

Appendix 1

Report of the Budget Scrutiny Panel 2015-16

A) Introduction

The Panel

The 2015-16 budget scrutiny panel consisted of Cllrs Gill Mitchell (Chair), Dee Simson and Leo Littman. The panel held three evidence-gathering meetings. The first of these explored the strategic context for the budget plans with the council's Leader and Chief Executive. The second and third meetings focused on the spending plans of specific departments with the input of the relevant Policy Committee Chairs, Directors, and Heads of Service. Services represented at these meetings included Adult Social Care, Housing, Children's Services, Policy & Communities, Community Safety, and Public Health. Senior officers from Finance & Resources attended and contributed to all three meetings. A full list of witnesses and details of meetings is included as **Appendix 1** to this report. Minutes from the panel meetings are included as **Appendices 2, 3 and 4**.

The Financial Context

This year's budget plans have been formulated in the context of very significant year-on-year reductions in local authority funding, with more than £20 million of savings to be made in 2015-16 and similar economies required across the next several years.

Although local authority funding is experiencing particular large reductions, there is pressure on budgets across the public sector, with less money available across local systems to provide services.

At the same time, demand for some public services – particularly for health and social care – is rising rapidly. This is partly due to an ageing population, although the causes of rising demand are complex.

It is clear that the council cannot absorb these levels of year-on-year funding reductions and continue to deliver the current levels of service. The council is responding to these challenges in several ways: by increased collaboration with public and third sector partners; by modernising council services; by seeking to increase the revenue-generating potential of key services; by seeking to develop a more complete understanding of demand for services and of how this demand might

be better managed; and by moving to a very different understanding of the relationship between citizen and state.

The following section of the report explores what witnesses to the scrutiny panel told members about these challenges, and what the council is doing in response to them via its budget planning. It also looks at how achievable this year's plans are. The concluding section contains the panel's recommendations to Policy & resources (P&R) decision-makers.

B) Challenges/Themes

1 Collaboration

Collaboration across the public sector. The council's Chief Executive, Penny Thompson C.B.E., told the panel that collaboration across the local public sector was increasingly important. There have been significant advances in this agenda over the past few months. These include the development of the city Health & Wellbeing Board (HWB), the City Management Board (CMB), and the Safe in the City Partnership. In addition to these broad partnership bodies, there has been really effective co-working in a number of more specific areas, including the Better Care Fund, the Stronger Families Stronger Communities programme, and the recently completed review of Special Educational Needs and Disability (SEND) services for children and young people.¹

Increased collaboration between public services is important not just because we need to use diminishing resources in the most effective ways, but because all public sector organisations need to make significant changes, and it is not sensible for organisations to change in isolation from one another. However, the ultimate aim here may well be for really effective joint working rather than the formal integration of organisations.²

The starting point for budget planning has been the Sustainable Communities Strategy priorities, a set of goals shared by key public sector partners across the city and by all political groups.³

In subsequent meetings the panel heard in more detail about some of the collaborative work that has been taking place in the past few months. For example, Denise D'Souza, Executive Director of Adult Services, informed members of discussions with the Brighton & Hove Clinical Commissioning Group (CCG) around future funding for intermediate care⁴ beds in city Resource Centres. The CCG is

¹ Evidence from Penny Thompson (PT): 12.12.14 point 3.11

² PT 12.12.14 point 3.11

³ PT 12.12.14 point 3.6

⁴ Short term community beds to support people coming out of hospital who are not yet ready to return home, or who require assessment to determine how best to support them going forward.

being asked to agree to increase its funding for these beds to more accurately reflect the split between patients with primarily health needs (NHS-funded) and those who primarily require care (council-funded, subject to a means-test). This will allow the council to put forward a significant budget saving (£1M) without reducing levels of service.⁵ Similar negotiations are underway with regard to the CCG under-writing elements of the Community Care Budget and pump-priming some of the Better Care Fund initiatives, provided that the council works effectively with NHS commissioners to help reduce hospital admissions and to improve hospital discharge times for people with complex health problems.⁶

Pinaki Ghoshal, Executive Director of Children's Services, informed the panel about recent improved partnership working with schools, and about the potential to do even more. For example, schools are the biggest referrer to the city Early Help Hub (EHH) and also spend a good deal on early help services (although they don't necessarily badge them as early help). However, this provision tends to be undertaken by individual schools in isolation from other agencies, and sometimes from other schools. If the council, the Clinical Commissioning Group and schools came together collectively to commission early help services then we would potentially see much better outcomes for young people.⁷

The panel very much welcomes these initiatives and many others across other services detailed by witnesses. It is clear that there has been a step-change in the degree and the ambition of collaborative working in the past few months and that it is producing increasing significant and concrete results. It is also evident that there is the potential to do still more.

