

## POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

12 SEPTEMBER 2013

Present: Councillor Howells (Chairperson);  
Councillors Bale, Hunt, Knight, Lloyd, Murphy, Robson and Walker

### 12 : MINUTES

The minutes of the meetings held on 9 July 2013 were approved by the Committee as a correct record and were signed by the Chairperson.

### 13 : BUDGET STRATEGY 2014/15

The Chairperson welcomed Councillor Russell Goodway, Cabinet Member for Finance and Economic Development, Marcia Sinfield, Interim Section 151 Officer; and Allan Evans, Operational Manager Service Accountancy, to the meeting.

The Chairperson informed Members that this item gave the Committee the opportunity to consider the Council's Budget Strategy for the next financial year, and to consider how Committee wished to engage with the budget process.

The Chairperson invited officers to give their presentation to the Committee. The key points from which included:

- Key Messages from Budget Strategy Report
  - February 2013 Budget Report
  - Financial messages post Budget Report
  - The financial challenge
  - Council's Medium Term Financial Plan
  - Budget Strategy Report – Budget Principles
  - Council Response to the Medium Term Financial position
  - Capital Programme
- Approach to Budget Engagement and Consultation
  - Public consultation and engagement
  - Internal engagement and consultation
  - Budget Scrutiny process
  - Budget Timetable

**Council’s February Budget Report - Medium Term Financial Plan  
February 2013 Budget Report:**

- Budget Reduction Requirement of £64.5m identified for the period 2014/15 to 2016/17
- 2014/15 showed a £27.8m Budget Reduction Requirement
- To be met from savings/reserves/increases in council tax
- Figures dynamic and subject to change
- Sensitivity analysis carried out identified scenarios ranging from £48.5m to £97.5m
- Period of austerity likely to continue beyond this period to 2019/20
- Capital Programme will offer limited scope for growth

**Financial Messages post 2013 Budget Report**

- Government Budget Statement in March 2013 downward assumptions in relation to economic growth and government borrowing
- Knock on impact for WG to receive £81m less revenue funding in 2014/15 - “inevitable that indicative allocations will be revisited”
- Target savings figure was updated to reflect £81m cuts per March budget statement. Cardiff’s MTFP in the Budget Report reflected the need for WG to find £65m savings in 2014/15 (based on Autumn statement)
- June Spending Review – no further cuts for WG in 2014/15. Devolved administrations to receive a 2% cut for 2015/16. This does not necessarily translate to a 2% cut for local government
- Final position in relation to 2014/15 remains unclear – particularly in respect likelihood of NHS being afforded protection

**MEDIUM TERM FINANCIAL PLAN (MTFP)**

<b>Approved in February 2013</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Budget Reduction Requirement	27,787	18,295	18,468

- At February Council a funding gap of £64m was identified over the medium term.
- Since February and in response to the growing levels of financial uncertainty around future funding from WG, the Medium Term Financial Plan was updated for the Budget Strategy Report in July and subjected to a scenario planning process which resulted in three distinct planning scenarios:

As per Budget Strategy Report in July 2013	2014/15 £000	2015/16 £000	2016/17 £000	Total £000
Base MTFP Position	33,000	27,723	28,018	88,741
Best Case Scenario	25,695	23,323	23,618	72,636
Worse Case Scenario	49,830	38,241	38,358	126,429

### **Council Budget Strategy Report – Budget Principles**

- The savings requirement to target for 2014/15
  - MTFP Budget Requirement as per Budget Report was £27.787m, this has been increased to £33m (-0.6%) reduction in funding
- Protection for Delegated schools
  - WG target for schools protection for 2014/15 is 1.27% growth
- Social care budgets contribution to the 2014/15 savings target
  - Savings target of 4.5% which equates to absorbing demographic growth and other pressures
- Target savings on grants to third parties and joint committees
  - Cabinet to consider as part of wider strategy in relation to grants
- Percentage savings for remaining non-protected directorates
  - Savings target of 23.5% identified of controllable budgets

### **Council Response to the Medium Term Financial Challenge**

- Drivers for savings identified:
  - Policy led savings drivers
  - Business process led corporate efficiency savings
  - Discrete service area led savings
- Need to identify a suitable mix across categories to ensure deliverability of a balanced budget
- Higher percentage of “traditional” savings in 2014/15
- Budget Strategy Information packs provide base cost service area key data to aid decision-making process

### **Savings Drivers**

#### Policy Led Savings

- Delivery models for further discussion including
  - Establishing/exploiting existing partnership contracts
  - Identifying collaboration opportunities for sharing/merging

