

COMMUNITY FOCUSED & EFFICIENT COUNCIL SCRUTINY COMMITTEE

Minutes of a meeting of the Community Focused & Efficient Council Scrutiny Committee held on Wednesday, 12th January 2011 at 6.00 pm in the Reception Suite, Civic Offices, Telford, Shropshire

PRESENT: Councillors C.P.R. Mollett (Chairman), D.R. Chaplin, A.D. McClements L. Lomax, and A.A. Meredith

ALSO PRESENT: Mr. M. Viney and Mr. R. Williams (Co-opted Members) and Councillor S Kelly (Cabinet Member for Community Focused and Efficient Council)

IN ATTENDANCE: Councillors R. Aveley, R.G. Chaplin, V.A. Fletcher, G.M. Green, Y.C. Hicks, C.N. Mason, K.S. Sahota and A. Stanton

OFFICERS: Michael Barker - Head of Housing & Planning; Fiona Bottrill – Scrutiny Manager; Paul Clifford - Corporate Director; Jonathan Eatough - Head of Governance; Meredith Evans - Corporate Director; Alan Fox - Estates and Investment Manager; Pauline Harris - Corporate Finance Manager; Stephanie Jones - Scrutiny Officer; Deborah Moseley - Assistant Democratic Services Officer; and Richard Partington - Assistant Chief Executive

CFEC-8 APOLOGIES FOR ABSENCE

Councillor W.L. Tomlinson

CFEC-9 MINUTES

RESOLVED –

- (a) that the minutes of the meeting of the Community Focused and Efficient Council Scrutiny Committee held on the 9th September 2011 be confirmed and signed by the Chairman; and
- (b) that the notes of the working groups held on 6th October 2010, 3rd November 2010 and 1st December 2010 be received for noting.

CFEC-10 DECLARATIONS OF INTEREST

Councillor L. Lomax declared a personal interest in the Service and Financial Planning Strategy and consideration of the budget proposals.

CFEC-11 SERVICE & FINANCIAL PLANNING STRATEGY

The Corporate Director gave an overview of the budget proposals to the Committee and advised that the Service & Financial Planning strategy for the period 2011/12 to 2013/14 including specific budget proposals for 2011/12 had been presented to Cabinet at its meeting on 11 January.

The Council would now embark on an extensive consultation process leading to final budget and council tax decisions at 23 February 2011 Cabinet and 3 March Council.

Consultation included consideration by all Scrutiny Committees and the Members of this Committee were asked to consider the draft budget strategy and highlight areas for further scrutiny specific to the Community Focused and Efficient Council Priority before submitting its response to the draft strategy.

In making his presentation, the Corporate Director referred to the provisional Grant settlement received on 13 December 2010 and emphasised that 2/3 of the Council's funding for day to day services came from Central Government. It was noted that the Government intended to radically overhaul Local Authority funding which had resulted in a number of high level projections. Grant damping remained an issue resulting in a 'cost' to the Council of £4.3m. However, the Government was offering a £1.4m grant to Councils offering a Council Tax freeze, which was comparable to a 2.5% increase in Council Tax in Telford & Wrekin. Investment proposals fell into two categories: (i) maintain day to day running of services including 1.4m extra funding for Children's Social Care Services to address the longstanding difficulties with the Looked After Children budget and a reinvestment of 1.6m savings from Adult Social Care; and (ii) continuing the existing programmed commitments to improve the Borough's long term infrastructure. The Corporate Director drew attention to the £20m+ funding gap in 2011/12 which had been exacerbated by front end loading of savings, and the Council would be relying on £9.2m of one offs to close the gap, which meant that the programme of savings must be delivered by 2012/13. Savings streams consisted of non-staff and staff savings, Council Tax surplus on the collection fund and a suspension of budgeted single status contribution. It was expected that service reviews over the next 12 months would bring forward more savings although consultation would take place as each review was received.