Collaboration across local authorities. As well as working more closely with our public sector partners in the city, it is obviously also important that we co-work effectively with neighbouring councils. Again, the panel heard about lots of activity in this area. For instance, Denise D'Souza informed members about plans to share an independent Adult Safeguarding Board Chair with East Sussex; about the regional joint working to implement the Care Act; and about the recent decision to co-commission a new Integrated Community Equipment Stores service with West Sussex County Council.⁸ In a similar vein, Linda Beanlands, Commissioner for Community Safety, told the panel about arrangements to share the post of Violence against Women and Girls Commissioner with East Sussex County Council.⁹

In general the panel heard that there are opportunities to achieve significant economies of scale for services delivered to a population of 500,000 plus.¹⁰ Since

⁵ Evidence from Denise D'Souza (DD): 06.01.15 point 8.7

⁶ DD 06.01.15 point 8.7

⁷ Evidence from Pinaki Ghoshal (PG): 08.01.15 point 13.8

⁸ DD 06.01.15 point 8.9

⁹ Evidence from Linda Beanlands (LB): 08.01.15 point 13.28

¹⁰ DD 06.01.15 point 8.9

the population of Brighton & Hove is considerably less than this, there appears to be an obvious impetus to work jointly with our neighbours on a wide range of projects.

Panel members welcome the work that has gone on here. This will clearly become even more important in coming months, driven at a strategic level by the developing Greater Brighton Economic Board partnership.

Collaboration within the council. As well as working effectively with our external partners, it is important that different sections of the council work well together, something that is challenging in such a large and complex organisation. The panel heard a good deal about projects to better align council departments, or to transfer responsibilities for a service to a team better positioned to deliver high quality outcomes.

For instance, Cllr Bill Randall, Chair of the Housing Committee, told members that the recent transfer of responsibility for homeless prevention services (those services formerly funded by 'Supporting People' grants) from Housing to Adult Social Care (ASC) makes good sense in terms of best supporting a very vulnerable client group who are often too challenging to be supported by Housing workers alone.¹¹

A number of the more significant transfers of responsibility within the council involve Public Health (PH). For example, the panel heard that services for street outreach and prolific offenders that had previously been funded by Community Safety will now form part of the PH substance misuse contract.¹² Dr Tom Scanlon, Brighton & Hove Director of Public Health, told the panel that he had gladly taken the opportunity to brand PH as a council service, without losing sight of its core purpose to improve population health.¹³

Collaboration with the Community & Voluntary sector and directly with communities. Richard Butcher Tuset, Head of Policy & Research, told the panel that local community & voluntary sector organisations (the 'third sector') are vital to the city, with every £1 spent with the sector estimated to generate an additional £13 in other benefits. However, given the scale of savings required from the council and from other public sector bodies, public funding for the sector will inevitably come under increasing pressure in the coming years. It is important that we support the third sector to transform itself to meet these new challenges, and a key element of this will involve understanding more precisely what community & voluntary sector organisations offer to the city and how to target support most effectively.¹⁴

The council has already invested in Community Works to support third sector transition. The local authority is also reviewing the current three-year grants programme. In general there is likely to be a shift from grant funding to

¹¹ Evidence from Cllr Bill Randall (BR): 06.01.15 point 8.18

¹² LB 08.01.15 point 13.25

¹³ Evidence from Dr Tom Scanlon (TS): 06.01.15 point 8.32

¹⁴ Evidence from Richard Butcher Tuset (RBT): 08.01.15 point 13.14

commissioning (via the successful Prospectus model) in order to ensure the delivery of more specific outcomes. The council is also actively looking at national and international best practice in terms of identifying alternative income streams to support the third sector – for example the potential of encouraging more philanthropic support of the sector, particularly in terms of infrastructure projects.¹⁵

