
INDEPENDENT BUDGET REVIEW & BUDGETARY ISSUES FOR A&B CPP

1 INTRODUCTION

- 1.1 The report provides a briefing for the CPP Management Committee on some of the key budgetary challenges facing public sector partners within the CPP, the action being taken in response to these and some of the key points from the Independent Budget Review.

2 RECOMMENDATION

- 2.1 That the Management Committee agree to the CPP Executive sub group consider the IBR recommendations and report back to the Management Committee.

3 DETAIL

- 3.1 The CPP has previously agreed a community plan and SOA. However the financial circumstances in which the CPP operates have changed significantly since these were last agreed. Whilst the private sector / general economy may be moving out of recession nearly all parties agree we are heading for a sustained period of significant reductions in public sector funding. This will have an impact on each of the public sector bodies within the CPP and also those who receive services but also it will have an impact on the economy within the area as money spent with local organisations decreases. Given the dependency of the economy in Argyll & Bute on the public sector this represents a risk to the economic well being of the area.
- 3.2 Public sector partners are committed to working together to leverage the maximum benefit from joint working / shared priorities to improve the economy and effectiveness of services, to help minimise the impact of reduced budgets on service delivery and to minimise any negative economic impacts.
- 3.3 The scale of the budget reductions will not become clear until later in the year and each partner has a slightly different approach and timescale for being made aware of its exact financial allocation. However the Scottish Government, as referred to in the Independent Budget Review, forecast a cash reduction of 3.9% in budget between 2010-11 and 2014-15 which is equivalent to a reduction in real spending power of 12.5% over the same period. The impact on each of the partners and the distribution

across the years will not be known until later. A decision to protect any one area will have the effect of increasing the budget reduction in other areas.

- 3.4 Within the CPP public sector partners are currently working on a number of pieces of work to support the development of the response to the budget reductions:
- A report on agreed budgets for 2010-11 and the impact of these on the Community Plan along with quarterly reporting of budget outturn for 2010-11 will provide a baseline.
 - Each partner is being asked to develop a 3-5 year scenario that identifies implications for the Community Plan and this will give the CPP a feel for the risk to the Community Plan of the budget reductions.
 - Reports on cost pressures, the 2011-12 budget strategy and mapping of costs will begin to assist in identifying of way forward for the CPP.
 - Mapping of asset base, procurement arrangement staffing as well as budgets will help to scope out areas where there may be opportunities to improve joint working and reduce costs.

- 3.5 The Independent Budget Review (Beveridge, McIntosh & Wilson) was published in July. Some of the key points from the review are noted below.

Public Spending Environment

- a. “In attempting to achieve a better balanced public sector spending position, the options for increasing revenue (for example through increased taxation) and for reducing public sector expenditure will need to be carefully balanced, not least to avoid damaging economic recovery”.
- b. “Given the scale of the reductions which would otherwise have to be met from ‘non-protected’ areas of public services, the Panel would strongly advocate as an option an approach which would not have an over-riding presumption of whole segment ‘protection’, but which would instead be built upon all services being subject to scrutiny and comparative prioritisation in the allocation of resources”.
- c. “The Scottish Government and Parliament should consider the option of discontinuing the current council tax freeze, which does not appear sustainable in the projected economic environment”.

Efficiency

- d. “The Panel suggests that, in light of the projected financial constraints, the Scottish Government and Parliament should consider:

- (i) revising the current approach of the Efficiency Programme which allows efficiency savings to be retained and recycled with a view to reducing future budget allocations across the public sector to incorporate an assumed annual efficiency saving; and
 - (ii) ensuring that future annual efficiency targets are no less than 2 per cent per annum”.
- e. “The Panel would advocate the implementation of a regular review process of all public bodies which:
 - (i) identifies the need, purpose, cost and value of retaining the public body in that category; and
 - (ii) states specifically why the work must be undertaken by the public body and not by the core Scottish Government, private or third/voluntary sector”.
- f. “The Panel looks to the Scottish Government and Parliament, together with local authorities and leaders of other public bodies, to provide an appropriate level of leadership to ensure that barriers to shared services development are addressed with determination”.
- g. “The Panel believes that the challenges arising from the projected financial outlook should act as a stimulus for the public sector to review its current delivery models, including consideration of alternatives. Looking ahead, the Panel envisages mainstream roles for the private and voluntary/third sectors as collaborative partners in the delivery of public services”.

Remuneration and Workforce

- h. “While pay and recruitment freezes have a critical role to play in constraining growth in the pay bill, they are insufficient on their own, both in terms of scale and duration, to represent an effective response to the forthcoming reductions in public spending in Scotland”.
- i. The Panel recommends that the Scottish Government applies a pay freeze as the first essential step to constrain growth in the public sector pay bill.
- j. “The Panel suggests that the Scottish Government should consider the immediate implementation of a recruitment freeze across the public sector, with exceptions only granted for essential staff posts”.
- k. “The Panel suggests that, if outcomes are to be maintained, the reductions in public sector employment would need to be driven by a set of clear, strategic priorities across all parts of the public sector. One option for the Scottish Government to consider is the rapid development of a clear, strategic and phased workforce plan which sets out a set of priorities/criteria towards which all parts of

the public sector can work”.

Universal Services

- l. “The operation of free or subsidised public services on a near universal basis over the last 10 years has benefited a wide range of people, including those who might have had the resources to fund them themselves. Unfortunately, demography and other drivers are expected to continue to stimulate demand and inflate costs to levels which appear to be unsustainable. The issue is not one of desirability, but of affordability”.
- m. “The Panel suggests that the Scottish Government and Parliament should consider undertaking immediate work to review whether all free or subsidised universal services should be retained in their current form. This work should cover issues such as changes in eligibility and the introduction of charges and ensure that those in greatest need are not disadvantaged”.

Capital

- n. “The Panel suggests that prioritisation of the key strands of capital expenditure, including essential maintenance, should be guided by national priorities and coordinated to ensure that maximum strategic coherence and public value is derived”.
- o. “The Panel suggests that the Scottish Government should take steps now to explore, in liaison with HM Treasury, options for changing the status of Scottish Water that could permit the release of significant capital to the Scottish Government for other projects, while allowing the attraction of private investment and the return of any surplus to the public benefit”.
- p. “The Panel suggests that the Scottish Government should consider the feasibility of adopting road user charging as a means to both better managing the use of the existing transport networks and financing improvements to those networks”.

Shaping the Future

- q. “The Panel also concludes that there is a need to move towards a more outcomes-based approach to public service management and to improve the quality, availability and application of evaluation, monitoring and reporting data and information in relation to outcomes across the public sector in order to ensure that resources are applied to full benefit”