During questioning, the proposals around car-parking in Ironbridge were raised and the local Ward Member suggested that the Council should seek to engage with local traders as part of the consultation process. The Cabinet Member for Community Focused and Efficient Council agreed that local traders and tourists were key stakeholders and welcomed the contributions of any party who wished to be involved in the process. Consultation had already taken place through the Parish Forum but he acknowledged that a very positive contribution could be made through consultation with local traders and trading groups and would seek to work with the local Ward Member and Regeneration Partnership so that Ironbridge traders could specifically feed into the process.

Further questioning surrounded the savings mentioned within the presentation which appeared to contradict recent press reports about investments in pavements and roads. The Cabinet Member for Community Focused and Efficient Council assured the Committee that the administration was committed to a capital programme of ongoing investment. The vast majority of savings in this area would come from a reduction of services around maintenance. The Environment and Open Space Service Team were confident that they could meet the required efficiency savings.

Similarly, questions were raised about the Council's promotion of bulk collections and it was felt that there was a particular window of opportunity to reduce for residents who were able to arrange collection en bloc (eg from blocks of flats) to take advantage of the flat rate fee for collection. It was felt that better communication to residents was required as there was a feeling many thought the fee was per item.

Further, leaving items out for collection had, on occasion, resulted in the theft or unauthorised removal of items or scrap metal awaiting collection. The Cabinet Member for Community Focused and Efficient Council advised that the Cabinet Member for the Environment and Rural Area was currently working on proposals in this area and it was acknowledged that more work was needed to communicate the costs of the service to borough residents.

CFEC-12 CONSIDERATION OF THE BUDGET PROPOSALS IN SPECIFIC RELATION TO THE PRIORITY FOR COMMUNITY FOCUSED AND EFFICIENT COUNCIL

Following the Members Information Seminar which had taken place on 4 January 2011 and which had addressed the issue of Local Government Finance, a number of areas of enquiry had been raised by the Committee. The questions which had been raised were addressed by the Cabinet Member for Community Focused and Efficient Council, supported by senior officers:-

Can you explain the rationale for not setting aside the reserve for Single Status for 2011/12?

The Corporate Director, Housing Regeneration and Prosperity/Environment & Rural Area advised the Committee that Single Status had already been a lengthy project and that the Chief Executive had advised all staff and Members that day that the timescale had now been put back further. He indicated that it was not clear that the Council needed to continue to put money aside to cover the costs of Single Status and, this year, to do so would result in the need to make more savings elsewhere. It was, therefore, considered to be a more responsible position to suspend funding for one year only in order to address specific budget pressures for 2011/12. The Cabinet Member for Community Focused and Efficient Council highlighted the investment that the administration wished to make into Children and Young People which could only be made with one off savings – one of which was the suspended Single Status contribution – as the alternative was service reductions and job losses.

A number of supplementary questions arose which were addressed as follows: -

- *Were other Councils acting in a similar manner?* The Corporate Director advised that Councils across the country were at different stages in the Single Status process so it would be unlikely that another authority would be at the same stage in the process as Telford & Wrekin but he felt that any Councils in the same situation would reach the same conclusion. He reassured Members that external experts had advised on the position.
- *What was the Council's legal position in delaying the process further?* The Corporate Director advised that throughout the process the Council had been in consultation with Trade Unions who had been briefed on the changes and the reasons behind them. The Unions understood the Council's logic and any concerns would be raised as part of ongoing negotiation. The Council was clear this action was the most sensible way forward but would be in discussion with the Unions about the implications of the decision.
- *Did the delay create a risk of more equal pay claims?* The Head of Governance advised that a balance had to be found between the risk of not

getting the process right and perpetuating equality claims. It would be difficult to evaluate until the Council had completed the restructuring process.

- *Where was the money that had already been set aside invested?* The Corporate Director advised that any balances or reserves that the Council held were not invested in isolation and had been invested as an accrual as part of the Treasury Management process.

With Single Status, what is the legal position on entitlement to back-pay for staff being made redundant before single status is introduced?