In addition the council is currently reviewing all its third party spend, including third sector spend, as part of the corporate Value for Money work. This review will seek to identify opportunities to increase efficiency and reduce duplications across all the council's contracting and commissioning.¹⁶

The council uses a matrix impact approach to focus on key third sector organisations across the city, looking at how healthy they are, how resilient to change they are likely to be, and what can be done to support them to remain sustainable.¹⁷ Going forward it is vital that the council is as clear as possible about its intentions with regard to third sector funding: in order to plan effectively the sector needs to understand whether particular income streams, such as three-year grants, are going to be retained or discontinued.¹⁸

This year's budget planning has included increased engagement with the third sector via Community Works, and movement in the direction of a more truly collaborative approach to budget-setting, although the tight time-scales involved mean that this process is inherently challenging, and it is clear that there is more to be done here.¹⁹

Cllr Jason Kitcat, Leader of the council, stressed that supporting the third sector is very much a two-way conversation: he is eager for the sector to respond positively to the budget plans, putting forward its own ideas about future levels and types of support.²⁰

Linda Beanlands informed members of the successful series of 'One Voice' meetings, which have brought the council's Chief Executive and Executive Leadership Team together with representatives of city faith and BME communities. There is scope to build on this work to create more opportunities for communities to talk directly to public sector decision-makers.²¹

2 Modernisation

In a world of diminishing resources it is important that the council is a lean and effective organisation, that departments work coherently together and that the services we fund and the models of service provision (e.g. whether internally

¹⁵ RBT 08.01.15 point 13.15

¹⁶ RBT 08.01.15 point 13.16

¹⁷ Ibid point 13.17

¹⁸ Ibid point 13.19

¹⁹ Ibid point 13.18

²⁰ Cllr Jason Kitcat (JK): 12.12.14 point 3.13

²¹ LB 08.01.15 point 13.32

provided, provided via a cooperative or mutual or commissioned externally from the community & voluntary or independent sectors) are supported by a robust evidence-base.

Other sections of this report deal with what the council is doing to ensure that departments collaborate effectively and that decisions about our services are based on the most up-to-date and accurate information. Cllr Kitcat stressed to the panel that the focus of this year's budget savings has been on re-designing services to optimise their efficiency. The council is committed, via the budget and other initiatives such as the corporate modernisation and value for money programmes, to developing service models that best support the goal of maintaining and improving outcomes with diminishing funds.²² To support this end, some services key to the delivery of organisational change, such as Communications, have not been required to make significant savings.²³

Penny Thompson emphasised the point that, although this is technically a one year budget plan, it has very much been developed in the context of the next four to five years. In many ways, this year's budget is a precursor of the types of change that will need to happen over the coming years – for example the delivery of more and more services digitally.²⁴ It is important to understand that by no means all these changes are about managing declining resources; initiatives such as the increasing personalisation of services, the move away from building-based provision, and the shift to digital will all save money, but they will also deliver better outcomes for residents.²⁵

3 Income Generation

One obvious response to reductions in government funding is for councils to seek to increase their capacity to generate income. Cllr Jason Kitcat told the panel that the council was actively looking to generate income in a number of areas: for example, through developments including the i360, the seafront arches, Brighton Centre/Black Rock, and the King Alfred. The council is now looking to support major projects to go beyond a break-even position.²⁶

Cllr Kitcat stated that the budget plans also effectively protect the council's Economic Generation and European teams, services which are key to delivering additional income.²⁷ Elsewhere, plans are in place to develop the revenue-earning potential of services – for example CityClean collecting commercial waste. However, for commercialisation to be a realistic prospect, services need to have a really good

²² JK 12.12.15 point 3.3

²³ PT and JK 12.12.15 point 3.18

²⁴ PT 12.12.15 point 3.8

²⁵ PT 12.12.15 point 3.16

²⁶ JK 12.12.15 point 3.17

²⁷ JK 12.12.14 point 3.17

record for reliability, which means that it may not be possible to proceed immediately with this type of initiative.²⁸