- Consideration of make or buy commissioning choices
- Direction in respect of significant service reductions/closures

#### Business Process led Efficiency Savings:

- Efficiency savings to be driven out against a range of business change activities including Customer Management project, procurement and functional approach to service redesign

#### Discrete Service Area Led Savings - could include:

- Cutting budgets on supplies and services spend
- Reducing staff establishment posts and managing agency spend
- Re-organising and restructuring parts of directorates
- Identifying potential reductions of management and supervisory posts
- Increasing discretionary fees and charges
- Maximising opportunities for grant funding where available

### **CAPITAL PROGRAMME**

- Resources will continue to be reduced by WG.
- Current approved General Fund Capital Programme has a cumulative need for additional borrowing of £131m and general capital receipts of £5.3m.
- New schemes need to be predicated on
  - Being self financing as demonstrated by a robust business case.
  - Attracting a significant level of partnership/external grant support
  - Schemes identified need to have a clear linkage with priorities within the Corporate Plan
- Capital Bids to be submitted in September to allow for :-
  - Consideration of Annual Sums – WG funding insufficient to meet current commitments
  - Consideration of the limited scope for new capital schemes.

### **Council Approach to Budget Engagement and Consultation**

- Public consultation and engagement
- Internal engagement and consultation
- Budget Scrutiny process
- Budget Timetable

### **PROPOSED 2014/15 PUBLIC CONSULTATION OPTIONS**

- Consider the Service Priority information in Ask Cardiff
  - Latest edition has had 5,000 returns

- Identifies highest and lowest priorities for improvement across range of services
- Use Citizens Panel to take part in an in-depth focus group
  - Members can be selected across a wide demographic criteria
  - Forum event to consider future shape of Council as part of round table discussions
- Electronic Consultation on 2014/15 budget proposals
  - Budget consultation using updated electronic consultation
  - Citizen E-Panel could reach 5,000
  - Distribution via twitter could reach a further 20,000
  - Encourage participation via Capital Times

### **INTERNAL ENGAGEMENT AND CONSULTATION**

- Continued use of staff engagement mechanisms e.g. Our News, Your Inbox
- Use established forums for Trade Union Consultation
- Schools Budget Forum to consider wider budget and schools specific issues

### **BUDGET SCRUTINY PROCESS**

Suggested Changes/Improvements for 2014/15

- Review of Budget Strategy Information Packs
- Further engagement/training in respect of risk ratings
- Further consideration/training in respect of equality impact assessments
- Consideration of narrative
- Focus on totality of Council spend

The Chairperson invited Councillor Russell Goodway, Cabinet Member for Finance and Economic Development to make a statement. Councillor Goodway advised the Committee that there was likely to be a reduction of 4% for local government in Wales, he also stated that the in year position was not encouraging and there were many difficult decisions to make.

The Chairperson invited comments and observations from Members of the Committee.

Members enquired when engagement with stakeholders takes place regarding cuts on Grants etc. Officers advised that they meet regularly with the third sector and keep them up to date with the current position. Members were also advised that last years Grants letters stated that following years' Grant allocations could not be guaranteed.

Members emphasised the importance of clear language being used in the savings proposals. Officers accepted this and stated that when budget proposals come in they are checked for simple language, abbreviations etc. and noted the importance of there being enough information to inform scrutiny but not to confuse.

Members discussed services provided by grant funded bodies and the decisions that would have to be made regarding the continuation of these services if funding was ceased.

Members enquired whether there was a strategy in place to look at the bids for pressures from Service Areas. Members were advised that officers would be testing the bids to decide whether the value placed on them was appropriate. Directors would go through pressures and review the robustness of them and place a risk rating on them. Members also discussed the importance of longer term planning and identifying pressures early.

Members discussed the benefits of looking at policies in English authorities with regard to redundancies, charging, grants, training etc and seeing what lessons may be learnt. Officers advised that there had been portfolio meetings over the summer and there were currently desktop exercises being undertaken whereby officers were looking at English authorities and what they have done with regard to reduction in services/alternative delivery models. Officers were also identifying tools that would help service areas facilitate the process.

Members noted the importance of accurate forecasting, discipline in budget setting and accountability.

Members enquired whether the increased cost of borrowing had been factored into the budget strategy. Officers explained that most of the Council's cost of borrowing was in relation to historic debt which was at fixed rates and already included in existing budgets. Additional borrowing would be in relation to the Capital Programme and an issue of significance was the affordability of borrowing as revenue budgets reduced. Officers advised that the financial implications of the Budget Strategy Report refer to local affordability indicators and that the percentage that the Council spends on servicing its debt would increase as revenue budgets fall. It was stressed that if the Council shrinks in size further consideration would be required as to whether the capital Programme can be afforded.

Members discussed that the budget process had always been service area orientated and it was clear that now, central policy thinking was needed. It was noted that when looking at how other local authorities set their budgets, it was done in a very similar way but with varying degrees of engagement. The difficulty came with needing to deliver statutory responsibilities and needing to protect services such as schools and social services. After meeting these pressures, the room for manoeuvre is marginal.

The difficulty of distinguishing between services that are essential and those that are 'nice to have' was discussed, as was the impact of cutting one service on another, for example sports and leisure and health of young people.

Members discussed the priorities placed on services in the results of the various community engagement surveys, it was noted that it was essential to reach people who may not have access to the internet, and to ensure that people who use services such as housing advice, had the opportunity to engage in the consultation process.

It was AGREED that the Chairperson, on behalf of the Committee, write to the Cabinet Member for Finance and Economic Development, Councillor Russell Goodway, highlighting the following issues:

- The Committee was grateful for the briefing provided. The Committee noted the savings drivers set out in the report, including those which were policy-led, business process-led and directorate-led. The Committee reiterated their interest in the detail of the portfolio objective to develop a five year plan to look at how service delivery can be maintained and improved given the reduced resources. The Committee asked to be kept informed as these plans were developed.
- Regarding savings proposals, Members discussed the difference between those services which the Council must or should deliver for the citizens of Cardiff and those which were 'nice to have'. The budget process is inevitably portfolio and directorate focussed but needs to be looked at holistically. Members noted that the potential impacts of cuts to one 'nice to have' service on other essential services needed to be considered.

- The Committee noted that the proposals were under development to put before Cabinet in terms of the Council's grants to external bodies and that officers aimed to give the Committee a pre-decision scrutiny opportunity at the next meeting. The Committee found it encouraging that the discussions were taking place early in the year as it felt that previously, the third sector organisations had been given very little time to put in place mitigating actions before their funding was cut.
- Members raised the issue of ongoing affordability of the Council's level of borrowing, an issue which remains a concern and one which the Committee will be monitoring.
- Members raised some concerns around the budget process including:
  - Information – Members had previously commented that the information available to them as Scrutiny Members was insufficient, that it was difficult for Members to understand the totality of the Council's budget and the selection of particular savings proposals as opposed to others.
  - Members welcomed the development of directorate-level briefing packs and would schedule a consideration of these at the Committee's November meeting.
- The Committee welcomed the offer of further training in the Risk & Equality Impact Assessment of the proposals for those Members who wished to take it up. Given the importance of this in mitigating the effects of savings on citizens, the Committee also wished to ensure that Scrutiny Members had access to all Equality Impact Assessments as background information to the scrutiny budget papers.
- Timescales – Members had previously requested earlier access to the Budget Proposals. The Committee noted that it hadn't been confirmed at the meeting at what point the Proposals would be released into the public domain and whether they would be published at January Council. The Committee requested clarification on this to enable the scheduling of the Budget Scrutiny as appropriate.



- Proposals Narrative – Members had previously commented that the descriptions of the proposed savings were often unsuitable for the intended audience. The Committee was glad to learn that Finance Officers were working with directorates to ensure that the 2014/2015 proposals contain an improved narrative. The Committee urged that consideration be given to multiple audiences, professional and public who would need to understand the proposals and their implications.
- Consultation – previously the Committee had noted several areas that needed to be improved in both content and structure of the budget consultation. The Committee was pleased to learn that these comments had been taken into account in developing options for this year’s process. Members were advised of the consultation opportunities such as the ongoing use of the Ask Cardiff survey to establish citizen’s priorities, a wide-scale electronic survey on the detail of the proposals themselves, and an in depth focus group via the Citizens panel to discuss the future shape of the Council. The Committee wanted to ensure that these proposals were put into practice and recommended that consideration be given to the views of those citizens who prefer not to or are unable to access web-based surveys. Members therefore recommended that surveys are distributed in Council buildings (libraries, Hubs, Leisure facilities etc) and that efforts were being made to contact service users who often may not be as vocal, such as those who use Housing Advice and social services.
- The Committee requested that the full results of the consultation activity was made available to all Scrutiny Committees to aid their consultation of the draft proposals, and that the timing of the consultation was arranged in order to ensure this was feasible and that papers were not tabled at Committee meetings. The Committee requested a comprehensive review of the effectiveness of the consultation and the extent to which comments were taken into account after the Budget had been finalised.
- The Committee wanted to ensure that the budget process was as transparent as possible and that Members were engaged to the extent that they had a full understanding of the decisions being made and their implications.

