

Budget Review Group Report January 2014

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Membership:
Councillor Edwards (Chair)
Councillors Barney, S Burke, Miles, McDonald, & Richards

Overview and Scrutiny Officer: Elizabeth Richardson (Tel: 01908 252629)

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Introduction

The Budget Review Group was established by the Overview and Scrutiny Management Committee to provide dedicated, cross-party awareness for all members in consideration of the Council's annual budget and finances.

The purpose of this report is:

- (i) to outline the work it has carried out to scrutinise officer proposals for efficiencies to relieve pressures on Service Group budgets for 2014/15;
- (ii) to report on its discussions with individual Cabinet Members about the Cabinet's proposed 2014/15 budget;
- (iii) to present the Review Group's recommendations to Cabinet at its meeting on 12 February 2014.

The Review Group carried out its work in two stages.

During October 2013 the Budget Review Group held a series of challenge meetings where it met with and interviewed the Council's senior budget holders in order to identify any future pressures on budgets as part of the development of the 2014/15 draft budget and the Medium Term Financial Plan (MTFP).

During the January Challenge Meetings the Review Group met with and interviewed Cabinet Members about their proposals for the 2014/15 draft budget.

This report is the result of the Review Group's deliberations following the above challenge meetings.

Councillor Reg Edwards
Chair, Budget Review Group
January 2014

Membership and Terms of Reference

The following councillors have been nominated to serve on the Budget Review Group for 2013/14:

Councillors Reg Edwards (Chair), Lee Barney, Stuart Burke (Vice-Chair), Norman Miles, Peter McDonald (Vice-Chair), Alan Richards

The following Terms of Reference for the Budget Review Group were ratified by the Overview Scrutiny Management Committee on 10 October 2012:

1. To provide dedicated, cross-party consideration of the Budget and the Council's finances with a view to establishing and maintaining resources which are fit for purpose and address the needs and aspirations of the people of Milton Keynes and the Council's priorities.
2. To contribute to the delivery of Council Priorities by making recommendations on:
 - a. Priority of services;
 - b. Service efficiencies;
 - c. Value for money; and
 - d. Financial strategies
3. To consider and comment on Procurement, Workforce, ICT and Property issues in the light of the Council's Financial Strategy.
4. To monitor the in-year progress of the Revenue and Capital Budgets.
5. To scrutinise and comment upon annual out-turn reports for the Revenue and Capital Budgets and identify learning points.
6. To be consulted during the preparation of the annual Revenue and Capital Strategies and Budgets.
7. To scrutinise the draft Revenue and Capital Budgets.
8. To make recommendations to the Cabinet on any of the above matters at any time and to submit comments to the Council in relation to the Cabinet's proposed Revenue and Capital Budgets at the appropriate time.

Background

Due to the current financial climate and policies put in place by central government to deal with the crisis, Milton Keynes Council, like all local authorities, has to make extensive budget savings.

Over the five year period to 2018/19, a potential funding gap of £54.6m has been identified. The reduction in revenue resourcing for 2014/15 will be £9.6m.

The Council's draft Revenue Budget and Capital Programme for 2014/15 includes £15.2m of revenue savings and £4.5m of spending pressures.

Budget Review Group noted the following as financial targets / milestones for the period 2013/14 to 2018/19:

- Direct employee costs down from £73m to £68m;
- Overheads down from £15m to £13m;
- Other direct service costs down from £9m to £5m;
- Cost of commissioned services down from £124m to £117m;
- Net cost of MKSP services down from £20m to £14m;
- Cost of providing transport subsidies down from £12m to £9m;
- Debt charges down from £23m to £20m;
- Additional income £10m.

Council Tax

The draft 2014/15 Revenue Budget freezes the level of Council Tax at the 2013/14 level, benefiting from the Council Tax Freeze Grant, which is equal to a 1% increase, estimated at £1m for both 2014/15 and 2015/16.

General Fund Reserve

The Council's reserves and cash-flow balances are held as investments of £115m. The Council's current debt is £450m, whilst revenue sources are approximately £200m. The Council is paying 5% (£23m) interest on its debts, half of which relates to housing.