Geoff Raw, Executive Director of Environment, Development & Housing, told members that the council already sought to bid for any available national or regional funding, and is committed to ensuring that new responsibilities, such as landlord registration schemes, are as far as possible self-financing. Going forward, the potential for differentiating between core and non-core Housing Revenue Account (HRA) services, and for introducing elements of charging for the latter will need to be explored, although it is vital that this is undertaken with the support of council tenants.²⁹

Penny Thompson told the panel that it was important that the council sought to maximise its income-generating potential. However, income generation is not a panacea: it cannot conceivably outweigh the loss of income through government grant reductions. It must also be recognised that key services such as adult and children's care will never be financially self-sustaining.³⁰ Nigel Manvell, Head of Financial Services, added that the goal of moving towards self-sustainability was an organisational aim rather than something for every individual service.³¹

4 Intelligence

With funding across the public sector diminishing, and only limited short-term opportunities to significantly increase income, it becomes more and more vital to understand what support local people require, how best to provide that support, and which organisations and sectors are best placed to support it. Public sector commissioners need to know which interventions work and which don't in order to allocate limited resources efficiently. With demand increasing in key areas, it is also increasingly important that the funders understand why more people want support and the options available to manage and reduce demand, via managing people's expectations, encouraging self-support and through better prevention.

It is therefore crucial that organisational and citywide intelligence is as powerful and as effective as possible, and that the public sector is rigorous in using it to inform the difficult decisions ahead.

Cllr Kitcat told the panel that the budget plans were based on our best understanding of the effectiveness of interventions. So for example, investment in effective preventative services such as Early Help and the Stronger Families Stronger Communities (SFSC) programme has been maintained, whereas preventative services which can't show such an evidence-base have unavoidably seen their

²⁸ JK 12.12.14 point 3.10

²⁹ Evidence from Geoff Raw (GR): 06.01.15 points 8.25 and 8.23

³⁰ PT 12.12.14 point 3.17

³¹ Evidence from Nigel Manvell (NM): 12.12.14 point 3.17

funding reduced.³² Penny Thompson added that intelligence also shows us both how much our citizens value cultural services and the significant role that they have to play as preventative services.³³

Nigel Manvell, Head of Finance, told members that accurately measuring the financial, social and economic benefits to the council and the broader community of particular interventions can be complex, requiring the use of Social Return on Investment (SROI) models that are still being developed nationally. However, it is important that commissioners continue to develop more and more sophisticated tools, even if in the interim we have to rely on less precise measures of performance, such as achieving the government's process-based SFSC targets.³⁴

Linda Beanlands explained to the panel the increasing importance of intelligence to the work of Community Safety, citing ongoing work with the Police & Crime Commissioner and with Sussex Police to share information more effectively to support work on serious & organised crime and on child sexual exploitation. Linda Beanlands stressed the need to think innovatively – for example by training Environmental Health officers in trafficking matters so that they can identify potential issues when undertaking their regular hygiene inspections of restaurants.³⁵

Dr Tom Scanlon told the panel that Public Health had been re-positioned to be the locus of the council's intelligence function, with staff moving across from other departments to augment the existing PH intelligence and research functions.³⁶

Sarah Tighe-Ford, Equalities Coordinator, told the panel that having good intelligence will be key to mitigating the impact of current and future budget savings plans on particular vulnerable groups. Women, disabled people, older people, and children & young people are the groups at most obvious risk as these they use council services the most.³⁷ Richard Butcher Tuset added that it was important that these equalities impacts are mapped across all local public services not just the council. The City Management Board has already undertaken good work here, but more will need to be done.³⁸

5 Citizen and State

Assuming that the pattern of reducing government spending continues, the relationship between individuals who receive services and the public sector organisations that commission or deliver them is bound to alter in the next few years, as diminishing funds across the public sector mean that fewer people receive state services, and the nature of these services changes. Inevitably this will mean either

³² JK 12.12.14 point 3.12

³³ PT 12.12.14 point 3.12

³⁴ NM 12.12.14 point 3.14

³⁵ LB 08.01.14 point 13.30

³⁶ TS 06.01.15 point 8.32

³⁷ Evidence from Sarah Tighe-Ford (STF): 08.01.15 point 13.22

³⁸ RBT 08.01.15 point 13.22

that people learn to live without some services, or that individuals and communities come together to provide them themselves.

