

BUDGET AND FINANCE SCRUTINY COMMITTEE

Minutes of a meeting of the Budget and Finance Scrutiny Committee held on Tuesday, 16th October 2012 at 6.30pm in the Scrutiny Meeting Room, Civic Offices, Telford

PRESENT: Councillors S. Reynolds (Chair), R. Evans, A. Lawrence, C. Mollett, G. Reynolds, R. Sloan, A. Stanton and Co-optees F. Robinson and R. Williams.

Also attending: Cllr. W. McClements, Cabinet Member Resources & Service Delivery; P. Harris, Finance Manager, Corporate Finance & Customer Services; R. Jones, Community Engagement Equalities and Action Manager; S. Jones, Scrutiny Officer.

BFSC-6 MINUTES

RESOLVED – that the minutes of the meeting of the Budget and Finance Scrutiny Committee held on 31st July 2012 be confirmed and signed by the Chairman.

BFSC-7 APOLOGIES FOR ABSENCE

K. Clarke, Assistant Director Finance, Audit & Information Governance; Andy Challenor, Community Engagement and Equalities Manager.

BFSC-8 DECLARATIONS OF INTEREST

Cllr. Sloan declared a non-prejudicial interest in matters pertaining to the Department of Work & Pensions.

BFSC-9 SERVICE & FINANCIAL PLANNING UPDATE – CABINET REPORT OF 20TH SEPTEMBER

The Chairman welcomed Cllr. Fiona Robinson from Newport Town Council to the Committee. Cllr. Robinson had been appointed by the Scrutiny Management Board as a Town & Parish Council Co-optee. Cllr. Robinson was invited to introduce herself, and the Chairman said she felt Cllr. Robinson's experience would be very useful to the work of the Committee.

Cllr. Reynolds then invited Cllr. McClements and officers present to provide a briefing on the Service & Financial Planning Update report which had been presented to Cabinet on 20th September. The Finance Manager summarised the key points.

The report provided an update on changes to funding mechanisms which would affect the Council from April 2013, and additional savings proposals which had been published early on for 2013/14. The following points were made:

- The number of changes being made to local government finance meant that there was a high degree of uncertainty about funding from April 2013 and made forecasting extremely difficult. In 2012/13 the Formula Grant accounted for 53% of the Council's net revenue spending and any changes to the funding mechanism could have a great impact on the Council's overall financial position.
- From April 2013 the existing Formula Grant system of funding for local authorities would be replaced by the Business Rate Retention Scheme. The proposed scheme was made up of a number of complex and inter-related components which were described in the report. A system of top-ups and tariffs would be applied depending on whether the authority's base rates baseline is above or below the baseline funding level to establish a fair starting point and this would be fixed until 2020 with only an RPI increase. Authorities would retain 50% of business rate growth up to a threshold deemed to be "disproportionate" beyond which no additional growth would be retained locally. There was a safety net for authorities experiencing unforeseen falls in business rates, but the threshold for top-ups would be set within the range of 7.5%-10% below an authority's baseline funding level meaning the authority would have to fund the shortfall. It was felt the scheme had watered down the original intentions to incentivise authorities to support business growth by capping the retained growth income, and had transferred significant risk from government to authorities where there is a fall in business rates. Consultation on the scheme had closed on 20th September and feedback was being reviewed. The outcome would be announced in the Autumn Statement due on 5th December with Councils receiving confirmation of settlements between 6th and 31st December.
- The government had announced the abolition of the Council Tax Benefit Scheme and the introduction of localised Council Tax Support schemes. Authorities would be allocated a grant which would be 10% less than currently paid out in benefits. Pension age claimants would be protected but authorities had discretion to design their own schemes for working age claimants to manage the funding shortfall. Cllr. McClements also informed members that the government had just announced £100 million additional funding for transitional grants which Councils could apply for to support schemes during the first year but which limited the maximum cut to benefits for working age claimants who have never paid Council Tax to 8.5% and to other set criteria. Consultation on the Telford & Wrekin proposed Council Tax Support scheme closed on 26th October and the Scrutiny Officer reminded members that a scrutiny meeting had been scheduled for 23rd October for members of the Budget & Finance and Co-operative & Communities Scrutiny Committees to take part in the consultation.
- The government had consulted on changes to schools funding and details had been released in June. The dedicated Schools Grant had been retained, but there would be less flexibility in how funding would be allocated with a move from local formula (currently with around 42 factors) to a formula set within national parameters with about a dozen criteria. Schools were being consulted on the new formula subject to final agreement by the Education Funding Agency (EFA). From April 2013, funding would flow directly to schools based on pupil numbers.

