

## **BUDGET AND FINANCE SCRUTINY COMMITTEE**

### **Minutes of a meeting of the Budget and Finance Scrutiny Committee held on Tuesday, 31<sup>st</sup> July 2012 at 6.30pm in the Scrutiny Meeting Room, Civic Offices, Telford**

**PRESENT:** Councillors S. Reynolds (Chair), R. Evans, A. Lawrence, C. Mollett, M. Smith, R. Sloan and R. Williams (Co-optee).

Also attending: Cllr. W. McClements, Cabinet Member Resources & Service Delivery; K. Clarke, Assistant Director Finance, Audit & Information Governance; S. Jones, Scrutiny Officer.

#### **BFSC-1      MINUTES**

**RESOLVED** – that the minutes of the meeting of the Budget and Finance Scrutiny Committee held on 15<sup>th</sup> May 2012 be confirmed and signed by the Chairman with the amendment to show Cllr. S. Reynolds in attendance.

#### **BFSC-2      APOLOGIES FOR ABSENCE**

Cllrs. K. Austin, A. Stanton.

#### **BFSC-3      DECLARATIONS OF INTEREST**

None

#### **BFSC-4      SERVICE & FINANCIAL PLANNING REPORTS**

The Chairman welcomed members to the first meeting of the Committee of the municipal year. The first agenda item was to remind and update the Committee on three recent Service & Financial Planning Reports. The Cabinet Member and Assistant Director were invited to give a short introduction to each report before answering questions from the Committee.

The **Service & Financial Planning Report – 2011/12 Outturn** circulated as Appendix B1 had been approved by Cabinet on 28<sup>th</sup> June and Council on 12<sup>th</sup> July. The report showed the revenue outturn position at year end was within budget and with a final net under-spend of £1.8m (-1.42%) on a net budget of £129m (£409m gross). This was considered a very good result in what had been a challenging year and demonstrated the tight financial control in place throughout the year. Within the overall position, provision had been made for £2.1m contingency to support the 2012/13 budget strategy, the creation of a £1m Invest to Save fund to assist with delivering future savings and £1.5m to fund severance costs associated with making

on-going staff savings. The report highlighted the key budget pressures during 2011/12 as adult social care purchasing largely to offset the withdrawal of cases of NHS Continuing Healthcare (CHC) funding, costs relating to children in care and specialist educational and some shortfalls in income. Savings had been made from service efficiencies and the restructure, including posts that had remained vacant pending the restructure. There had been an under-spend of £13m on capital projects, £71m against an estimate of £84m, mainly due to re-phasing into 2012/13. Council Tax, business rates and sales ledger income collection were slightly behind target for the year which it was felt reflected the pressure on households and businesses.

Cllr. McClements pointed out that although the outturn had remained within budget, there had been some use of one-off reserves which were not sustainable. There was continuing pressure on the children in care budget with no reduction in the number of children coming into care, and there would be additional budget pressure from the changes to the Council Tax benefit policy from April 2013.

The Cabinet Member and Assistant Director then provided the following additional information in response to members' questions and comments:

- With regard to Council Tax, the level of bad debt and cost of collection was projected to rise once the welfare benefit reforms took effect. The localisation of Council Tax support would add significant pressure with authorities receiving a fixed grant of 10% less than currently paid out in Council Tax benefit but the Government had assumed reductions in case load and no future increases in council tax levels or any impact on collection rates so many authorities were projecting that the cost would be considerably greater than 10%. All local authorities were required to develop their own scheme with prescribed protections for vulnerable groups such as pensioners. Members requested further information to compare 2011/12 collection rates with previous economic downturns.
- The shortfall in income from schools for ICT support related to a change in the charging policy which had now been addressed. Schools could choose to buy into the service. All schools had been contacted about the new service; 55 schools had responded positively and 20 had not yet replied but would be contacted after the summer break.
- "Core Services" related to the Co-operative Council team (Policy & Strategy, Delivery & Planning, Community Engagement & voluntary Sector, Corporate Communications) which reports directly into the Managing Director.

The **Service & Financial Planning Update** report circulated as Appendix B2 had been approved by Cabinet in June. The report set out savings proposals to make up the remaining £0.88m budget gap for 2012/13 in addition to the £19m savings proposals agreed in March. Appendix 1 detailed proposals for over £0.9m ongoing savings made up of a combination of operational efficiencies and savings from procurement.

The report also set out ideas for addressing the £3.7m projected remaining budget gap for 2013/14 which was in addition to the £9.3m savings proposals already included in the March Council report. Projections assumed the passporting of £2.1m NHS funding to the Council for adult care in 2013/14 and although the funding remained in the national controls for 2013/14 and 2014/15, it remained to be confirmed how much this authority would receive. It was anticipated that following positive discussions with the PCT a rebalancing of CHC funding would off-set some costs in adult care, bringing the net overall remaining projected shortfall to £2.7m. whilst accepting that any projections for next year carry a very high level of uncertainty pending the introduction of a completely new local government finance system from 1<sup>st</sup> April for which details are still awaited from the Government. Proposals to generate these savings were set out in section 3.3 and detailed proposals would be presented to Cabinet in September. It was stressed that projections for 2013/14 were being treated very cautiously as there was a high degree of uncertainty about the Local Government Finance system and level of funding which was unlikely to become clearer until late November/early December.