This is by no means a wholly negative process: greater personalisation and more direct contact with services via digital media has the potential to much better reflect people's wants and needs in terms of the services they receive. It may also be the case that a significant change in the relationship between citizen and state would have happened in the absence of public sector funding reductions: an ageing population and other major demographic changes mean that many public services would have been stretched beyond their limits whether or not their funding was reduced. There is no obvious alternative to individuals taking more responsibility for their own wellbeing and that of their local communities.

The council has crucial roles to play in enabling and supporting this change. In part, this will involve developing a much better understanding of demand – analysing why people use services, how much of this use is essential, and what tools are available to manage, reduce or redirect demand. In part, it will also involve the council adopting different attitudes to community demands. Richard Butcher Tuset told the panel that this should include supporting community resilience by adopting a 'can do' attitude to community ideas; the council is currently often so risk averse that it risks blocking worthwhile community-led initiatives.³⁹

There will also need to be a change in public attitudes, with the expectation that the council will deliver non-essential services replaced with an understanding that many things that people currently expect from the state will in future be the responsibility of individuals and families. For example, Pinaki Ghoshal told the panel that there was the opportunity to make significant savings in the home-to-school transport budget without having a negative impact on those who genuinely rely on the service. The council will continue to support those with a statutory entitlement, but other parents will need to recognise that the responsibility for getting their children to and from school is, and should be, theirs.⁴⁰

Achievability

It is important to ask whether budget plans are realistic, particularly when the council is being required to make such large savings year-on-year, when demand is increasing in often unpredictable ways, and when overspends are predicted on key 2014-15 budgets.

Cllr Kitcat told the panel that delivering the budget savings would be a challenge, particularly as demand for adult care services continues to grow. This is particularly

³⁹ RBT point 13.21

⁴⁰ PG 08.12.15 point 13.4

the case when policy committees reject plans, agreed in outline at Budget Council, to re-design services to increase efficiency and reduce costs.⁴¹

Cllr Rob Jarrett, Lead Member for Adult Social Care, agreed that there were particular pressures on the system which meant it would be foolish to be complacent. Even if all the identified budget savings are achieved, pressures on other parts of the system may result in significant overspends.⁴²

Denise D'Souza informed members that budget planning for ASC is inherently difficult because a small number of complex cases can transform an under-spend into an over-spend, with the cost of individual care packages potentially exceeding £500,000 per year.⁴³

Pinaki Ghoshal told the panel that demand for high needs specialist care services could be extremely volatile. Demand can also be influenced by events outside the council's control – for example a high profile case of child abuse elsewhere in the country can increase local referrals of children into care. These risks cannot be wholly mitigated, although they can be reduced by better partnership working and by initiatives such as the multi-agency safeguarding hub (MASH)⁴⁴

C Conclusions and Recommendations

The budget planning process and presentation of the budget.

As this year's budget scrutiny review progressed, panel members were struck – even more so than in previous years – by the degree to which the detailed information they received from witnesses enhanced their understanding of some of the key budget proposals. In particular, there were several instances in which it was explained that apparently detrimental 'cuts' to services were actually transfers of funding responsibility from one department to another, or from the council to a partner body, and that there was in fact no negative impact upon the services provided.

The assurance provided by these explanations of some of the budget savings was very welcome; it is clear that a lot of work has gone into ensuring that the council's savings plans have as little negative impact on services to city residents as possible. Of course, it is precisely this kind of opportunity for members to engage in depth with the budget proposals that the budget scrutiny process is intended to provide.

Nonetheless, panel members did feel that there was a particularly stark gap between the council's savings plans as detailed in the draft budget papers and the detailed,

⁴¹ JK 12.12.14 point 3.16

⁴² Evidence from Cllr Rob Jarrett (RJ): 06.01.15 point 8.13

⁴³ DD 06.01.15 point 8.13

⁴⁴ PG 08.01.14 point 13.12

narrative explanation of these plans in the context of the complex web of public sector budgets across the city.

This is not intended as a criticism of the budget report itself: members recognise that the report format is largely prescribed, and that finance officers are required to produce draft budget plans under quite extraordinary time-pressures. Officers should be commended for producing really clear and comprehensive plans at such an early point in the budget process.

