

BUDGET & FINANCE SCRUTINY COMMITTEE
Minutes of the meeting of the Budget & Finance Scrutiny Committee held on
Wednesday, 27th July, 2011 at 6.00 p.m. in the Scrutiny Meeting Room, Civic
Offices, Telford

PRESENT: Councillors R. Sloan, K. Austin, R. Evans, C. Mollett, S. Reynolds, C. Turley; Scrutiny Co-optee R Williams.

Also Present: Councillor W. McClements; Paul Clifford, Corporate Director; Felicity Mercer, Policy and Value for Money Manager; Kate Turner, Town Centre Service Delivery Specialist; Stephanie Jones, Interim Scrutiny Group Specialist.

BFSC-1 APOLOGIES FOR ABSENCE

Councillors A. Lawrence, A. Stanton.

BFSC-2 DECLARATIONS OF INTEREST

Cllr. Keith Austin declared his position on the governing bodies of Hadley Learning Centre and Sutherland Business & Enterprise College.

BFSC-3 100 DAY REVIEW OF THE 2011/12 SERVICE & FINANCIAL PLANNING STRATEGY

Cllr. W. McClements, Cabinet member for Resources & Service Delivery, summarised the proposals in the Cabinet report on the 100 Day Review of the 2011/12 Service & Financial Planning Strategy highlighting the following points:

- The cancellation of the planned building of new Civic Offices to generate revenue savings of £0.147m in 2011/12, £0.756m in 2012/13 and on-going savings of £1.163m thereafter. A review of future accommodation requirements had been carried out and proposals for a new model were being developed.
- The development of a Community Hub in the Southwater area of Telford Town Centre to provide customer access to Council services and a new library. Around 70-80 front-line staff would be based at the Hub. The Hub would be accessible from the shopping centre, and the cost of access routes had been built into the cost of the development. The Hub could also provide space for community groups and other organisations. A separate report on the Telford Town Centre would be discussed later in the meeting.
- Further revisions to capital schemes and the generation of additional capital receipts generating ongoing revenue benefits of over £1.75m pa.
- A greater emphasis on improved procurement and a reconfiguration of services to enable savings to be driven out through the procurement process. The Council had spent £115-120m in 2010/11 on goods and services. Improved procurement savings had been made over the previous 2-3 years, but it was felt

that more could be done to maximise savings while reducing the impact of grant cuts on services.

- Additional capital investment in the maintenance of roads and pavements of £1.3m in 2012/13 and £0.25m in 2013/14 over and above the existing approved programme, funded from savings identified from scaling back the existing capital programme.
- A £2.3m capital investment in Hadley, similar to the net cost of the existing budgeted scheme, but with improved revenue benefit as a result of better rental income in 2012/13 of £94k, in 2013/14 of £117k and on an ongoing basis of £45k pa; a £1.9m capital investment in Oakengates generating a reduced borrowing requirement of £0.5m.
- Creation of a capital budget of £45k to match fund projects of up to £7.5k in each of the 6 Borough Town areas
- The reinstatement of free swimming for under 16s with a flex card
- The allocation of up to £0.6m one-off funding to provide additional support for employees facing compulsory redundancy
- A contribution of £25k one-off funding to a Small Business Loans Fund. Private sector contributions were being negotiated with the aim of securing a total loans fund of £250k to stimulate new business.
- Creation of a Co-operative Council initiatives budget of £15k
- Carrying forward revenue benefits identified in the report of around £1.6m as a one-off benefit to help support the budget for 2012/13 together with any unspent element of the contingency at year end and any further service efficiencies that can be implemented during 2011/12.

The Corporate Director highlighted a number of further points from the report.

There were three summary tables in the report:

- Paragraph 2.14 summarised the net savings to the revenue budget generated by the proposals in the report broken down by changes to capital items and changes to revenue items. This showed an overall saving/benefit of £1.602m in 2011/12.
- Paragraph 7.8 summarised the revenue impacts of the changes to the capital programme broken down by project, and the revised schedule of capital receipts. This showed total savings/benefits of £0.567 for 2011/12, and £1.191m, £1.603, £2.747m for successive years with £2.935 on-going.
- Paragraph 7.10iv summarised the impact of the proposals relating to revenue items as £1.035m for 2011/12 and £1.790m for 2012/13.

The £1.602m in-year savings/benefits deriving from the proposals would be treated as additional contributions to balances and carried over to 2012/13 to help off-set pressures on next year's budget. Any other in-year savings or benefits generated

from the early implementation of efficiencies identified as part of the 2012/13 budget consultation and planning process would also be carried over to next year, along with any under-spend on contingencies.