This was likely to have an impact on the financial stability of smaller secondary schools or schools with falling rolls and it was anticipated that action may be needed to address the issue for schools where there may be interim falls in pupil numbers. The proposals also affected Special Education in requiring a more standardised funding system removing funding linked to lower value statements and a lesser role for Councils in commissioning high needs places with more involvement of the EFA. A report would go to Cabinet on 8th November outlining the funding methodology which would be sent to the EFA.

- The Public Health functions of the PCT would transfer to the Council from April 2013. Under current proposals the Council would receive a grant of around £7.3m for functions on which the PCT currently spends £10.4m. The Council's approach would be to spend within the ring-fenced grant and it was felt that this was manageable particularly if transitional arrangements were put in place. There were continuing pressures relating to the transfer of costs from the PCT to the Council from the withdrawal of Continuing Healthcare (CHC) funding. One-off payments had been made to the Council to offset additional costs but this was not a long-term solution. Cllr. McClements emphasised the huge drop in the level of CHC funding in Telford & Wrekin over the last 4 years. Expenditure in Shropshire had been double that in Telford & Wrekin up to 6 months ago, but the level had now been scaled back to the same as Telford & Wrekin and it was felt that the funding had been moved elsewhere. There was a risk that the current application of the funding mechanism would become embedded and would disadvantage Telford & Wrekin over future years. There was a DoH toolkit for the application of CHC funding and the Audit Commission had identified significant differences in what PCTs spend. The Scrutiny Officer reminded members that the Health & Adult Care Scrutiny Committee was looking at the issue of CHC and the result of this work would be reported back to the Budget & Finance Scrutiny Committee.
- Additional savings proposals identified for 2013/14 were shown in Appendix 1 of the report. As mentioned previously there was a great deal of uncertainty about the finances and planning totals for next year. The economy had not recovered as quickly as hoped and there was an assumption that local authorities would continue to bear the burden of rebalancing the finances and work continued to find savings.
- The Community Engagement Equalities and Action Manager gave an update on the equality impact assessments, consultation and communication relating to the additional savings proposals which was described in the main body of the report and in a separate briefing note. There had been widespread consultation on the three year budget proposals in 2011/12 so this did not need to be repeated. The approach this year had three elements:
 - Equality Impact Assessments and / or targeted service user engagement proportionate to individual proposals. Each proposal was evaluated to decide what was required so that resources could be focused on proposals which would have a more significant impact.
 - A broad communications strategy focussing on key messages about the Council's budget position and approach to managing the budget

- Contingency for further consultation in January should the Council's settlement in December be worse than anticipated and more new savings are needed. £7.5m of savings had been identified in the report which went to Cabinet in September to meet savings target for 2013/14, but if, for example, the settlement in December was £6m less than expected there would need to be consultation on the £6m new savings.
- The Chancellor had announced £270m of funding for Councils to freeze Council Tax and a requirement for a referendum for Councils planning an increase above 2% in 2013/14. Further detail was awaited in the autumn statement.
- In previous years Cabinet had agreed the budget proposals before Christmas but this year it was quite likely they would not be agreed for consultation until January dependent upon the date that the settlement is received.

Members asked questions and discussed a number of issues raised in the briefing.

- Cllr. Stanton wanted to know how the "disproportionate benefit" had been defined as a cap for the retention of business rate growth. The Finance Manager explained that the level is set so that Councils cannot benefit by more than 1% p.a. above the baseline funding level. The additional money would be retained in the system and used to fund the safety net for authorities experiencing in-year fluctuations in business rates. If the borough lost a key business the Council's yield would drop but the safety net would not be triggered until rates fell to 7.5%-10% below the baseline funding level and the Council would need to fund the gap which could be as much as £5-6 million.
- Cllr. Lawrence asked if the Council had done a breakdown of businesses in the borough to analyse the risks/opportunities around business rates. Cllr. McClements agreed this was a good idea and if a list did not already exist it would be put together. Cllr. Lawrence also wanted to know what the Council is doing to target large businesses to discuss how their needs can be supported to ensure they remain in the borough. Cllr. McClements said there had been government lobbying to support the retention of the MOD in Donnington and to promote the message out that it was cheaper to build and expand in Telford.
- Members wanted to know with the system of tariffs and top-ups to equalise the start position between authorities, whether Telford & Wrekin would be in a tariff (i.e. collect more than assessed as needing) or top-up (i.e. collect less than assessed as needing) position. Cllr. McClements thought that the Council would be in a top-up position and as this would be set to 2020 it was necessary to drive business growth to generate income. The components of the scheme are very complex and the final position would not be known until December but it was unlikely that the Council would be better off.
- Cllr. Lawrence said that growth would be very important going forward and Cllr. McClements also pointed out that the funding for the New Homes Bonus scheme