October 2013 Challenge Meetings: Summary

The Budget Review Group met 3 times in October 2012 and considered budget pressures on Service Groups as follows:

10 October 2013 – Children and Families

17 October 2013 – Community Wellbeing

24 October 2013 – Resources, Corporate Core, Planning and Strategic Transport

At the October Challenge Meetings the Review Group asked officers and Cabinet Members to provide further information or clarification concerning various items which were discussed at the meetings.

31 October 2013 - Review

The Budget Review Group considered its findings from the previous 3 meetings and scrutinised the additional information requested at the October Challenge meetings. Areas of particular concern identified by the Review Group can be found in the next section of this report.

The Resolutions arising from the Challenge process are listed on page 9 of this report. Following on from the Resolutions, the Recommendations made by the Budget Review Group to Cabinet on 27 November 2013 are listed on pages 10 of this report.

The agenda, reports, presentations and minutes for each of the above meetings are available on the Council's website at:

<http://cmis-internal/CmisWebPublic/CommitteeDetails.aspx?committeeID=2472>

October 2013 Challenge Meetings: Concerns

During the October Challenge Meeting process the Budget Review Group identified the following issues as being of particular concern:

Monitoring the Budget

The Review Group expressed concern about the Council's inescapable expenditure and that the figures looking at 2012-13, 2013-14, 2014-15 for staff pay, office administration, debt financing and interest payments, parish precepts paid, the Milton Keynes Service Partnership, payments to contractors, pension strain, asset management recharges to the Housing Revenue Account, voluntary organisations, the Internal Drainage Board and flood defence contributions etc should be monitored.

Neighbourhood Wardens

The Review Group received a paper from the Council's Interim Head of Neighbourhood Engagement which outlined the current position and gave details of the offer made to parish councils giving them the opportunity to take on and fund the Neighbourhood Wardens.

The Review Group was concerned that the figures presented in the paper did not appear to make sense. It considered that not enough work had been done on the detail and that perhaps the offer had not been properly explained to parish councils, resulting in a poor response from the parishes. The Review Group therefore felt that it could not make any recommendations on how to proceed with the funding of Neighbourhood Wardens until the figures had been clarified.

Children and Families

The Children and Young People Select Committee had referred its concern that, due to the continued increase in the number of looked after children the demand led reserve set aside to deal with any unexpected increase would be insufficient, to the Budget Review Group for consideration. The Budget Review Group upheld the Select Committee's concerns.

The Review Group received assurances from the S151 Officer that he would not recommend an unsound budget to the Council and that he would only recommend a budget once he was satisfied that all reserves were at a sufficient level. However, Budget Review Group requested that Internal Audit should be asked to look at the adequacy of all the Council's reserves.

The Review Group also expressed concern as to whether the £100k set aside as **OP26** would be sufficient to cover claims against the Council resulting from the recent Tower Hamlets judgement. This judgement ruled that family foster carers were entitled to the same rate of remuneration as non-family foster carers and that the decision would be back-dated, allowing for historic claims for underpayment against the Council.

Housing Service Group

The Review Group expressed concern that the £150k identified as a one-off pressure at **OP31** for temporary bed and breakfast accommodation for the homeless in 2014/15 would be insufficient.

The Review Group noted that in the long term regeneration and remodelling of certain areas might release land for development with the Council having nomination rights to any social housing constructed on the sites.

Public Realm

The Review Group expressed concern as to whether the distribution of gritting salt to residential areas by 'sack dumps' was the most efficient or cost effective method.

The Review Group was also concerned that the establishment and operation of the required Permit Scheme for New Roads and Street Works (**OP33 - £100k**) could be complicated to administer.

Resources

The Review Group expressed its concern about what it considered to be a high level of capital expenditure and the amount of debt the Council was taking on. It was particularly concerned that the new materials recycling facility could have a significant impact on the Council's financial position. However, it was agreed that although construction of the facility was a necessity, the financial risk to the Council needed to be properly assessed and covered.

