



## CITY OF PLYMOUTH

# Scrutiny Report on the Revenue Budget 2004/05

## Overview and Scrutiny Commission

**February 2004**

'Overview and scrutiny is potentially the most exciting and powerful element of the entire local Government modernisation process. It places members at the heart of policy-making and at the heart of the way in which Councils respond to the demands of modernisation. In addition, overview and scrutiny is the mechanism by which Councils can achieve active community leadership, good governance and by which Councillors can become powerful and influential politicians.'

Office of the Deputy Prime Minister: 'The Development of Overview and Scrutiny in Local Government',  
September 2002

# CITY OF PLYMOUTH

**Portfolio and Holder:** Leader – Councillor Evans

**CMT Member:** Head of Policy and Performance

**Subject:** Revenue Budget 2004/05

**Committee:** City Council

**Date:** 4<sup>th</sup> March 2004

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**Part:** I

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## **Executive Summary:**

The purpose of this report is to submit recommendations to the City Council following a meeting of the Overview and Scrutiny Commission with additional Members co-opted for the purpose of reviewing and scrutinising Cabinet's proposals for the Council's revenue budget 2004/05.

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## **Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land:**

Once approved, 2004/05 will become the base year for the Medium Term Financial Plan and will enable projections to be made for 2005/06 and 2006/07.

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## **Recommendations:**

The Overview and Scrutiny Commission recognises the difficult financial position the Council has faced in recent years and supports in principle the move towards setting a budget for 2004/05 which reflects the priorities in the draft Corporate Plan and key recovery issues by –

- investing in buildings, places and spaces;
- maintaining and strengthening service delivery;
- encouraging community involvement;
- making the best use of existing resources.

It is also acknowledged that there are potentially some difficulties still ahead for the Council and recommends that the following issues are closely monitored during the financial year –

- (1) targets and timescales detailed in the Corporate Plan be monitored by individual Overview and Scrutiny Panels, relevant to their terms of reference;
- (2) the delivery of efficiency savings during 2004/05;
- (3) the delivery of changes in Legal Services through the new Business Plan;
- (4) the delivery of the Local Public Service Agreement programme;
- (5) spending plans for each department during 2004/05;
- (6) use of the additional money allocated to Social Services on an invest to save basis;
- (7) the achievement of the preferred minimum working balance of £5m by 31<sup>st</sup> March 2005;
- (8) the project plan for the delivery of the Medium Term Financial Plan;
- (9) the position and level of the Insurance Fund having regard to the need to reduce the number of claims and replenish the fund

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**Background papers:**

The report of the Head of Performance and Policy (SC 127 03/04) on Budget Scrutiny 2004/05

The draft Corporate Plan 2004 - 2007

The report of the City Treasurer and Chief Executive (C 71 03/04) on the 2004/05 Revenue Budget.

The draft minutes of Cabinet of 17<sup>th</sup> February 2004.

# REPORT OF THE OVERVIEW AND SCRUTINY COMMISSION

## REVENUE BUDGET 2004/05

### 1.0 Introduction

The Overview and Scrutiny Commission agreed at its meeting on 15th January 2004 (minute 166 refers) that a special meeting would be held to consider the revenue budget 2004/05 and that an additional four Members would be co-opted onto the Commission for this matter and that the statutory co-opted representatives for education matters would also be invited to attend.

### 2.0 Commission Structure

#### Councillors

Councillor Mrs Aspinall, in the Chair.

Councillor Kerswell, Vice Chair.

Councillors Fry, Hutchings, Lock, Shears (substitute for Councillor Vincent), Viney, Weekes, Wigans (substitute for Councillor Savery), Nicky Wildy (substitute for Councillor Gordon) and Tom Wildy.

#### Co-opted Members for Education Matters

Messrs Medlin and Willis

#### Witnesses

Councillor Evans	-	Leader
Alan Clifford	-	City Treasurer
Mike Robinson	-	Chief Executive (Acting)

Administrator - Nicola Kirby, Scrutiny Manager.

Apologies for absence: Councillors Gordon, Savery and Vincent and Prebendary Philpott (co-opted representative).

