



Report of the Scrutiny Panel

December 2010

**The Societal Impact
of the In-Year Budget Reductions**

Panel Members

**Councillor David Watkins (Chair)
Councillor Gill Mitchell
Councillor Vicky Wakefield-Jarrett**

Chairman's Foreword

In undertaking this investigation into the Societal Impact of the In-Year Grant Reductions, we were aware that the funding decisions had to be made quickly, with little time to assess fully, the potential impacts of all the possible combinations of funding options.

But we wanted to draw on this experience of an unexpected in-year cut, to take a look at the general process of making funding decisions, to see how impacts of changes in services can be assessed, and to better understand what practical preparations could be made to help deal with future reductions in the context of the new commissioning model.

The circumstances of each of the affected funding streams were generally quite different although we identified areas of common concern and good practice. We have used these to develop our findings and recommendations regarding: early consultations with stakeholders, prioritising and understanding the outcomes of funding, strong partnership working, reporting of equalities impact assessments and risk management consultation, monitoring impacts of changing budgets and close working with the Community and Voluntary Sector.

On behalf of the Panel I would like to thank all the officers and especially the Community and Voluntary Sector Forum who gave their evidence.

Councillor David Watkins
Chair of the Scrutiny Panel

Contents

| | |
|--|----|
| List of Recommendations | 5 |
| 1. Introduction to the Scrutiny Review..... | 5 |
| 2. National and Local Context..... | 6 |
| 3. Practical Preparations..... | 7 |
| 4. Options for Coping with Budget Reductions | 8 |
| 5. Prioritisation | 8 |
| 6. Consultation and Communications | 9 |
| 7. Advantages of Close Partnership Working | 10 |
| 8. Summary of Findings..... | 11 |
| 9. Recommendations | 13 |
| 10. Appendices | |
| A) Chronology of events | |
| B) 22 July 2010 Cabinet report | |
| C) Minutes from public meeting 1 | |
| D) Community and Voluntary Sector Forum written submission | |
| E) Minutes from public meeting 2 | |

List of Recommendations

1. The Panel recommends that where service changes are proposed early and clear consultation with service users, employees and partners is ensured.
2. The Panel recommends that where not already in existence a clear understanding of priorities for and outcomes of, funding are available for all services. These should be reviewed regularly.
3. The Panel welcomes the strong partnership evident across the city and beyond and recommends that creative ways of strengthening sustainable partnership working on changing budgets be developed.
4. The Panel recommends that Equality Impact Assessments be undertaken for all major budgetary decisions and published as a matter of routine with budget papers. Risk and opportunity management consultation should also be reported.
5. The Panel recommends that the ongoing and longer term impacts of budget reductions should be monitored. The Council and partners need to agree a way to ensure that the impacts of changing budgets are understood.
6. The Panel recommends closer working with the CVSF to help improve dialogue between organisations linked to delivering the SCS priorities.

1. Introduction to Scrutiny Review

- 1.1 The Government announcement of its emergency budget in June 2010 and the rapid in-year budget cuts this necessitated within the Council resulted in the Overview and Scrutiny Commission establishing a panel to look at the societal impact of the in-year budget reductions.
- 1.2 Councillors Watkins (Chairman), Mitchell and Wakefield-Jarrett served on the Panel, which held two public meetings to hear from senior council officers and the Community and Voluntary Sector Forum (CVSF).
- 1.3 The scrutiny panel focussed on the societal impacts only of the specific grants affected by the 2010/11 in-year grant reductions announced in summer 2010. Arrangements for scrutiny recommendations to Cabinet on the 2011/12 budget proposals will be made as in previous years via the Overview and Scrutiny Committees and the Overview and Scrutiny Commission.

- 1.4 Whilst service areas were affected in different ways by the in-year reductions depending on their circumstances the Panel did identify areas of common concern and good practice, in addition to experience with individual funding streams on which to base their recommendations.
- 1.5 The Panel have deliberately undertaken a short focused review in order to ensure recommendations can be considered in time for the 2011/12 budget development process.
- 1.6 The Panel heard evidence from the Community and Voluntary Sector Forum and budget holders on the grants subject to in-year cuts including:
- Department for Education (Connexions, School Improvement, Extended Schools, Playbuilder, subsequently re-instated)
 - Road Safety
 - Local Transport Plan programme capital funding
 - Supporting People Administration
 - Home Office funding and Prevent
 - Housing & Planning Delivery
 - Free Swimming

2. National and Local Context

- 2.1 A £6.2 billion national saving for 2010/11 was announced in an emergency budget in May 2010 as a first step to tackle the national budget deficit. Of this Local Government would contribute some £1.2 billion through reductions in government grants. Further significant steps towards reducing government borrowing were anticipated in the comprehensive spending review.
- 2.2 An announcement of grants reductions by government during the course of a financial year had been unprecedented. It presented significant challenges to the council and partners, not least the timescale within which cuts had to be agreed.
- 2.3 Looking ahead, unexpected mid-year reductions are thought unlikely to recur to the same extent. However most of the existing 120 or so grants currently received by the Council are expected to be merged giving Local Authorities more flexibility with additional responsibility in deciding how the money will be spent.
- 2.4 For Brighton & Hove City Council the in-year reduction in revenue and capital grant funding was around £3.8 million. In common with other local authorities, the Council had to make the in-year spending reductions quickly in order to protect its financial position.

- 2.5 The decisions on implementing the reductions locally were broadly in line with national funding cuts starting from the premise that (unless demonstrated otherwise) where funding had stopped or reduced, the service would be stopped or reduced accordingly.

3. Practical preparations

- 3.1 Most grants are for a time-limited period so in many instances there would have been some thinking around managing with a reduced grant at some future time. In some service areas reductions in local authority funding had been anticipated well in advance, for example this was the case for the Planning Delivery Grant.
- 3.2 Other areas services have been developing alternative service models that will allow a smooth transition following grant removal. This can be seen in the evidence presented by the school improvement team; the removal of funding will merely speed up an existing direction of travel.
- 3.3 The Panel heard that a great deal of work was done on analysing grant funding streams in the period prior to the decision on the in-year grant reductions. Members heard that 90% of CVSF areas of concern as identified by the Community and Voluntary Sector Forum were protected.
- 3.4 Members were told by a number of witnesses that the tight timescales meant that it was not practicable to assess every single funding option and potential impact in the time available on this occasion. There were early discussions with partners when the initial announcements were made (see appendix 1) and the Panel received a summary of Adult Social Care and Housing budget information as an example.
- 3.5 The general approach taken across the council was that unless otherwise prioritised funding reductions for specific grants were kept within specific funding streams. If a grant was cut then the activity stopped, unless deemed a priority, or if alternative funding could be found.
- 3.6 Members heard some examples of action taken prior to 22 July Cabinet, aimed for instance at prioritising front-line services, identifying groups that may be disproportionately affected by cuts particularly in more than one service area, or ameliorating some of the impacts of cuts:
- Developing trust and transparency with communities about sources and aims and objectives of funding to encourage continuity despite service reduction (Prevent)

- Producing Equality Impact Assessments for affected service areas (School improvement, swimming)
 - Agreeing with partners on evidence-based 'core business' (Sussex Safer Roads Partnership)
 - Bringing key functions/posts within core budget (Housing and Planning Delivery Grant)
 - Voluntary contributions (by Football Association, Highways Authority to SSRP)
- 3.6 In future reports on proposals for funding reductions the Panel would like to see more evidence of the internal Risk and Opportunity Management consultations taking place.

4. Options for coping with budget reductions

- 4.1 Panel Members were given examples of how grant reductions could be dealt with:
- Contingency planning
 - Bidding regularly for additional funding
 - Look for 'softer' areas where resources might be found or investment deferred between years
 - Bring forward cuts where provision was due to shortly expire
 - Sources of additional income e.g. increasing the scope of speed awareness courses
 - Working with partner organisations e.g. free school sessions
 - Absorb cuts within the full service (Supporting People administration)
 - Utilising existing reserves
 - Reduced but continuing service
 - Ensuring flexibility exists within budgets

5. Prioritisation

- 5.1 A key thread throughout all of the evidence presented was the need to have clearly identified priorities, for instance whether it is a statutory requirement, or delivers a priority in the Sustainable Community Strategy. Notable examples presented to the Panel were:
- Agreed and ranked priorities with regular review and annual update within the CDRP
 - Revisit 'partnership core business', the SSRP took 4 – 5 review meetings June – August
 - Collect evidence to inform prioritisation within a partnership e.g. the SSRP

- Importance of a robust needs analysis
- 5.2 Experience from the Community and Voluntary Sector Forum described to the Panel showed that prioritisation of services can be informed by:
1. Reviewing the monitoring information on the particular service:
 - Assessing the full value of the outputs/outcomes of services, some of which may not be apparent 'on the surface'
 - Assessing the potential impact of cuts – the wider implications may be more far-reaching than they appear e.g. as a result of a domino- effect, especially regarding preventive work
 - Completing an Equalities Impact Assessment
 - Considering the impact on the most vulnerable communities
 2. Information from service providers and service users about:
 - Understanding of outcomes to investment; what services actually do for the level of resources they receive
 - Inputs ; any additional funding levered in, match funding or in-kind support; potential for charging for service provision
 - Outcome chains of the service within the particular organisation e.g. resources pulled in from across the organisation's projects and staff
 - Impact of reduction, eg where the removal of one worker may lead to a reduction in number of hours a centre may be open and the consequences to service users
 - Impact on core running costs of the organisation that may be disproportionately cut – e.g. future viability of the organisation
 - Potential for rationalisation and collaboration across fund holders

6. Consultation and Communications

- 6.1 Evidence presented clearly highlighted that where clear consistent communication between partners existed it was easier to agree priority services and ameliorate budget cuts.
- 6.2 However the Panel also recognised that in cases communication and consultation can be fraught with difficulties. Evidence regarding Connexions highlighted the balancing act needed between being transparent and consulting well with causing unnecessary stress based on rumours and misunderstanding.
- 6.3 Moving to a commissioning system is likely to result in an increase in the number of services delivered externally or in partnership. The Council

should therefore be clear as to its responsibility regarding what is a statutory service, how TUPE and transfers of ownership issues are to be handled and how best to negotiate service changes between organisations. Sufficient expertise needs to exist within the council to facilitate these responsibilities.

- 6.4 Evidence that inconsistent messages had caused confusion regarding Connexions concerned the panel. There was an understanding that commercial confidentiality and contract difficulties especially re TUPE, had further complicated the message regarding Connexions.
- 6.5 Panel Members felt that clearer and public guidance was required the timing for consultations on proposals for service changes. This should be spelt out during decision making process for budgetary changes.
- 6.6 As part of the process of assessing the impact of cuts, meetings of contracted partners / relevant organisations (with representatives of providers and/or service users) could be convened to discuss:
 - What other services are available which might be able to provide alternative support?
 - How might other services be adapted to provide alternative support?
 - How might alternative funding be levered in to fund the service?
- 6.6 The Chief Executive Officer of the Community and Voluntary Sector Forum reported disappointment about the limited information on the in-year changes to Connexions services.
- 6.7 However she said there were positive opportunities where CVSF can help facilitate conversation between sectors around making savings and efficiencies for the future. More dialogue will ensure that all parties understand the situation, understand the cost/value of services, get to grips with the need for generic/specialist services and work together to achieve the best outcome for service users.
 - Cuts processes should be open, transparent and consistent with evidence of cuts being applied (or not) according to a set of clear and objective criteria about need and priorities
 - There should be dialogue with the community and voluntary sector about these criteria before they are applied, in accordance with the principles set out in the Compact
 - Individual organisations threatened with cuts should be consulted about the impact on their service before it is applied
 - Organisations facing a cut in funding should be given at least 3 months notice and with a right of formal appeal to the most senior level of decision-makers

- Where a variation in existing contract arrangements is sought by the funder, this should be achieved by mutual agreement wherever possible
 - A joint Funding Panel, comprised eg of representatives from the relevant public sector and CVSF should review options on community and voluntary sector funding cuts before any final decisions are made.
- 6.8 Members considered the advantages of regular cross-sector meetings on the role of CVS in service delivery, joint impact assessments, understanding of the effect of local authority decisions in CVS and providing information on how to secure contracts.

7. Advantages of Close Partnership working

- 7.1 The advantages of close partnership working were evident from all the evidence received by the Panel; such as:
- Joint decision-making linked with strategic assessments and regular feedback (CDRP)
 - Sharing of information on service needs and outcomes (CDRP)
 - Budget meetings throughout the year (CDRP)
 - Pooled budget allowing more flexible funding arrangements (CDRP, SSRP. swimming)
 - Strong joint working with Primary Care Trust had enabled the reduction in free swimming to be partly offset
- 7.2 Regarding the CVSF's proposal for a Joint Funding Panel and acknowledging increasing recognition of the third sector as a partner in service delivery, the Panel did agree that there was scope to investigate new ways of involving CVSF more closely in reviewing options.

8. Findings

- 8.1 Desk based research shows that no additional information on the potential impacts of grant reductions was available to comparator local authorities when the in-year funding decisions were made. No examples were found, of best practice regarding assessing the funding options quickly.
- 8.2 The Panel found little evidence to show how the potential societal impact of the in-year funding reductions might have been assessed in the time available by this Council or any other.
- 8.3 For the future, in-year funding cuts are thought unlikely to recur; many grants are to be combined and the council is introducing a model of intelligent commissioning.

- 8.4 Despite these changes, coping with the unexpected reductions in the middle of the financial year has provided the Panel with an opportunity to draw out some key factors for future public spending options in terms of transparency, consultation and communication, practical preparations, and partnership working.
- a) Consistent and clear communication with partners, service users and employees is vital. Whilst a balance needs to be struck to avoid undue stress and concern early communication can stop damaging rumours. The Council also has to balance its role as service provider and employer.
 - b) Where in year cuts were transparent and owned by partnerships their effects can be ameliorated.
 - c) Strong partnerships are better able to withstand reductions in funding and retain priority services.
 - d) Excellent examples of innovation and strong partnership working e.g. swimming, road safety, community safety.
 - e) The ongoing and longer term impact of budget reductions should be monitored. The Council and partners need to agree a way to ensure that the impact of changing budgets are understood.
 - f) Equality Impact Assessments should be undertaken to inform all major budgetary decisions. These should be published as a matter of routine with budget papers. Consultation on risk and opportunity management should also be reported.
 - g) Changes to services and funding should to be based on robust needs assessments and understanding of outcomes. Evidence to understand the outcome the funding delivers is paramount.
 - h) External service providers make changing budgets in-year difficult. The implications of suddenly cutting a service, part of which is contracted out, need to properly assessed.
 - i) Support needs to be available to understand TUPE, statutory responsibilities and contract renegotiations.
 - j) Closer ways of working with the third sector will enable greater understanding of risks and impacts of potential spending cuts and help mitigate the impact on the sector and the communities and service users it supports.

9. Recommendations

- 1) The Panel recommends that where service changes are proposed, early and clear consultation with service users, employees and partners is ensured.
- 2) The Panel recommends that where not already in existence a clear understanding of priorities for and outcomes of, funding are available for all services. These should be reviewed regularly.
- 3) The Panel welcomes the strong partnership evident across the city and beyond and recommends that creative ways of strengthening sustainable partnership working on changing budgets be developed.
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