October 2013 Challenge Meetings: Resolutions

1. That further consideration of the funding of Neighbourhood Wardens be deferred until the January Challenge meetings in order to allow time for the Corporate Director Resources to clarify the figures.
2. That the Corporate Director Resources be requested to provide the Review Group with details of the anticipated medium term (3-4 years) savings accruing to the Council from the transfer of community assets to other organisations.
3. That the Assistant Director (Children's Social Care) be asked to clarify the situation in relation to how the Council is responding to the Tower Hamlets judgement in terms of outreach to foster carers who may be affected by the judgement.
4. That clarification be sought from the Assistant Director (Housing) that the one-off additional budget allocation of £150k for temporary Bed and Breakfast accommodation for the homeless is sufficient for 2014/15.
5. That the Assistant Director (Housing) also be asked to advise the Budget Review Group as to what measures are being taken to increase the stock of social housing in Milton Keynes.
6. That the Budget Review Group be supplied with an explanation of the reduction in bus subsidies.
7. That Internal Audit be requested to look at the adequacy of the Council's Reserves and whether they are adequate to maintain a secure financial position in the future.
8. That Councillor M Burke be thanked for substituting for Councillor Miles during the October Challenge Meetings and for her invaluable contribution to the debates.

October 2013 Challenge Meetings: Recommendations to Cabinet – 27 November 2013

1. That the Cabinet be requested to continue the funding for the Neighbourhood Wardens in the budget until such time that the Budget Review Group has had a chance to scrutinise the figures in more detail.
2. That in view of the Budget Review Group's concern about the low level of available social housing in Milton Keynes, the Cabinet be requested to continue to lobby the Government for more support to meet the needs of what is one of the fastest growing areas in the country.
3. That the Cabinet be requested to give consideration to reducing the level of improvement works to the Council's existing housing stock in order to spend the money saved on increasing the housing stock.
4. That the 2014/15 forecast Parking Account form part of the budget report to the November Cabinet meeting so that all Members can see exactly what is being proposed with regard to the allocation of parking revenues.
5. That the Cabinet be requested to make every effort to re-instate bus services to the position prior to the 2014/15 budget being implemented and provide an explanation as to why parking revenue of £827,965 is now being used for Highways Improvement works, rather than to support bus services, together with an explanation by officers as to the rules as to what order of priority parking revenue should be used.
6. That the Cabinet gives consideration to co-ordinating the available advertising space on roundabouts in Milton Keynes with the advertising needs of sponsors and promoters of the 2015 Rugby World Cup.
7. That the Cabinet be requested to ensure that the Council's involvement with the Rugby World Cup be at worst be cost neutral and consideration be given to establishing a Task Group to maximise the Council's profits from the tournament.

January 2014 Challenge Meetings: Summary

13 January 2014

- a) Children & Families: Cabinet Member – Councillor Dransfield
- b) Community Facilities Unit: Cabinet Members – Councillors P Geary and Hopkins

16 January 2014

- a) Resources: Cabinet Members - Councillors Bald and Hopkins
- b) Corporate Core: Cabinet Members - Councillors Bald and Hopkins
- c) Planning and Strategic Transport: Cabinet Members – Councillors Hopkins and McLean

22 January 2014

- a) Adult Social Care: Cabinet Member – Councillor Brock
- b) Housing and Community: Cabinet Members – Councillors Bald and P Geary
- c) Public Realm: Cabinet Members – Councillors Bramall, P Geary and Hopkins
- d) Housing and Communities: Cabinet Member – Councillor P Geary

At both the October and January Challenge Meetings the Review Group asked officers and Cabinet Members to provide further information or clarification concerning various items which were discussed at the meetings. The requests for additional information and the responses were circulated as part of the papers for the Budget Review Group Meeting held on 30 January 2014.

30 January 2014

The Budget Review Group scrutinised the additional information requested at the October and January Challenge meetings. Areas of particular concern identified by the Review Group can be found in the next section of this report.

The Recommendations to be made by the Budget Review Group to Cabinet on 12 February 2014 are listed on pages 17 and 18 of this report.

The agenda, reports, presentations and minutes for each of the above meetings are available on the Council's website at:

<http://cmis.milton-keynes.gov.uk/CmisWebPublic/CommitteeDetails.aspx?committeeID=2472>

Concerns – January 2014

During the January Challenge Meeting process, the Budget Review Group identified the following issues as being of particular concern.

Community Facilities Unit

The Review Group sought re-assurance that staffing levels in the Library Service were sufficient to sustain the current level of library opening hours.