## 14 : IMPROVEMENT FRAMEWORK BRIEFING

The Chairperson reminded Members that when the Committee met informally to discuss its work programme for the rest of the year, Members asked for a briefing on the Improvement framework the Council operates within. The pre-decision scrutiny of the Council's Grants strategy had been postponed until next month, so the Performance and Improvement team had agreed to give the briefing at this month's meeting. This would help prepare the Committee for its consideration of the Wales Audit Office's Improvement report and Corporate Assessment in the coming months.

The Chairperson welcomed Mike Davies, Head of Performance and Improvement, and Vivienne Pearson, Operational Manager, Improvement and Information, to the meeting and invited them to give their presentation.

Members were provided with an overview of The Local Government (Wales) Measure and advised of the differences between Wales and England.

Key Points from the presentation were outlined, including:

### Key legislative drivers

- The Local Government (Wales) Measure 2009 builds upon the previous duties outlined in Part 1 of the Local Government Act 1999 and Part 1 of the Local Government Act 2000
- 'The Wales Programme for Improvement' guidance supports authorities to implement the Measure

### Timetable

Action	Improvement & Information	CMB	Cabinet	Council
Reporting on Delivery Plan and raising of new issues	Every quarter	Every quarter	Every quarter	Every quarter
Community Strategy Review Report		Annually		
Corporate Plan Review	October	October	October/November	February
Improvement Objectives	October/November	November	November	February

agreed				
Delivery Plan updated	November/December	December	January	February
Improvement Report on previous financial year	May - August	August/September	September	September/October

### Approach to the ‘Golden Thread’

- What Matters Strategy
- Corporate Plan
- Outcome Agreement
- Service Plans
- Personal Performance and Development Reviews
- Quarterly Performance Reports
- Annual Improvement Report

### The role of Scrutiny

- Recognised as an important role within the Improvement arrangements of the Council
- All Scrutiny Committees receive performance monitoring reports for the service areas within their portfolio of responsibilities
- Offer of “bespoke” reports to Scrutiny Committees

### The role of the Wales Audit Office

- Responsible for assessing whether authorities are meeting the requirements of the Measure and providing an opinion on this matter to both Welsh Government and citizens
- Issues reports to the Council e.g. the Annual Improvement Report (WAO) and the Annual Letter

October Cabinet will consider (subject to the receipt of the relevant external reports)

- Q1 Performance Report
- WAO Annual Improvement Report / Annual Assessment letter
- Council’s Annual Improvement Report
- Peer Review Report & associated Action Strategy

The Chairperson thanked officers for their presentation and invited comments and questions from Members.

Members noted that there were lots of indicators and that it was important to look at performance holistically.

Members discussed comparing Cardiff to other authorities in terms of performance and indicators. Officers explained that Cardiff used to be compared to core cities, but due to the Local Government Measure, authorities in England now had very different processes in place, and there was no other Welsh authority that was directly comparable to Cardiff.

Members discussed performance indicators further and Officers stated that some indicators were set in house whilst others were set by the Welsh Government. The need for a possible review of their appropriateness and the importance of service benchmarking was also discussed.

Members enquired about the level of investment required in performance management. Officers stated that in the current financial climate, no team would realistically grow, it was a case of doing more with fewer resources. However, the new councilwide performance management structures were now largely in place for the Corporate Team and Resources Directorate. Discussions are underway in terms of the Operations Directorate to recommence as a matter of urgency.

Members enquired whether the outcome agreement would be continued. Officers advised that it would continue for 3 years, it was difficult to obtain a 100% payment but it had been achieved to date and officers were currently evaluating the last financial year.

AGREED – That the Improvement Framework Briefing report be noted.

## 15 : WORK PROGRAMME REPORT

The Principal Scrutiny Officer advised Members of the draft Work Programme.

The Chairperson sought volunteers for the proposed Task & Finish inquiries.

AGREED – That the draft Work Programme be approved.

16 : AUDIT COMMITTEE MINUTES

The Chairperson informed Members that this item was for information only.

17 : CORRESPONDENCE

The Committee received copies of correspondence sent and received in relation to matters previously scrutinised by this Committee.

AGREED – That the correspondence report and attached documentation be noted.

CHAIRPERSON.....