The report summarised the principles and approach to future service and financial strategy planning with the aim of limiting the impact on front-line services as far as possible although given the level of costs already stripped out in low service impact areas such as procurement, staffing and property rationalisation it was becoming more difficult to find savings in these areas. The approach included:

- Long-term planned service redesign based around priorities - not just a “quick fix” approach
- To support business growth as a “business winning” Council, and encourage residential and commercial development which would generate income from the New Homes Bonus Scheme and business rates. As part of the review of Local Government Finance, the proposals for local authorities to retain business rates had been scaled back so authorities would retain only 50%. Although Telford & Wrekin did not have the advantage of an Enterprise Zone in the borough to subsidise new business, it did have the advantage of significant amounts of land available for development.
- To generate new non-traditional sources of income. At the last Council meeting, the Leader had announced the creation of a Commercial Enterprise Manager post to lead this work with the aim of reducing dependency on grant funding.
- The active pursuit of Invest to Save projects funded by the £1m reserve to generate ongoing revenue savings.

Impact assessments and engagement activities for savings proposals for 2013/14 and 2014/15 were being scoped, and with Cabinet approval would be carried out over the coming months, starting well in advance of previous years’ engagement activities. Work was ongoing to identify further savings and income streams, and to review the assumptions in the budget around the New Homes Bonus Scheme, Continuing Healthcare and savings from procurement. Further reports would be brought to members in the autumn.

Cllr. McClements highlighted the situation around CHC funding as an ongoing

concern. The level of CHC funding had reduced dramatically from £13.9m in 2009/10 to £3.8m in 2011/12, leaving the Council or self-funders to fill the gap. The Scrutiny Officer informed members that the issue of CHC funding withdrawal had been put forward as a suggestion for the Health & Adult Care Scrutiny Committee to look at. The Chairman had written to commissioners expressing concern about the negative impact on vulnerable people and the belief that the change in the interpretation and application of the national criteria for CHC funding constituted a substantial variation of service and requesting details of consultation and impact assessments carried out prior to making the change.

The Cabinet Member and Assistant Director then gave the following additional information in response to members' questions and comments:

- In response to a question about the timescale for consultation on the budget proposals, although engagement activities would start much earlier this year, the Council would not receive clarity from the government on funding until November or December so the full budget strategy would possibly not be approved by Cabinet for consultation until late December 2012 or early January 2013.
- Cllr. Sloan expressed the view that generating £2.7m savings from the proposals set out in section 3.3 was challenging, and felt there was scope for slippage.
- The Council was waiting for confirmation of the final figure for the proceeds of the sale of the WMS office supplies business. £1.5m had been paid on account and there would be some limited further proceeds from the sale, but the Council would lose the dividend payments. The budget had assumed that all income from WMS would be lost, but there should be around £200k income from the energy supply part of the business which had not been sold.
- Cllr. Mollett commented that it would be useful to see more detail in the report about the strategic approach outlined in the report including ideas for creating income in the borough. The Assistant Director explained that the strategic principles are set out in section 3.1 of this report, but more detailed proposals would be presented in the Cabinet report in September on the elements included in the summary table on page 3.
- In response to a question about the risks around the non-achievement of projected capital receipts, members received assurances that receipts were monitored very closely and variances were reported to Members through the Financial Monitoring reports. Members were referred to the 2012/13 Financial Monitoring Report, circulated as Appendix B3, which reported that while there had been some changes since the budget was set, total receipts were on track. If receipts did not come in, projects could be reassessed and re-phased or scaled back, and did not necessarily imply that the Council would have to increase its borrowing although this would be an option. It was not possible to provide itemised figures on expected or agreed sale prices as these were commercially confidential and in some cases contractually restricted. The financial Outturn report showed works

which had been funded by capital receipts, and a report on capital receipts would be taken to the Audit Committee on 25<sup>th</sup> September which members of the Budget & Finance Scrutiny Committee had been invited to attend.

The **2012/13 Financial Monitoring Report** circulated as Appendix B2 had been presented to Cabinet in July and recommendations would go to Council in September. This showed revenue spending for the year projected to be within budget at year end. The report included proposals for the use of £2.6m of the overall budgeted combined contingencies of £7.4m, leaving over £4m remaining. Pressure continued on the care placement and children's safeguarding budgets with a combined variation of £1.9m as of the end of June, and the adult care budget projected to overspend by £0.32m after off-setting the anticipated one-off funding of £4.7m from the NHS. As discussed previously, the overspend was mainly due to the withdrawal of CHC funding. The capital programme totalled £112.7m after the re-phasing approved as part of the outturn. As noted earlier at this meeting, capital receipts currently remained on-track. Collection of business rates was ahead of target.

