



## **Budget Strategy: Impact of Comprehensive Spending Review**

### **SUMMARY**

1. At its meeting on 9 November the Scrutiny Management Commission gave initial consideration to the Comprehensive Spending Review and Chancellor's Statement to the House of Commons on 20 October. The Commission were also provided with the report to Council Cabinet on 26 October. The following recommendations were agreed.

### **RECOMMENDATION**

Council Cabinet is recommended:

- 2.1 To make an assessment of the consequential impact of Council cuts on the private sector locally.
- 2.2 To seek to ensure that when responsibility for Public Health transfers from the NHS, sufficient funds will also be transferred to deliver the services.
- 2.3 To note that the Commission has requested the Interim Strategic Director of Resources to provide a list of statutory and non statutory functions to each Commission.

### **REASONS FOR RECOMMENDATION**

#### Regarding recommendation 2.1

- 3.1 During the dialogue with the Interim Strategic Director, Members of the Commission had raised concerns about the impact of Council cuts on the private sector. It was explained that officer capacity meant that time had hitherto been spent on profiling the effects on Council budgets rather than looking at the effects on the private sector. The level of revenue expenditure cut backs in year one, 2011-12, is almost £30m. Therefore there will be a reduction in the size of the Council work force which will lead to less buying power in the local economy. There will also be less direct purchasing by the Council of goods and services from local suppliers.
- 3.2 Reductions in the capital programme will result in fewer or smaller contracts for construction and maintenance and therefore less employment in those private sector companies adversely affected, meaning a further reduction in spend in the local economy.

3.3 The same meeting of the Commission had considered the new independent report 'Shifting Gears: Safeguarding Derby's Economic Growth'. This was considered a valuable report but its timing could not factor in an assessment of the reduced demand on the local economy likely to be the consequence of the cuts in Council spending. Although the Commission appreciated that the Resources Directorate's primary focus has had to be on constructing the budget, there is a need to understand the consequential impact on Derby's private sector.

### 3.2 Regarding recommendation 2.2

The Government has announced the abolition of Primary Care Trusts. The main focus of media attention has been the proposals for GP-led commissioning of health services. However, other proposals involve the transfer of some functions to the Council. Most notably this includes restoring Public Health to Council control, as was the case until 1974. The White Paper 'Equity and excellence: Liberating the NHS' states the transfer will be in April 2012. The recommendation reflects the Commission's concern as to whether the responsibilities are to be fully accompanied by the funding to pay for the services.

### 3.3 Regarding recommendation 2.3

The Commission has requested the Interim Strategic Director to provide lists to each commission indicating which services within their portfolio are statutory duties and which are discretionary. This should assist each commission to understand the reasoning for the Cabinet's subsequent budget proposals. It is understood that some explanatory narrative may be needed where a *duty* also leaves *adequacy* to individual council interpretation.

## SUPPORTING INFORMATION

4.1 The meeting was attended by Julian Kearsley, the Interim Director for Resources, who held a dialogue with Members. Present at the meeting by invitation were some of the chairs and vice chairs of the other commissions.

## OTHER OPTIONS CONSIDERED

5.1 Not applicable, this was initial consideration. Recommendations 2.1 and 2.3 may assist the scrutiny commissions to compare the internal and external impacts of the Cabinet's subsequent budget options and proposals.

**This report has been approved by the following officers:**

<b>Legal officer</b> <b>Financial officer</b> <b>Human Resources officer</b> <b>Service Director(s)</b> <b>Other(s)</b>	     Chair on behalf of the Neighbourhood Commission
<b>For more information contact:</b> <b>Background papers:</b> <b>List of appendices:</b>	Name 01332 255596 e-mail <a href="mailto:rob.davison@derby.gov.uk">rob.davison@derby.gov.uk</a> None Appendix 1 – Implications

<b>IMPLICATIONS</b>
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The text below has been drafted by the co-ordination officer and is subject to comment by the appropriate Strategic or Service Director.

### **Financial**

- 1.1 The report to Council Cabinet on 26 October spelt out the broad position as in the Comprehensive Spending Review and Chancellor's Statement to the House of Commons on 20 October. Taking the information available, the best estimates for Derby City Council are that:
- over the four years 2011/12 to 2015/16 the total savings required will be £56.11 m
  - the front loading in the first year means the budget for 2011/12 (compared to 2010/11) will require savings of £29.63m.

However, as Mr Kearsley explained to the Commission, the actual figures for individual councils will not be known until December. The savings target for year one and/or for the four year period could either go higher or lower.

### **Legal**

- 2.1 None directly arise from this report. The context is that the Council is under a statutory duty to set a balanced revenue budget. It is a matter that cannot be delegated so must be agreed by full Council which meets on 2 March 2011 and Members must have regard to the advice of the Section 151 Officer.
- 2.2 As recommendation 2.3 addresses, the services the Council provide fall under the headings of statutory duties ('must do') and discretionary powers ('may do'). However, within the category of duties there is often considerable leeway for local interpretation as to the extent or adequacy of a service to meet a general duty.

### **Personnel**

- 3.1 None directly arise from this report. The overall four year CSR (2011/12 to 2015/16) and the front loading of savings in to year one (2011-12) will require significant reductions in the work force. This context has been responded to by the Council inviting staff to apply for voluntary redundancy or voluntary early retirement.

### **Equalities Impact**

- 4.1 Not known

### **Health and Safety**

- 5.1 None directly arise from this report

## **Carbon commitment**

- 6.1 Not known

## **Value for money**

- 7.1 Not known. The Council as with all public sector bodies facing substantial budget cuts will wish to optimise efficiency so as to ameliorate the impact on front line services.

## **Corporate objectives and priorities for change**

- 8.1 Reduced funding is likely to impact on all the Council's current objectives and priorities. A new Sustainable Community Strategy, SCS, to be known as the Derby Plan, will take effect in April 2011. Aligned to that will be a new corporate plan, 'the Council Plan'. That may have new or different priorities and may take account of the tighter resources available. As with the Council's budget, the SCS and Council Plan will both also require ratification by full Council on 2 March 2011.