was set aside from the balance of funding from business rates before the balance is re-distributed to local authorities as revenue support grant. This meant that authorities needed to build above the national average rate to benefit from the funding scheme. If the Council builds below the national average there would be a net loss.

- Cllr. Sloan said that Telford & Wrekin had done well from public sector employment but there would be an inevitable scaling back and authorities who were more reliant on the public sector jobs with less private sector growth potential would be disadvantaged. He was disappointed that the original incentives to encourage growth had been dampened under the proposed scheme. Cllr. Lawrence said if the public sector is shrinking, the emphasis should be on growing the private sector. Cllr. McClements said that in Telford & Wrekin manufacturing accounted for 18.6% of the economy compared to 10.1% nationally but there was still a lot of social deprivation and wages in the borough were below national averages. The public sector in Telford & Wrekin accounted for 26% of the economy which was below the national average.
- Cllr. Sloan said he had supported the concept of driving out savings through procurement but was concerned about the pace and whether the projected £2.1m savings were on target. Cllr. McClements said there had been a lot of procurement activity and some issues of double-counting had been ironed out. It was difficult to show savings through procurement when services changed and were re-tendered and there was an element of judgement involved but attempts were made to categorise the reason for the saving in the budget proposals.
- There was a further question about whether the Council has the right skills in-house to deliver the savings and Cllr. McClements said that two extra posts had been created as an Invest to Save investment to bring extra resource and key skills to procurement.
- The Chairman asked about the Equality Impact Assessments and service user engagement on the additional savings proposals and whether it was sufficient to avoid as far as possible the risk of challenge and Judicial Review. The Community Engagement Equalities and Action Manager said that challenges were usually made when the impact of changes on groups with protected characteristics had not been adequately assessed and the Council's approach was to carry out targeted engagement on specific proposals with service users and affected groups – sometimes a small cut can have a significant impact on a small number of people.

The Cabinet member and officers left the meeting at the end of the discussion.

Relating to the table "Savings Proposals by Type" in Appendix 1 members felt it was confusing for people not used to reading financial spreadsheets to have "income" shown as a saving and this should be explained in future reports.

BFSC-10 WORK PROGRAMME

Members of the Budget & Finance Scrutiny Committee had been invited to other meetings where items of interest were being discussed to avoid duplication of work and the Chairman invited feedback from members who had attended these meetings.

- Children & Young People Scrutiny Committee, 18th September
The Scrutiny Officer reported that the discussion on value for money of children in care placements had been deferred until 5th November and members were invited to attend.
- Audit Committee, 25th September
The Chairman, Cllr. Evans and Mr. Roy Williams had attended for the item on Capital Receipts. The item had been held in closed session as it involved the likely disclosure of exempt financial information. Mr. Williams said that the information had been provided in a clear and open fashion, but felt that the Budget & Finance Committee should continue to monitor this as it was a high risk issue for the Council.
- Co-operative & Communities Scrutiny Committee, 11th October
The Chairman, Cllr. Mollett and Mr. Roy Williams had attended a presentation on the proposed Council Tax Support scheme. Mr. Williams said the presentation had been very good and that it was difficult to see any room for manoeuvre with the proposals because reducing the cuts for one group of people would mean another group paying more. Cllr. Sloan was concerned about the cost of administration and bureaucracy of each authority having its own scheme and about the potential impact on collection rates which must be closely monitored. The Chairman was concerned about the enforcement of the empty property tax. The Chairman said it had been agreed that a joint meeting of the Co-operative & Communities and Budget & Finance Scrutiny Committees would be held on 23rd October to agree a response to the proposed scheme.

The date of the next meeting on 18th December was noted. It was agreed that if the 2013/14 full budget proposals had not been approved by Cabinet by this date which was unlikely, the Committee would look at the additional savings proposals already published and a report on the changes to schools funding.

The meeting ended at 7.30pm.

Chairman:.....

Date:.....