The Head of Governance advised that under equal pay law when an equal pay claim was successful, up to six years of back pay could be claimed depending upon length of service. If any included element was regarded as part of the claimant's salary before the date of their redundancy then it would form part of their claim.

What is the policy on drawing on reserves, and what are the risks? (ie is drawing on reserves/balances prudent and is there a prudent level of retention?)

The Corporate Director, Adult Care & Support/Active Lifestyles – Leisure & Culture advised that each year's budget process included examination of the total reserves to earmark those which were already allocated for specific purposes (eg s106 Agreements) which were then set aside before a risk appraisal, using criteria set by external auditors, was undertaken on the remainder and which was available to use as part of the strategy. In terms of meeting risks, the Council also carried a contingency in the strategy which was supported by the use of one offs. There was no statutory minimum level of reserves; although in the past the Council had used the figure of 5%, an analytical risk based approach was now used which was linked to the corporate risk register. The strategy was utilising more one offs than normal but this was due to the extraordinary circumstances the Council faced with a massive restructure programme. The Corporate Director was satisfied with the level of reserves due to the ongoing savings which had already been planned. The Cabinet Member for Community Focused and Efficient Council advised that the administration felt that if it failed to rely on one-offs without plugging the spending gap, the Council would have to go in to 'slash and burn' mode and a prudent use of balances and offs with ongoing savings would enable the programme of investment into Children and Young People and Adult Social Care to continue.

A number of supplementary questions arose which were addressed as follows: -

- *What controls did Central Government have on the use of reserves?* There was no control by Central Government although Mr Eric Pickles MP had indicated that reserves should be used by Councils. It was felt that the external auditors would have commented if they were unhappy with the use.
- *Did the use of balances require authority from the Section 151 Officer?* Authority was not required solely for the use of balances. The Section 151 Officer had to sanction and justify the whole strategy. This was only possible due to the programme of savings and it was imperative that the deadlines were met. The Cabinet Member for Community Focused and Efficient

Council advised that general balances were tax payer's money to be used in an emergency and he felt that day had come.

- *Members sought clarification of the projected reduction in reserves and balances from £35m to £17m and that £4.2m was available in the strategy taking into account any risks.* Before a view could be taken on general balances, the Council had to look at what was already committed from one offs and this was reflected in the first part of Appendix 8 to the report. Secondly, the Council considered how much of the balance left from the first part of the exercise was already tied up in specific balances and could not, therefore, form part of the general budget – this related to, for example, West Mercia Supplies, school funds, self insurance, Section 117 etc. The major risk areas set out on pages 69 and 70 of the report were then considered and deducted from the balance before a final figure available for the strategy was reached.
- *Is the Chief Financial Officer comfortable with the £4.7m balance set aside for remaining risks?* It was unlikely that all risks would happen at once but if problems were encountered there were various avenues open to the Council to budget for replenishing reserves later as long as it did not call on the money in year.
- *Winter maintenance was noted as a medium risk, should this be a high risk?* It was difficult to forecast winter maintenance requirements. The budget was squeezed very tightly but there was still some leeway to deal with issues such as this. The Cabinet Member for Community Focused and Efficient Council pointed out that the Council had taken the initiative to increase its salt stocks.

What is the revenue cost of the capital programme i.e. cost of borrowing?

Members received a written answer to this question which was circulated at the meeting.

What is the revenue budget for each service delivery area for 2010/11 and what is budgeted for 2011/12?

Members also received a written answer to this question which was also circulated at the meeting.

With reference to Appendix 5 to the report, specifically regarding treasury management at point 49 - what assessment has been conducted to ensure that in-house staff can achieve the equivalent level of competence and what degree of performance variation would create a significant (>10%) adverse impact on the projected saving?

The rate of return in the previous year had been 4.8% for external managers and 4.79% internally; in 2010/11 these figures had been 3.8% and 3.74% respectively. Internal staff were still able to improve upon the performance of Fund Managers although there was not such a pronounced distinction although this was diminished by the fee paid to Fund Managers.

