confirmed that it would be considered by Lead Members in their work to draft the budget that will be presented to the Leadership Team on 12 February 2020. Despite the low responses, the consultation was, however, useful to gain a snapshot of possible responses to proposals that officers and members may have missed. For example, comments about CREST 2 and efficiencies were shared at the final meeting of the Working Group so that they could help inform the line of questioning and recommendations made in the final report.

4 Proposals for Budget Scrutiny

Recommendation seven

- To continue with the Budget Working Group to enable effective scrutiny of the Council's budget throughout the year.
- 4.1 The Working Group reflected on the process of budget scrutiny it had conducted over the past two months and considered how to continue this work into the future.
- 4.2 In summary, the Working Group members were of the view that budget scrutiny should continue in this form, rather than as a 'one off' exercise, and also start much earlier in the year to allow greater consideration and in-depth scrutiny. In particular, the group could use the first half of the year reviewing the performance against forecast of proposed savings and the latter half scrutinising those proposed for the following year with a rather earlier start than this year. The importance of performance information being made available to complement the financial data was stressed. Members felt this would be best achieved by continuing the existing Working Group as it would provide benefits in terms of continuity, increased expertise, and would not require extra work in organising a new group or structure. This would include inviting other backbench councillors to join. Identified was the opportunity to look at the items relating to income generation and adult social care described above in Section 3 of this report.

4.2 The Working Group felt this detailed scrutiny would complement the planned regular financial reporting and monitoring to the Overview and Scrutiny Committee.

Savings proposals

Set out below is the more detailed information relating to the individual question and answer sessions for selected savings proposals and capital investments.

2019/20 Savings - Value for Money (Parks and Leisure) and Adoption of Income Management Software

Officers in attendance: Mahmood Siddiqi, Terry Oliver

Officers confirmed the Leisure Service Contract generates income and there is also a profit share arrangement. The figures would be available at the end of the financial year. Major improvements were planned, and it was hoped that this would increase visitor numbers. In response, to a question, officers confirmed there was a communication programme in place to promote the changes and hopefully encourage more people to use the centre.

The Working Group probed whether the savings in relation to Table and Chairs income were realistic. Officers confirmed that in the previous years, savings proposals had been optimistic and achievement of the savings will remain under review.

In relation to the Parks proposals, officers confirmed consultation was planned on staffing arrangements and the options for the structures and model that would best address retention issues.

Officers confirmed the arrangements for income management software for parking charges. Other highways related expenditure included work to Chelsea Bridge (maintenance and lighting) and Stanley Bridge which crossed the borough boundary so it was hoped that there might be a joint funding proposal.

An outline was given of the Culture Service including staffing and what was included in the Council Plan. The Working Group were interested in filming charges as they were a potential source of revenue especially for those locations that were unique to the Borough. Officers confirmed that charges could be varied rather than applying a fixed rate. Charges had been reviewed and would be increased for unique locations within the Borough.

2020/21 Savings Proposal, Registrars Commercialisation

Officer in attendance Steven Lord

The Working Group explored income generated by the Service including fees for weddings and civil partnerships. Members understood that the relevant legislation permits the Council to cover its costs but that it cannot make a profit but there could be charges for 'add-ons' like confetti and that we had a strong historic brand. Assurance was provided that work had been undertaken to confirm the cost of the service and also to compare it to other councils. Officers confirmed that the evidence suggested

there was a justification for increasing fees and there would be a phased implementation rather than a single increase.

Officers also confirmed that consideration was being given to giving a discount to residents in receipt of benefits or on low incomes as other councils applied this policy. Officers confirmed in response to questions that they would research the feasibility of developing a policy that would increase fees for non-borough residents.

In response to questions about future developments, officers confirmed that there may be some changes to marriage ceremonies instigated by government which would give the Council more opportunities. There was room for growth and the service would adapt to changes in the external operating environment. Members were encouraged by this response.

2019/20 Saving and 2020/21 Savings Proposal CREST and CREST 2

Officers in attendance: Sue Foster and Lucy Varenne

The Working Group heard about CREST 1 which was intended to proactively focus on resident concerns in relation to enforcement. The saving was achieved by both reducing costs and increasing income.

Officers confirmed that when creating the generic enforcement team there had been careful consideration of the impact on the individual services in terms of activity and resource allocation.

The Working Group expressed the view that the saving in relation to the Community Wardens was fragile as they had heard resident concerns about the loss of police officers and also that the new Wardens would not have the same powers. Members suggested that the new model should not be part of a savings proposal if implemented i.e. the budget should not be reduced.

Officers confirmed that savings forecasts had been realised and that there would be opportunities for income generation.

2020/21 Savings Proposal Integration of Pre-Birth to 5 Pathways

Officers in attendance: Justine May and Andrew Tagg

The Working Group heard the core driver was to improve outcomes in the early years through improved integration as research had identified that families reported feelings of a fragmented service. Officers reported that over 300 families have been involved in sharing their experiences to date. Their feedback has helped identify possible improvements including identifying duplication and overlaps, the contribution peer support could make to families and also new initiatives such as digital offers.

In response to a question about whether there were targets for savings, officers confirmed financial modelling had included comparing similar local authority areas. More detailed work was planned, and this included activity-based costing.

Officer's described how year one savings had been secured with an increased take up of childcare offer and the decommissioning of the Family Nurse Partnership. Year two and three savings would be achieved through a phased implementation of a new pathway.

In response to a question, officers confirmed the Council is applying a strategic and planned approach which was realistic about the savings which have been scheduled into a 3-year programme.

2020/21 Capital Investment Proposals - Children's Centres

Officers in attendance: Natasha Bishopp and Andrew Tagg

The Working Group sought reassurance about the provision for children with special educational needs and the arrangements were confirmed.

Members asked about what they perceived as a geographical imbalance of youth provision and asked for further details. Officers confirmed that in the North of the Borough there was greater need. However, officers said there were hotspots and this included parts of Earls Court and Hans Town and this had been taken into account. The Council is in the top quartile for spend on youth in London and has invested in a number of providers and in addition to this there are providers in the voluntary sector.

2020/21 Capital Investment Proposals – Additional Secondary School Places

Officers in attendance: Ian Turner and Andrew Tagg

The Working Group asked about school place planning – primary and secondary.

Officers confirmed there was likely to be a short fall of places for secondary places in future years and government guidance states there should be an excess of about 5% to accommodate parent preferences as well as increases in demand. The Council had communicated this information to secondary schools as good communication is seen as important in these circumstances.

Concerns were raised about access to the borough's schools as families in the centre of the borough were often outside of the catchment areas. Officers confirmed that the Council could not restrict access to schools to borough residents.

The Working Group asked about revenue cost per school place and how this compared to other Councils and value for money principles. Officers confirmed the Dedicated Funds Grant came from the Department for Education and this funding was for the individual child.

There were several issues linked to capital costs of creating additional school places in the Borough including land values and their impact on availability and construction techniques, as well as a general 'M25 premium'.

Housing Needs and Supply Savings and Capital Investment

Officer in attendance: Rachel Sharpe

Officers confirmed that the New Homes Programme expenditure was not included within the HRA but within the Capital for the General Fund which would be included in the Agenda for the Overview and Scrutiny meeting of 28 January 2020.

The Working Group was keen to explore the proposals relating to temporary accommodation. The lead officer gave an overview of the Council's responsibilities for housing under the relevant legislation, the waiting list and the location of temporary accommodation including the percentage that is within the Borough.

The Lead Officer confirmed there was now a proposal to reduce the saving relating to increasing supply from registered social providers from £990,000 to £600,000. Whilst understanding the requirement for the Council to make savings, the Working Group fully supported this proposal as members were keen that proposals were robust, realistic and achievable.

The Working Group also asked about the powers of the Council in relation to registered providers. It was confirmed that they are independent of the Council and that some of them had concerns with ageing stock that required refurbishment as part of large-scale programmes and which therefore impacted on the number of properties that could be made available for Council nominations. A liaison officer post was being created to further enhance communication with registered providers and it was hoped that one of the benefits would be an increase in nomination rights.

Overview of savings and latest budget proposals

Officer in attendance: Taryn Eves

The Director of Financial Management gave a short Introduction relating to those savings where an officer will not be attending. These included proposals relating to:

- The Planning Service
- Pest Control
- Children's Safeguarding Review
- Multi-agency safeguarding review
- Finance and modernisation – these are 'back office' savings including a move to 'self-service' but *only* for those services where it is appropriate.
- There were no savings planned in relation to the Grenfell Service. Some costs have reduced eg temporary accommodation and key workers.
- Adult Social Care finance processes
- Front of house services –reception areas
- The Empty homes premium – the legislation is changing to allow the Council to charge more.
- Fees and charges

The Working Group focused on the Review of Financial Management and the review of agency staff as well as a review of management structures. Members were of the view that the use of agency staff had benefit in the case of discrete time limited

projects. However, members were of the view that it would sometimes be useful to keep these staff as their skills would be required. Further information was requested on the numbers of agency staff.

The Working Group were interested to here that although the disaggregation of Tri-borough services had resulted in an increase in the cost of services, this was not the case in relation to all sovereign services. The Working Group requested further details.

The Working Group asked about charges that were not put up by the inflationary amount of 2% and whether this would cause issues further in the future if an increase of more than 2% was required to 'catch up'.