It is also the case that producing more detailed budget papers would probably result in diminishing returns: the budget plans are already challenging enough to read; adding more detail would discourage people from engaging with them. Indeed, a good deal of additional contextualising information is already available in the form of the council's excellent Equality Impact Assessment (EIA) process. The problem is not the availability of additional information, but the complexity of the situation.

This is particularly so because it is clear that we have moved well beyond the point where the council's budget plans can sensibly be considered as a discrete entity: the plans of our city partners are key to understanding many of the changes that the council is seeking to make.

Panel members do not have any specific suggestion to make which might improve the budget papers themselves: it may well be that they are as good as anyone could reasonably make them. However, members would like to suggest that next year's budget planning process should seek to make available, to elected members and to interested members of the public, more information about the planning of our key city partners and about the inter-relations between their strategic and financial planning and that of the council. Given the complexity of these relationships, the ideal form for this would be a series of engagement events: it is much easier to understand the thinking behind the budget plans when it is explained face-to-face by the people in charge of delivering change.

Next year will see particular challenges for elected members, since the May local elections are bound to deliver many new Councillors for whom the council's budget setting processes will be largely novel. Panel members believe that key to supporting members to understand next year's budget process will be to start briefing as early as possible – potentially in the induction programme for new members – and to ensure that it is a major theme of member development and performance reporting throughout the year. For example, members wonder whether it might be possible to augment the regular Targeted Budget Management (TBM) reports to Policy & Resources Committee with information which outlines how our key partners are progressing with implementing their financial and strategic plans, and what this means for the council.

Finding new ways to talk to elected members will be particularly important because this may be the last year in which it will be possible to undertake an independent budget scrutiny process.

RECOMMENDATION 1 – Budget planning for 2016-17 and subsequent years should include a series of member seminars at which council officers and partners can detail the progress of their collaborative work and its impact on budget plans.

Intelligence

A point emphasised repeatedly by witnesses at panel meetings was the importance of intelligence - of understanding as precisely as possible what the level of need is across the city, and what the most effective ways of addressing that need are. Increasingly, intelligence needs to be shared across the public sector and third sectors, with neighbouring authorities, and directly with local residents.

The panel heard about some excellent work ongoing to preserve and improve the council's intelligence functions. This planning focuses on positioning Public Health as the core of the council's data gathering and analysis capacity.

The panel very much supports this work. As council and other public sector budgets reduce, it becomes all the more important that we have the best possible intelligence, and that we share it as effectively as we can with our partners. The council also needs to be more aware than ever of good practice at a regional and national level. There is a strong case for protecting and even for increasing funding for services which support officers to make the best possible operational decisions. It is equally vital that the council retains the capacity to support elected members from all political groups to make well-informed strategic decisions and be involved in the development of policy.

RECOMMENDATION 2 – the council's intelligence functions are key to delivering the levels of savings required. The council should continue to fund these services at the current level at the very least.

Achievability

Achieving this year's budget plans will inevitably present a challenge, particularly given the volatile nature of demand for aspects of adult and children's care services, and the high cost of providing very specialist support in these areas. The panel welcomes the work that is being undertaken to mitigate these risks, such as the development of the MASH, and attempts to rationalise the costs of disability placements and residential care.⁴⁵

⁴⁵ PG 08.01.15 point 13.12

One area that does concern panel members is how realistic it is to put forward savings for 15-16 which assume the in-year re-structure of services. The panel questions how possible it is to re-structure a service and deliver savings almost immediately. In panel members' experience, re-structures generally take much longer than anticipated and, even if they do eventually deliver really significant savings, they may not do within the timeframe of the 2015-16 financial year.

Cumulative Impact

The panel remains worried about the cumulative impact of this year's budget savings, coupled with reductions in other public sector budgets and the impact of welfare reform, on vulnerable groups. Of particular concern are women and children living in more deprived communities.

Whilst the panel welcomes assurances that the cumulative impact of public sector savings is being monitored closely, members would like to see this work reported back to elected members before we begin the formal part of next year's budget planning – for example by a report to P&R on the equalities impact of the 2015-16 budget savings across the local public sector.

RECOMMENDATION 3 – The council should report back to September 2015 P&R committee on the impact on protected groups of the 2015-16 budget savings and those of our public sector partners.