A number of supplementary questions arose which were addressed as follows: -

- *Was there capacity to continue this work internally?* Yes. Fund Managers proactively manage funds whereas the Council locks in funds when opportunities arise, achieving better results for less effort. Audit Committee check Treasury Management very closely throughout the year since the collapse in Iceland.
- *What is the fee charged by Fund Managers?* The percentage varies between fund managers, who best operate in declining interest rate environment and, therefore, no benefit is foreseen in the near future.

What are the projected capital receipts for 2011/12, 2012/13 and 2013/14?

Members received a written answer to this question which was circulated at the meeting.

In response to questioning, the Estates and Investment Manager advised that the difference between the projected and actual receipts in 2010/11 was due to the later than expected initiation of the Town Centre Development. It was true that the market had not been easy over the last two years but there was some improvement with residential housing and landbuyers coming back into the market. As long as this continued to improve, there was confidence that the projected figures would be met. Despite the risks, confidence remained that the capital receipts would be realised and it was not proposed to scale back the Borough Towns Initiative programme. For the last two years the Council had purposefully not entered the marketplace but prior to that all targets set had been met.

The Corporate Director advised that the position of capital receipts would be tracked and recognised in the programme until receipts came through. The options were to keep assets until a better market price could be secured or to accept a low receipt – in either case the difference could be made up in short term borrowing. This was an approach used in the Revenue Strategy in previous years as any slippage could be picked up in the next year by building in additional borrowing. It was acknowledged that this did incur a temporary cost. The Cabinet Member for Community Focused and Efficient Council advised that the total indebtedness for the authority was below average and would only come into line with that of similarly tiered authorities next year. Subject to risk management, the administration remained confident in the strategy to sell off poor performing assets to fund future investment and improve the long-term well being of the local economy for local residents. Whilst concerns were raised regarding the likelihood of an improving commercial market, the Estates and Investment Manager advised that the capital receipts related to the retail and residential markets; the retail market remained buoyant with a big demand for retail land.

What is the extent of the risk of capital grants being reduced or withdrawn, e.g. the BSF funding?

The Corporate Director advised that the programme set out in Appendix 3 to the report was based on all capital grants confirmed. At the time of reporting the Disabled Facilities Grant was outstanding but an assumed level (equating to the 2010/11 figures) had been used. The only area where there was a reduction was the BSF Programme; the previous allocation had been reduced and the project

re-jigged in order to deliver each site but to a different specification. There was no risk of the grant being withdrawn, nor should there be any problems if allocations were maintained. BSF was a multi year grant and other areas also received a two year allocation. It was noted that the Government was undertaking a major review of local government finance.

Will the increase in taxi licensing fees have a knock-on effect on taxi fares?

The Head of Housing and Planning advised the Committee that the decision to increase fees lay with the taxi trade itself. For the purpose of fares, the trade was split into two:

- Hackney Carriages – operators had to formally request the Council for fare cards to be changed, a decision which fell in the remit of the Licensing Committee. Fare cards had not increased since January 2007 but the onus was on operators to come forward to request a change.
- Private Hire – in this case each journey was a private contract and it was a matter for operators to determine the cost; each operator had its own system.

A Committee Member indicated that this question had been raised in the much broader context of the range of travel cuts and the impact on the community, focusing on whether a more holistic view had been taken.

In response the Cabinet Member for Community Focused and Efficient Council advised that Economic Impact Assessments (EIAs) had been undertaken on the travel proposals. Any increase in licensing fees was not within the jurisdiction of the Executive, although he supported a questioning of the appropriateness of the cost of the license to be subsidised by the tax payer rather than the full costs of administration being covered in fees. Separate contractual agreements related to the bus services.

The Chairman of the Licensing Committee advised that the increase in licensing fee had been decided at the last meeting of the Licensing Committee (1 December 2010) and explained that it was the Licensing Committee's view that, despite an increase in the price of petrol, even if the perceived increase in costs to the trade was passed on to the customer, any fare increase would be minimal.