Also in attendance for part of the meeting: Councillors K. Foster, Michael Leaves, Mrs Nelder, Mrs Pengelly, Purnell and Smith.

### 3.0 Objective

To scrutinize the Cabinet's proposals for the revenue budget for 2004/05.

### 4.0 Hearing

The Panel met on one occasion, 19<sup>th</sup> February, 2004, to consider –

- the recommendations of Cabinet of 17<sup>th</sup> February 2004;

- the reports of the Head of Performance and Policy and the Chief Executive and City Treasurer;
- the draft Corporate Plan 2004 - 2007;

and to hear from witnesses and formulate a report of recommendations to the City Council on 4<sup>th</sup> March 2004.

## **5.0 Declarations of Interest**

Councillors Kerswell and Nicky Wildy declared non-prejudicial interests in the revenue budget as Directors of Plymouth CityBus Ltd.

Councillor Nicky Wildy also declared a non prejudicial interest as a Director of the Devonport Regeneration Company, Wolseley Community and Economic Development Trust and Plymouth SRB Partnership Ltd.

## **6.0 Basis of Revenue Budget**

The Leader introduced Cabinet's proposals for the revenue budget 2004/05, indicating that when the new Labour administration took control in May 2003 their priority was to ensure that the current budget was managed effectively. Changes were made to the reporting structure between Officers decentralized within service departments and the corporate centre to achieve a better flow of information and promote loyalty to the organization as a whole.

The result of the more effective management of the budget for 2003/04 to date showed a variation of £0.5m as at December 2003, 0.15% of the gross budget.

The approved reductions to be achieved in the corporate centre had not been delivered particularly as the Corporate Performance Assessment had highlighted this as an area that required strengthening. Savings within Social Services had also proven impossible to deliver without reducing service provision.

The draft Corporate Plan had been produced and its aims and objectives were aligned to the strategies and priorities of the Local Strategic Partnership, the Council and partner organisations.

The draft Plan had informed the budget process and the aims of the budget were to direct spending to improve the corporate health of the Council and make service improvements to be balanced with the need to have regard to affordability and deliverability. The objectives of the Corporate Plan would then be fed into the Service Plans to ensure that they would be resourced and programmed to meet the stated targets.

If approved, additional monies would be made available to Social Services to support the recovery programme and to invest to save which would enable current services to be maintained with a view to achieving significant cost savings in future years from a reorganisation of the provision of services.

Additional monies were also being allocated to the library service.

Significant savings were expected as a result of efficiency savings and savings arising from a review of the Council's procurement procedures.

## **7.0 The Commission's Findings**

From the budget proposals, the Cabinet were hoping to achieve a realistic Council tax rise, financial planning with spending aimed at the Council's priorities and support for the Recovery Plan.

The Cabinet recommended a minimum working balance of £3m although the level of Council tax and the level of working balance would be determined at Council. It was not anticipated that the City would be capped on its proposals.

### **7.1 *Budget Outturn 2003/04***

Following the budget setting exercise last year, there was concern about the reliability of figures presented to Members. The City Treasurer indicated that last year trends had not been identified from the monitoring information and that this year, greater emphasis had been placed on those areas of risk, with a view to identifying potential variations.

### **7.2 *Financial Management and Corporate Performance***

The draft Corporate Plan 2004 -2007 included corporate objectives to progress the Council's vision to transform the Council into a modern organisation fit for the challenges ahead. The appointment of a Director of Corporate Resources would provide a fresh outlook on the financial management of the Council and there was already evidence from the external consultants engaged to review Social Services and the corporate centre, of potential for significant efficiency savings from the management of staff. The implementation of the Radius Financial Management System would also provide better financial planning and monitoring. Members were advised that the Trade Unions were supporting the Council's approach and although there were other possibilities for savings, management were of the opinion that these areas should be given priority.

The draft Corporate Plan provided key targets for Cabinet and the Corporate Management Team. With the new appointments being made, Directors would now be contractually obliged to deliver those targets that would be fed into Service Plans. However, it was recognised that issues would arise throughout the period of the Plan and that there would inevitably be amendments to the Plan.

Monthly monitoring reports on the budget would be undertaken with reports to be provided to Portfolio Holders.

It was acknowledged that there was a need to strengthen strategic financial controls and align the movement of capital with projects that could be achieved with a greater emphasis on project management. However, there were difficulties in ensuring the provision of funding and programming of works particularly where notification of funding was from government departments often at a very late stage.

### **7.3 *Efficiency savings***

If targets for efficiency savings were increased, the Chief Executive was uncertain whether management would be capable of making that level of change given that the necessary people were not yet in place and there was still not a total commitment by everybody to make change. There was a realistic prospect of achieving the efficiency savings identified because there was evidence of the potential for savings in those areas. If evidence had not been obtained, the probability would be that service reductions would result rather than efficiency savings. The budget as proposed was aimed towards good budget control and the improvement of services. It was anticipated that further efficiency savings would result from current work being undertaken, for example on procurement, but that as yet the evidence had not been provided to justify inclusion within the budget proposals.

The proposals would inevitably result in changes in staffing and reorganisation of staff and it was hoped that staff turnover would reduce the impact on remaining staff.

### **7.4 *Medium Term Financial Plan***

The budget does have some one off financing options to enable the deferment of some items to the following year pending the realisation of efficiency savings. The City Treasurer reported that a Capitalisation Direction for early retirement would be a one off sum. Members were advised that the recommendations of Cabinet at present would provide a working balance of £7.6m.

### **7.5 *Insurance Provision***

The District Auditor qualified the final accounts due to the level of the Insurance Fund. The City Treasurer advised that this issue would be addressed in the Medium Term Financial Plan.

### **7.6 *Office Accommodation***

£0.5m would be made available in the revenue budget to enable Social Services staff currently working in unacceptable conditions, to move into Ballard House. Ballard House would also accommodate a call centre for the Council. The lease for Windsor House was due to expire in 2008 and consideration needed to be given to the deployment of staff in the longer term. The renewal of the lease would not be a preferred option as the division of staff and services between the two sites did not enhance corporate working.

The Civic Centre was also in need of major refurbishment works including the replacement of the fire alarm system for which provision of £0.25m had been made in the capital programme. The health and safety of the Council and its staff needed to be addressed as a priority by the Council both as an employer and having regard to the need for recruitment of staff.

Asset management was being reviewed by the Director for Strategic Projects and Service Change. The Civic Centre site was a valuable development site and a decision would be required within the next 6 months on the future of Windsor House and the Civic Centre.

Working from home was also being considered to a limited extent. In this instance assistance could be offered to staff in respect of information technology costs.

### **7.7 Social Services**

It was envisaged that the Social Services budget could be stabilised within 12 – 18 months thus aligning the budget with current national trends. The service spent £55m last year on procurement of services and substantial savings were expected within 6 months of the new Director taking up post.

Funding would be made available for the implementation of the Child Concern Model and the Climbie Action Plan to ensure that the recommendations of the report on Victoria Climbie were implemented.

Following the investment of revenue from the closure of Hillside to achieve improvements in the domiciliary care service, the Portfolio Holder had recently taken a decision to make improvements in the service effective from March 2004. The effect of the decision would be put more work out to the private sector whilst retaining the inhouse team to undertake specialist care.

### **7.8 Out of City Placements**

The budget provided for additional monies to Social Services to address the shortage of places in Plymouth for children with special needs and alleviate the requirement for out of City placements. The management of the assessment of the need was also being reviewed to ensure that risk management techniques were being employed and consideration was being given to alternative methods of support.

### **7.9 Education**

The Commission was advised that the Council was not in a position to commit funding towards the achievement of specialist status by secondary schools. Some schools had already achieved the status without financial assistance, although the local education authority would be willing to provide assistance in other ways for example to advise on ways of securing funding or joint working arrangements.



With regard to the corporate objective to raise pupil attainment and the target to reduce unauthorised absence by 10% compared to 2002, proposals would be considered by the Portfolio Holder in due course to address this issue, having considered initiatives being undertaken by other local authorities.

#### **7.10 Youth Service Programmes**

Proposals for the delivery of high quality youth service programmes had yet to be determined or costed. There could be opportunities for programmes to be developed with other service providers and the provision of funding could be available from the better use of existing monies or partnership monies. The Deputy Leader was reviewing the service and proposals, together with funding arrangements, would be submitted to Cabinet when available.

#### **7.11 External Legal Advice and Educational Psychologists**

Last year a sum of £0.6m was spent on external legal advice on children's services. The Acting Head of Legal Services was currently recruiting in house specialist lawyers to provide the service more cost effectively. It was inevitable that some work would still be put out to external lawyers due to pressures on capacity or skills in a particular field, but that the amount work was now being controlled directly by the Head of Legal Services and a Business Plan was being produced for next year.

The recruitment of Educational Psychologists was included as part of the invest to save initiative.

#### **7.12 Libraries**

Provision had been made in the revenue budget for improvements to the library service to enable the service to meet the government's library standards.

#### **7.13 Housing Service**

The corporate objective to try and prevent homelessness and the target to eliminate the number of families in long term bed and breakfast by April 2004 had arisen from the government's obligation on local authorities to remove families from bed and breakfast accommodation. To date 6 families remained in bed and breakfast accommodation and Cabinet had confidence that the target would be achieved by the refurbishment of housing void properties to accommodate the families.

The development of a housing aid and advice service would enable the introduction of choice based lettings providing tenants with the choice of empty properties that had been refurbished for letting.

The corporate objective to improve the choices people had about their housing to be achieved by prioritising energy efficiency and affordable warmth conflicted with the government's strategy to target the elderly, families with

young children and the unemployed. The Leader indicated that the policy was under review, but regard would be given to the cost effectiveness of such a strategy in comparison with a programme of improvement.

#### **7.14 *Community Based Services***

One of the Council's corporate objectives was to target resources to meet the needs of the local community and in particular address pockets of deprivation that may be within more prosperous areas. Members were advised that funding for this initiative may be available within Neighbourhood Renewal Funding or there was flexibility within Officer's budgets to enable delivery of this priority. If the deprivation was identified in areas which did not qualify for Neighbourhood Renewal Funding, benefit take up could be encouraged and the Council were promoting a number of campaigns aimed at this area. Advice was also available through Care Direct. For properties without central heating, government assistance was available to residents through the affordable warmth scheme.

#### **7.15 *Area Street Based Street Care Teams***

It was noted that there was no target date in the draft Corporate Plan for the improvement in the street cleaning index although a deadline had been set to enable the Council to qualify for external funding. Cabinet were encouraging the organisation of services on an area basis to engender community spirit and the delivery of area based street cleaning was easily achieved by a change in the deployment of staff. The reorganization of services could also attract additional funding opportunities to the City Council.

#### **7.16 *Investment Sites***

The corporate objective of creating a vibrant City Centre and support schemes that give new life to the City would be achieved in part by working with partners to start on at least 5 strategic opportunity sites by December 2004. The Leader indicated that no match funding would be required for the 4 sites listed in the draft Corporate Plan and he was unable to provide Members with financial implications. However the improvements that were being made to project management and asset management within the authority would result in the more effective regeneration of capital receipts which could finance such an initiative.

#### **7.17 *Mackay Vision***

Assurances were sought on the appropriateness of the Mackay vision for the City and the need to ensure support generally from the residents. The Leader advised that the vision would inform the Council's Local Development Framework and that the vision was a compendium of individual projects.

## **8.0 Commission's Recommended Action**

The Overview and Scrutiny Commission recognises the difficult financial position the Council has faced in recent years and supports in principle the move towards setting a budget for 2004/05 which reflects the priorities in the draft Corporate Plan and key recovery issues by –

- investing in buildings, places and spaces;
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It is also acknowledged that there are potentially some difficulties still ahead for the Council and recommends that the following issues are closely monitored during the financial year –

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- (9) the position and level of the Insurance Fund having regard to the need to reduce the number of claims and replenish the fund;

## **9.0 Thanks**

The Chair, on behalf of the Commission, thanked Officers and witnesses for preparing the presenting the Revenue Budget 2004/05.