The level and front-loading of funding cuts, additional underlying budget pressures (e.g. increased pressure on adult social care services from an ageing population) and the use of £9.2m one-off balances to support the 2011/12 budget meant that the projected budget gap for 2012/13 was around £20 million.

Projections beyond 2013/14 were difficult because the grant settlement did not extend beyond that, and a major review of local government finance was pending. However based on the national planning totals announced in the October 2010 Comprehensive Spending Review further grant cuts of at least £4.8m were expected over the 2013/14 – 2014/15 period on top of underlying base budget pressures of at least £3.5m before allowances for inflation, pay awards and demographic pressures in adult services are built in.

The Policy and Value for Money Manager highlighted the key points relating to budget consultation. An extensive consultation process was underway to seek the views of the public on the 100 day budget review proposals and the longer-term priorities and spending choices for 2012/12 and beyond. A wide range of tools and methods would be used to ensure the consultation was as widespread, representative and meaningful as possible.

Previously, consultation on the budget strategy had taken place in December once the strategy had been published. This year consultation had begun early so that feedback from residents could more directly inform the development of the proposals for 2012/13 at an earlier stage. Early draft proposals may be available for consultation in advance of the publication of the strategy in December. Consultation was critical this year as the deficit for 2012/13 (around £20m) was so significant.

Members asked a number of questions about the proposals.

- In response to a question about whether the Co-operative Council was a way of getting town and parish councils to fund services that TWC could not afford, the Cabinet member replied that the Co-operative Council was about involving partners, including town and parish councils, and local people in the delivery of Council funded services. The 24% cut in grant funding meant that services would inevitably be affected, and there was a need to engage partners and local people in decisions about whether services could be cut or whether they could continue to be delivered in a different way, at a lower cost and by using other resources. Further, the Localism Bill due out in the autumn would place more local decision making power in the hands of local communities. Cllr. Austin commented that the Co-operative Council was about the mutualisation of services and looking at ways of attracting new sources of funding, and not about off-loading costs to town and parish councils.
- In response to a question about the on-going costs of the HLC PFI scheme compared to other schemes, the Corporate Director replied that PFI schemes had been substantially underwritten by the government which had spread the

cost and lowered the risk, so at the time the PFI scheme was cheaper for the authority and considered the best option.

- A question about capital receipts was deferred until the Telford Town Centre Report.
- In reply to a question about whether the loss of savings which would have been made from consolidating Council staff on one site in a new Civic Office in Southwater had been calculated and accounted for in the report, the Cabinet member replied that the rationalisation of savings would continue based on a 2 site proposal, and the Corporate Director replied that the loss of savings from consolidation would be difficult to estimate and had not been calculated.
- It was asked what the result of the administration's meeting with Eric Pickles, Secretary of State for Communities and Local Government, had been with regard to securing additional financial support for the authority. It was felt that the half hour meeting had been very productive in terms of gaining recognition for the differentiation of issues facing Telford & Wrekin as a New Town and the authority's funding position i.e. the below national average per capita funding allocation and low level of Council Tax compared to other West Midlands authorities. No further funding had been secured but a Capitalisation Direction application had been made (this would enable statutory redundancy pay to be treated as a capital cost and to be funded from capital receipts or prudential borrowing).

The next meeting of the Committee would be to agree the response to the 100 Day budget proposals and it was agreed that an interim report on the findings of the consultation would be brought to the meeting to help inform the response.

BFSC-4 2011/12 FINANCIAL MONITORING REPORT

Members considered the 2011/12 Financial Monitoring Report. The Corporate Director highlighted a few key points:

- Revenue spending for the year was projecting to be within budget at year end
- The continued budget pressure on social care and SEN costs
- Shortfalls in PIP property rental income and planning fees
- The good news that costs for children in care were projecting within budget
- Collection of NNDR was ahead of target
- Savings and benefits from treasury performance, insurance renewals and new Homes Bonus Scheme grants (unringfenced grants of £1,000 pa for 6 years for dilapidated homes brought back into occupancy) would be rolled forward as one-off benefits to help fund the budget gap in 2112/13.
- The capital spend reported did not take account of the changes proposed in the 100 Day budget review report

The Chairman said that a key area of the Committee's work would be to monitor areas of overspend, especially in adult social care, and to scrutinise proposals for these areas for next year. The Cabinet member emphasised again the scale of the

deficit for 2012/13 and the importance of planning this year in order to meet the deficit next year. It was felt that restructure of procurement would enable much greater savings to be driven out through the procurement process.