The Assistant Director (Community Facilities) advised that volunteers were being used to support existing paid staff in some locations and not replace them. All staff at the new Kingston library would be paid staff.

He also advised that with the opening of the Central Library on Sundays, the number of library opening hours had increased, not gone down.

Although the Community Assets Transfer programme seemed to be working satisfactorily and delivering savings, the Review Group was concerned that where an organisation had taken on an asset but did not maintain / care for it in a proper fashion, the Council would be liable for any future repair costs, particularly if it had to be 'bought back'.

Following the meeting the Assistant Director (Community Facilities) circulated an update on progress so far, which included an explanation of the Asset Transfer Assurance process and the risk assessments carried out before transfer of an asset to any particular body is approved by the Council.

Children and Families

The Review Group expressed concern that the termination of the Connexions contract in March 2015 and changes to the Council's statutory obligations, would lead to a deterioration of the services provided to young people. The Review Group was of the opinion that the provision of some services remained desirable, even if there was no longer a statutory obligation to provide them.

Concern was also expressed as to whether or not 'clustering' of staff managing and working in Children's Centres would be detrimental to the delivery of services from the centres and suggested that this be monitored. The Lead Member for Children's Services and Lifelong Learning confirmed that plans were in place to carry out this monitoring.

The Review Group also noted that the Department for Education had considered the increased growth in the school age population in Milton Keynes and had indicated that the Council may receive additional support for the Direct Schools Grant.

Strategic Transport

Particular concern was expressed about the reduction in rural bus services and the Review Group recommended the reinstatement of the 2012-13 level of service. The peculiar timetabling of services on some routes, which made it difficult for service users to plan journeys, was also a concern and it was felt that there should be a regular bus service at hourly intervals. The Review Group examined the issues around the No 18 bus route as an example and noted that the Council was aware of these issues and was trying to stimulate maximum usage on certain key routes.

Public Access

The Review Group suggested that consideration be given to marketing externally the services which could be provided by the in-house Print Room.

The Group were advised that the Council's Print Services were now part of the Milton Keynes Service Partnership, and as such were already commercially marketing their services externally. Any profit from this activity would be passed back to the Council.

Finance, HR and Governance

Savings accruing from the Milton Keynes Service Partnership had not been projected beyond 2016. Figures were based on the current situation and the Partnership's external activity could well have increased by 2016, but at this stage that would only be speculation and not fact.

Budget Review Group welcomed the return of fixed recharges in the 2014/15 draft budget in relation to internal charges for services supplied by the Legal Department.

Public Realm

The Review Group expressed a view that the Council should be selling its services, not outsourcing and that there was a danger that eventually the costs associated with outsourcing would exceed income.

The Review Group was assured that the Council only let contracts based on previous experience, not hope. There was a need to make changes now in order to balance future budgets and that if an outsourced service did not work, it would be brought back in house.

Although identified as a saving for 2013/14, the Neighbourhood Warden scheme had been extended for a year in order to allow Parish / Town Councils time to decide whether they wanted to buy into this service and contribute towards the costs. It was noted that quite a number of the Parish / Town Councils already employed their own Wardens or similar staff and therefore had no need of the service. The level of interest from other Parish / Town Councils had been too low to make the continuation of the scheme viable.

The Review Group was advised that all the Wardens affected by the decision to discontinue the service from April 2014 had already identified alternative employment opportunities and were preparing to move on.

Changes to the way pink recycling sacks would be distributed at various outlets were noted. The Review Group was assured that there would be no change to the annual doorstep delivery of the sacks, and that anyone who requested extra pink sacks would be supplied them. The changes will restrict the distribution of unlimited rolls of pink sacks at collection points.

Adult Social Care

The Review Group noted that use of the Care Home Fund Calculator – a national protocol – was producing savings in the unit cost of care home placements. This was enabling the Council to negotiate costs with care home providers on an individual basis once a client's needs had been assessed. This was a more efficient way of calculating these payments and did not mean a reduction in the care received by service users.

Review Group noted that it had been confirmed that the Council would be receiving extra money from the Governments Better Care Fund for adult social care services in 2014/15. Although the amount had not yet been confirmed, it would be significant and therefore relieve possible pressures on the Adult Social Care reserve fund.

Review Group also welcomed the freezing of fees and charges for adult social care services for 2014/15.

Housing and Community

BRG noted the potential for savings from the CCTV system if it could be developed to provide an income stream for the Council. However CCTV staff were already working to their maximum capacity so any such income would have to be sufficient to cover increased staffing costs.

BRG commended the Council's initiative to build and purchase houses in order to add to its social housing stock, alleviating the use of long-term bed and breakfast accommodation so homeless persons are found accommodation in Milton Keynes.

Concern was expressed at the number of void rental garages and that the number could increase when higher rental charges came in from 1 April 2014. Maintaining a large number of unused garages was a drain on the Council and BRG suggested that other options, such as demolishing some garages and using the land for development, be considered.

January 2014 Challenge Meetings: Recommendations to Cabinet – 12 February 2014

1. That during 2014/15 a re-appraisal as to whether the level of rent for Council owned garages is too high and therefore contributing to the large number of void garages be undertaken and that other possible solutions, such as the redevelopment of the garage areas for social housing, be also explored.
2. That consideration be given to waiving the current charge completely for bulk waste collection charges for residents who are in receipt of benefits such as Income Support, Pensions Credit, Job Seekers Allowance (income based) or Employment Support Allowance.
3. That recognising the increasing problem of homelessness, the lobbying of the Secretary of State for Communities and Local Government continues with the aim of increasing the money available to build more social housing by:
 - a. Local authorities being able to borrow more to fund housing development, and
 - b. The 30% restriction on capital receipts from the sale of council housing being used to fund capital works be abolished.
4. That a robust and effective project management approach be applied to the hosting of the Rugby World Cup in 2015 to ensure that at the very least the event is cost neutral to the Council and at best delivers a one-off income / saving to the Council.
5. That the Council's level of debt be managed effectively and in such a manner so as to ensure that the Council continues to be in a position to repay the prudential borrowing being used for the Highways and Infrastructure Improvement programme and the Residual Waste Treatment Facility.
6. That termination of the Connexions contract in March 2015 could lead to a deterioration of the services proved to young people and that provision of some services remained desirable, even if there was no longer a statutory obligation to provide them
7. That the use of the Children and Families demand led reserve be monitored to ensure that increased demographic pressures, particularly in relation to the payment of increased allowances to family foster carers following the Tower Hamlets Judgement, does not have a detrimental effect of the level of the reserve.

8. That when the Community Transport contract is re-tendered, tenderers are made aware that all forms of transport provided by the successful contractor must include adequate provision for the increasing number of wheelchair users living in Milton Keynes.
9. That recognising the adverse impact on rural communities of losing their bus services, a review of the way in which subsidies supporting rural bus services are funded be carried out, including the potential of using parking charges and fines to support these service.
10. That the timetabling of existing rural bus services be reviewed to ensure that they are easily understood and run for the convenience of users of the service.
11. That, where appropriate, the Council continues to encourage volunteers to assist paid staff in libraries in order to continue to maintain the service at a satisfactory level whilst delivering savings.

Acknowledgements

The Budget Review Group would like to acknowledge the assistance of Tim Hannam (Corporate Director Resources), Nicole Jones (Assistant Director [Financial Management]), Stephen Fitzgerald (Interim Head of Finance) James Smith (Head of Financial Planning), departmental finance officers and Elizabeth Richardson (Overview and Scrutiny Officer) in producing relevant documentation for scrutiny both at the Challenge Meetings and regularly throughout the year.

The Review Group would also like to thank senior officers of the Council and Cabinet Members for their input at the October and January Challenge Meetings and their assistance in supplying supplementary information when requested to do so.

Background Papers

- (i) 2014/15 Draft Budget (Cabinet Report – 27 November 2013)
- (ii) October Challenge Meetings: Supplementary Information
- (iii) January Challenge Meetings: Supplementary Information

Democratic Services

Overview and Scrutiny

Milton Keynes Council
Civic Offices
1 Saxon Gate East
Central Milton Keynes
MK9 3EJ

Elizabeth Richardson
Overview & Scrutiny Officer

T 01908 252629

E scrutiny@milton-keynes.gov.uk

www.milton-keynes.gov.uk/scrutiny