Cllr. McClements commented on the continuing pressure on the children in care placements and safeguarding budgets. This had been discussed by Cabinet and it was felt that a positive outcome would be to reduce overspend to under £1.97m by year end as a downward trend would indicate progress was being made on measures to reduce costs, but it was not expected that the overspend would be eradicated by the end of the year. A lot of work had gone into measures to reduce costs including the review of Jigsaw provision and strategies to tackle reliance on agency social workers, agency foster carers and private residential care. 45% of placement costs were from private residential care and 35% from agency fostering. The weekly unit cost for agency foster care was around £809 compared to local authority foster care at around £274. Consideration was being given to increasing the foster care allowance to convert agency placements to internal placements. Investment in the service had been directed towards early intervention measures which would reduce costs in the long term by reducing the need to take children into care.

There was then a discussion about the report during which the following points were made:

- Cllr. Sloan said that the Committee had previously applauded the approach to shift investment towards early intervention, but he remained concerned about how quickly and to what extent this would have an impact on costs to the point when the service would be £2m cheaper. Members agreed that placement costs should be reviewed in-depth to look at the foster carer allowance, how foster carers are valued, trained and supported, costs around provision of out of county placements. Cllr. Smith pointed out that there were also children from other authority areas placed in Telford & Wrekin who were in Telford & Wrekin schools that needed to be considered. The Scrutiny Officer informed members that the Children & Young People (CYP) Scrutiny Committee would be carrying out an in-depth review of the Children in Care Placement Strategy, and this could be done jointly with the Budget & Finance Scrutiny Committee so that the costs elements are balanced with issues of quality and safety. The CYP Scrutiny Committee would be receiving

a report on the Care Placement Strategy on 18<sup>th</sup> September and the Committee was invited to nominate members to attend this meeting. It was agreed that members would e-mail the Scrutiny Officer to express an interest and the details would be confirmed in due course.

- Members questioned the overspend of £0.3m on specialist education. The SEN reforms had not been enacted yet, and specialist education was funded from the Direct Schools Grant so reduced costs would not impact on the general fund but would mean funding could be freed up for other school activities.
- Regarding the timetable for early consultation on budget proposals, the list of early proposals in the budget for 2013/14 were ready to go out to consultation and the further details of the process would be presented to Cabinet in the September report. The report would be published around mid-September and would be available for scrutiny any time after this.

At the end of the three reports and discussions, the Chairman commended the work of officers on the stringent financial management and on bringing the 2011/12 budget in with an under spend in such a challenging year and her comments were supported by the Committee. Cllr. Smith further congratulated the Council on joining up services as part of the restructure to eliminate duplication of work and save costs across service areas.

## **BFSC-5      WORK PROGRAMME**

The Scrutiny Officer tabled a report on the Work Programme and summarised the key points and proposed schedule of meetings.

The Scrutiny Management Board had agreed on 4<sup>th</sup> July that the scrutiny work programme should be a two year programme, refreshed after 12 months, had allocated resources to the Committees as a benchmark of 6 formal meetings per Committee per year, and had agreed the allocation of scrutiny suggestions to the Scrutiny Committees as shown in Appendix 1 of the report. The Scrutiny Management Board's work programme would include "holding to account" sessions with each of the Cabinet Members which would provide another layer to the role of scrutiny in holding the Executive to account and members may wish to attend these meetings.

The proposed schedule of meetings had taken into account the items carried over from last year's work programme, new scrutiny suggestions, the timetable for consultation on budget proposals and the areas of duplication of work with other Committees of the Council. Although consultation on savings proposals was starting earlier than in previous years, the Council was not expected to receive confirmation of its settlement until November or December meaning the final budget proposals would not be published until late December 2012 or early January 2013, and for this reason the Committee's work would be concentrated around January and early February. During the meeting, the Committee had noted that a report on budget proposals and

the result of early consultation would be presented to Cabinet in September, and provision to scrutinise these reports would be built into the work programme. The Committee also noted the Audit Committee meeting on 25<sup>th</sup> September which all members were invited to attend, and the CYP Scrutiny Committee meeting on 18<sup>th</sup> September about which the Scrutiny Officer would confirm further details.

The Scrutiny Officer emphasised that the proposed schedule of meetings aimed to provide a framework for the Committee's work, but that this was flexible and it was up to the Committee to decide when it met and what it wanted to scrutinise.

The Committee then noted the report and endorsed the proposed schedule. A number of provisional meeting dates were agreed subject to final confirmation once the dates for the publication of the Service & Financial Planning Strategy 2013/14 was known.

**RESOLVED:**

- **That the proposed work plan be endorsed**
- **Provisional meeting dates be noted subject to final confirmation**

The meeting ended at 7.50 p.m.

**Chairman:**.....

**Date:**.....