BFSC-5 TELFORD TOWN CENTRE

Members reviewed the report of the Head of Property & ICT on Telford Town Centre. The report was exempt from publication under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

The Town Centre Service Delivery Specialist summarised the key adjustments to the funding package, resulting from changes to Phase 1 of the Telford Town Centre development plan.

The plan had been re-mastered, in the light of;

- The decision not to go ahead with the construction of a new Civic Offices building on the Southwater site, which had opened up new development opportunities.
- The Central Telford Area Action Plan (CTAAP), adopted in March 2010, which had changed the planning context for Southwater to enable retail expansion beyond the existing shopping centre.
- Soft market testing of a number of potential developments had provided better clarity on the specific requirements of potential end-users within the development.

The revised scheme would require additional capital investment of around £7.69m, increasing the existing package, from £28.760m, already budgeted, to £36.450m. An element of the "Civic Office" funding had been re-allocated to support the development of a First Point and contact centre within the Community Hub building. The new Community Hub is important to the development in terms of providing access to Council services and generating footfall to attract further investors.

Additional developments including; multi-storey car park, retail frontages to the bingo/bowling buildings, an energy centre, and the Town Park Visitor Centre were being funded through additional capital receipts and also the reallocation of funding previously identified. In particular, funding to provide alternative accommodation for Meeting Point Trust has been used to support the Multi Storey Car Park which is recognised as a critical component of the development

Despite the additional capital allocation, the revenue situation has improved with the revised scheme. This is due to significant revenue income generated from the multi storey car park, which is now fully funded. As such the scheme will not require additional prudential borrowing and this will remain at around £3.5m, with the added investment being generated from additional capital receipts from the sale of assets. Around £17m was anticipated from site disposals over 2-3 years. The lakeside plot originally envisaged for the new Civic Office could become a prime site for disposal in due course.

A concern was expressed about the potential risk of not achieving the projected value of capital receipts, and the exposure that this would cause. The Service Delivery Specialist provided assurance that land was valued extremely cautiously, that the property portfolio was reviewed continually to determine the best time to bring properties to market, that new land disposals had been identified to make up additional receipts and that recent receipts had significantly exceeded the projected value. A significant proportion of the overall projected receipt has already been received or is the subject of advanced contract negotiations. Based on experience to date it is possible that sites on the Southwater development would achieve or exceed projected receipts because of its prime location. For these reasons, it was felt that the risk of exposure was very low.

In response to questions about the Judicial Review of ASDA's planning application for the existing Civic Office site, the Service Delivery Specialist informed members that the court had ruled that the planning application process had been robust and sound on all counts which was good news for the development.

BFSC-6 SCHOOLS CAPITAL PROGRAMME

This item was deferred due to the unavailability of officers.

BFSC-7 WORK PROGRAMME

The Committee considered the suggestions in Appendix 1 of the report on the 2011/12 Work Programme and matters arising from the discussions at the meeting to agree initial items for the work programme.

RESOLVED –

- a) That the items and meeting dates shown in Appendix 1 of these minutes would be included in the work programme.**
- b) That the work programme would be flexible depending on what members want to scrutinise and the most suitable times to hold meetings.**

The meeting ended at 7.15p.m.

Chairman:

Date:

Appendix 1 – Work Programme

MEETING DATE	AGENDA ITEM
Wednesday, 27 th July Scrutiny Meeting Room	<ul style="list-style-type: none"> • 100-day review of 2011/12 service and financial strategy • Financial Monitoring report • Telford Town Centre Report • Schools Capital Programme • Work Programme
Wednesday, 12 th October Scrutiny Meeting Room	<ul style="list-style-type: none"> • Interim feedback from consultation on the budget – 110 day and medium term • Agree response to 100-day budget proposals
Tuesday, 15 th November Scrutiny Meeting Room	<ul style="list-style-type: none"> • Financial monitoring report • Feedback from budget consultation
Thursday, 15 th December Scrutiny Meeting Roo	Service & Financial Planning 2012/13-13/14 (budget proposals)
Tuesday, 17 th January Scrutiny Meeting Room	Evidence gathering for budget proposals Alternative budget proposals
Wednesday, 1 st February Scrutiny Meeting Room	Further evidence gathering Agree response to budget proposals
Other Forward Items	
Procurement – there is an expectation that significant savings can be driven out through the procurement process – how and where will this be done (e.g. in adult social care)	
On-going monitoring of Capital Receipts	
Adult social care – consultation, proposed service changes, impact assessments, savings proposals	
SEN – savings proposals - how can costs be controlled	
Financial monitoring reports	
Highways Capital Programme	