The Head of Housing & Planning further advised that the current fee level resulted in a £45K deficit in covering the cost of administration which was subsidised by the tax payer. The increase in charges was the first since 2005 and the increase would ensure the costs of administering the licensing function were met in full by the trade. Licensing Committee had agreed that the level of proposed fees would be implemented via a staged increase over a period of two years. The increased fees were agreed to be proportionately fairer to larger operators who would now incur a charge per vehicle (£45), whereas individual drivers would face an increase from £125 to £150. A formal notice would be issued regarding the proposed increases and the trade had 28 days in which to respond; the Licensing Committee would then consider any representations received but if it was found that the decision was sound, then the increase would be approved and finalised.

One supplementary question arose which was addressed as follows: -

Would an EIA be undertaken on other contracts? EIA would be undertaken on all elements and would form part of the final report to Council.

With regard to the 2011/12 Detailed Non Staffing Savings Proposals (Appendix 5 of the report), what are the specific changes proposed with regard to Governance to achieve the saving and what risks are entailed?

The Head of Governance advised that, of the £400K indicated, £100K related to savings from general operational budgets within Legal, Scrutiny and Democratic Services consisting of training, printing etc and with no direct impact to quantify. The remaining £300K related to a dividend received from WMS.

One supplementary question arose which was addressed as follows: -

Was the £300K WMS dividend sustainable? The dividend received depended on performance. The company outperformed by £250K in the current year and based upon its track record it should be easily achievable.

With regard to the 2011/12 Detailed Non Staffing Savings Proposals (Appendix 5 to the report), how much of the projected saving for Civic Offices and Darby House was attributable to Business Rate Savings and how were these to be achieved?

The Estates and Investment Manager advised that no savings were made in business rates, the budget suggested a saving but the net position was not deliberate. Savings were made in energy costs (£105K per year) and repair and maintenance (£310K per year).

CFEC-13 AGREE COMMENTS ON THE BUDGET PROPOSALS IN SPECIFIC RELATION TO THE PRIORITY AREA, WHICH WILL BE CONSIDERED AT THE NEXT MEETING OF THIS COMMITTEE

The Committee decided that no further debate would take place on the following lines of enquiry since it was satisfied with the responses already received:

- The revenue cost of the capital programme
- The revenue budget for each service delivery area
- Treasury management - the Committee noted with congratulations that bringing some of the function in-house had resulted in savings and improved performance.
- The risk of capital grants being reduced or withdrawn
- Specific changes proposed to Governance to achieve savings
- Business Rate savings regarding Civic Offices & Darby House

The Committee remained concerned about the non-provision of the reserve for Single Status in 2011/12, although recognised that the risk of the one-off non-provision was counter-balanced by the opposing risks to the delivery of services subject to the major Service Reviews. Regarding the recently announced delay to

the Single Status programme, the Committee requested to receive the views of the Unions before drawing any conclusion.

The Committee remained concerned about drawing on reserves and the level of remaining balances, and the potential effect that risk mitigation may have on reserves and balances. Whilst they were assured that the Chief Financial Officer was satisfied that the Council's approach to reserves and balances within the total financial strategy was robust, they requested further assurance on the robustness of the process in the form of the Corporate Risk Register, support from the Audit Committee and the external auditors (KPMG).

Concern also remained about the risks of not realising the projected value of capital receipts and the potential exposure this would cause. The Committee Members sought additional assurance on this issue. It was agreed that the Disposal Programme 2010-2016 and the notes of the Community Focused and Efficient Council Scrutiny Committee meeting which reviewed capital receipts would be re-circulated to the Committee to address these concerns.

In addition, the Committee welcomed the Assistant Chief Executive's advice that EIAs were being done on the proposed budget arrangements and requested a report in this regard. The Committee also welcomed the Cabinet Member's commitment to consulting on the budget proposals with small traders in Ironbridge and looked forward to receiving his report on the outcome.

CFEC-14 DATE OF NEXT MEETING

It was noted that the date of the next meeting had been set for Monday, 31 January 2011.

The meeting ended at 8.08pm

Chairman:

Date: