

Fife Council – 21st February, 2019

Conservative Amendment to General Fund Revenue Budget 2019/2022

The Conservative Group proposes that the Council should go forward in line with the commentary below.

Financial Backdrop

The financial backdrop to this Fife Council budget is as follows. Thanks to the Conservatives and the UK Government, the SNP Scottish Government budget is increasing in real terms in 2019/20. This means spending cuts and tax rises are the First Minister's choice, they are not a necessity. The Block Grant from the UK Government will rise by 1.8% in real terms next year, £1.1Bn in cash terms; yet since 2010/11, Scottish Government local government spending has fallen by 1.3% of its overall spend. These figures are accurate and verifiable, as are the taxation rates, the highest in the UK; the Scottish fiscal deficit, 7.9% of GDP or £13.4 Billion, nearly double any other EU country; and the Union dividend of £1,882 for every single person in Scotland. 12 years of SNP power have reduced our proud country to the highest taxed, slowest growing, highest deficit, lowest life expectancy country within the UK. This is the baseline from which we, the Scottish Conservatives, intend to lead the people of Fife to a more prosperous, safer and healthier life. And further salami slicing isn't the way."

Introduction

Whilst Fife Council will receive an overall increase in funding of £16m this year, its core grant will be reduced by around £4m. When inflation and increased demand for services is taken into account, the Council faces a budget gap of over £9m, between the cost of continuing to deliver services at their current level and its income. The Council is required to produce a balanced budget each year and so must show how it proposes to close this budget gap.

This unimaginative, lacklustre offering from an unimaginative, lacklustre Administration proposes to bridge this budget gap simply by a collection of cuts plus a 3% Council tax rise. In so doing, it misses a golden opportunity to put Fife Council on a path that would offer both better services now and even better services in future years.

The gateway to that path is Outsourcing, something the current Administration is ideologically opposed to and unable to contemplate. Unlike the Administration, the Conservatives have the political will to make value for money for the taxpayer its highest priority. We will only deliver services in house if there is clear and unequivocal evidence to support that decision. The Appendix, below, describes the

process. The potential of future years justifies action now that will benefit Fife.

Education

Last year's budget removed £0.900m from Secondary School budgets under the guise of a "Review of the budget allocation formula". Afterwards, when this review was implemented, it turned into a significant reduction in staffing for many of Fife's secondaries. This year's Administration proposal includes a further £0.750m full year cut in "Review of Management Structures". In reality, this is more of the same. Protests from parents across Fife demonstrate that it's the wrong approach.

We also have a cut of £0.396m (full year) in the Teacher Supply Budget. This is another straight raid on school funds. It too is undesirable.

Health and Social Care

Health and social care services are hugely valued and appreciated by the public yet the Administration's proposals give with one hand and take away with the other - £3m in and £0.837m out.

Financial Context

The Administration had contemplated taking £1.5m from reserves without a strategy to return that later. A carefully considered and controlled Outsourcing strategy has the potential to enable the restoration of reserves in later years, and to reduce or even eliminate the annual cycle of slicing away at services to close a budget gap.

It's absolutely true that taking funding from reserves can only protect services for one year unless there's a replenishment strategy such as Outsourcing. The Administration has no such strategy.

Additional Spending (aka Investment)

The amount that the Council has had available to invest in additional services to meet emerging pressures has declined year on year and is now at a historical low point. This is because successive Administrations have chosen to make it so.

The Administration notes that "... families are reliant on voluntary and third sector provision which is variable and inconsistent across Fife". After last year's budget, councillors were lobbied to reverse a blanket cut to voluntary and third sector funding and rightly agreed to do so. However, that was a deferral rather than a cancellation. The Council should be supporting these groups, not parking them on the edge of a financial cliff.

Gingerbread Fife is a case in point. If, as we believe, the work of Gingerbread relieves the Council of substantial costs downstream, then funding them is the right and proper thing to do. That's what Outsourcing is all about, in this case, to a third sector organisation.

The Administration's talks of its "commitment to decentralising control" so that "that local solutions can be developed according to local circumstances" but its actions consist of handing down small packages of cash for specific tasks. The route to real

Decentralisation is to give Fife's seven Areas significant sums and tell them to decide what to do with it.

Postscript

On December 13th 2018, Fife Council agreed, unanimously and without demur, that "the process by which budgets are set requires improvement and that it's the job of councillors to bring about that improvement".

This commentary highlights how badly the Administration's budget fails to address that sentiment, locked as it is in the old approach, and conversely how much could be achieved with a bit more imagination and a willingness to embrace the changes that can come from an enlightened approach to Outsourcing.

APPENDIX - SERVICE ENABLEMENT THROUGH OUTSOURCING

Introduction.

- We believe that Fife Council could move from a mainly service delivery organisation to a mainly service enablement organisation over the next 3 years and beyond. This would be achieved by the incremental outsourcing of Council delivery capability which would, in turn, produce significant budget efficiencies in future. Providing services from in house capability is low risk, but carries a cost; we judge that cost to be unaffordable in the current financial climate.
- We recognise that the financial detail of this proposal would not be available until the development of the Private and Public Sector Comparators during the actual contracting process.

Assumptions.

- We would start with the lowest risk, most easily contractible areas, where KPIs are easily developed and understood.
- Where possible, local businesses would be allowed preferential weighting.
- No savings are assumed in Y1; all savings for the identified areas would be achieved in Ys 2-3. This would facilitate the contracting process.
- A summary of selected areas is:
 - Waste Management
 - Fleet Services
 - Catering
 - Transport/Road Maintenance
 - Misc
 - Cleaning/Janitorial
 - Printing
 - Facilities Management
 - Contact Centre
 - Cemeteries/Public Conveniences
- Real savings achieved would vary according to a number of factors, including:
 - The degree of efficiency already achieved in-house
 - The number and quality of potential bidders available
 - Scale and potential for partnerships with other Councils
 - Complexity of service. Lower savings will accrue when outsourcing is largely people based (TUPE applies); higher savings when a more complex mix of people, equipment and process are included.
 - The extra cost of contracting, residual staff required (customer facing/contract monitoring etc) and any policy constraints.

- o Reduction in targeted budget due to any previous contract commitment or efficiency measure.
- o The effectiveness of the contracting process including due diligence, relationship building, and clarity and stability of the service requirement.

Evidence

- Historic evidence indicates that a saving, net of all assumptions listed above, of 10-15% of the Public Sector Comparator budget can be expected. This is considered to be a conservative estimate as efficiencies could be closer to 20%+ in several areas. Our own Care Home cost of £954 per person per week for a Council bed compared to an outsourced bed cost of £595 indicates the scale of potential efficiencies available if the right conditions apply; The Administration's mixed economy of in and outsourced services has worked well, with 88% of Care Home beds outsourced to the private sector. This begs the question; why is the Administration not seeking that form of solution across the remainder of the budget?
- A number of sources are listed below to give a sufficient level of confidence of the scale of savings proposed.
- **UK Gov Report.** "Witnesses told us that further procurement via third parties, for example through outsourcing contracts for service delivery,^[7] could deliver significant savings. The National Outsourcing Association (NOA) told us that "an entirely new approach" to public sector outsourcing, including the use of direct sourcing, shared services or mutual organisations, could deliver savings of 15-30% (or a conservative estimate of 10%, worth some £8.2 billion a year if achieved consistently across the local government sector).^[8]NOA cited various examples where outsourcing had cut costs, including Birmingham City Council's savings of £500 million through its joint IT venture with Capita.^[9] (*Communities and Local Gov Select Committee paper 2014*)"
- **Geldards Law Firm.** "Outsourcing remains a popular option for local authorities with an increasing number of contracts being outsourced to the private sector. A recent report by Arvato UK Outsourcing Index indicated that spending on IT and technology procurement increased dramatically last year with over £800m of outsourcing deals signed by local authorities. In some cases, local authorities are using their collective purchasing powers to outsource jointly; for example last year there was a joint deal between five councils to outsource a range of corporate and facilities management services. Outsourcing can produce significant savings for a local authority if done correctly. A review at the end of 2016 on a contract between Barnet Council and Capita which had been entered into in 2013 for the outsourcing of the council's HR, finance, IT and estates, and a host of other services, revealed overall savings of £31m (approx. 4% of total budget) and high levels of resident satisfaction." (*Geldards Law Firm Web Site*)
- **Orkney Council.** An Orkney Council report in 2016 detailed their ambition to seek an outsourcing solution to achieve a minimum efficiency of 1% of their total General Fund Budget of £55.5M (the balance which had not already been outsourced.) (*Orkney Council Policy and Resources 21 Jun 16.*)
- **Misc.** Glasgow and Scottish Borders Councils have outsourced significant

elements of their Council IT services to CGI, though numbers not currently revealed.

-