

BUDGET & FINANCE SCRUTINY COMMITTEE

Minutes of a meeting of the Budget & Finance Scrutiny Committee held at 6.30pm on Tuesday, 21st January 2014 in Meeting Room 3, Darby House, Telford.

PRESENT: Councillors S. Reynolds (Chair), K. Austin, N. Dugmore, R. Evans, K. Guy, A. Lawrence, C. Mollett, G. Reynolds and Co-optee R. Williams.

Also attending: Cllr. A. Eade; K. Clarke, Assistant Director Finance, Audit and Information Governance and Chief Financial Officer; F. Bottrill, Scrutiny Group Specialist; S. Jones Scrutiny Officer.

BFSC-28 MINUTES

RESOLVED – that the minutes of the meeting of the Budget & Finance and Children & Young People Scrutiny Committee held on 7th January 2014 be confirmed and signed by the Chairman subject to correction of the spelling of Brandon Lewis' name.

BFSC-29 APOLOGIES FOR ABSENCE

Co-optee F. Robinson.

BFSC-30 DECLARATIONS OF INTEREST

Cllr. Lawrence declared a conflict of interest between his role as a member of the Scrutiny Committee and his role as a Member of the main opposition group in developing the alternative budget proposals and he would not take part in any discussion about the alternative proposals.

BFSC-31 ALTERNATIVE BUDGET PROPOSALS

The Chair reminded Members that scrutiny is a non-political process and her expectation was that the presentation of the main opposition group's alternative budget proposals and the questioning by scrutiny members would be carried out in a non-political way. She would exercise her discretion as Chair to allow non-committee scrutiny members present to ask questions. The Committee would look at both sets of budget proposals and comment on each on their own merits. She then invited Cllr. Eade and Cllr. Lawrence to present the main opposition group's alternative budget proposals.

Cllr. Lawrence presented the proposals making the following points:

- The group recognised the budget pressures and challenges facing the Council and agreed with the administrations approach to bringing savings proposals forward

from future years wherever possible, but they had different ideas about how the savings could be achieved.

- The process for developing an alternative budget was difficult. They had not had access to savings proposals that officers would usually put forward to Cabinet members or the same access to officer support and information, but they had used their initiative to develop a set of alternative proposals and believed the same outcome could be achieved but in a different way.
- There was support for some of the administration's proposals notably the draw-down contingency for children's safeguarding and the change of view on accepting the Council Tax freeze grant.
- The main differences between proposals were in two areas:
 - Highways
Sorting out the condition of roads was something that residents want. They had asked officers how much it would cost to bring the condition of roads to an acceptable level across the borough. There was a £35.5m backlog in the inventory which would need to go into the budget to bring the roads up to the required level. As Cabinet member for highways in the previous administration, Cllr. Lawrence said they had struggled to find funding for highways, but the change to the approach to MRP was fortuitous because the reserve would assist with funding and the revenue costs would not impact on the balance sheet until after the work had been completed. They had taken a five year view so that better contract prices could be negotiated and a better maintenance plan put in place to raise standards across the borough. It would also help reduce reactive maintenance costs once the work had been carried out. The administration had taken a three year view and proposed an additional investment of £2m over three years which, even with up to £2.5m of the Pride in Your Community (PIC) money repackaged for highways improvements, they felt would only be enough to keep the state of the roads the same as now, or to improve them in some areas while other areas deteriorate. The group was therefore proposing an additional investment of £7.1m per year for five years which they felt was what residents want and was a good use of the MRP reserve. Cllr. Lawrence reminded members that the change in MRP did not change the amount of cash repaid, it only changed how the investment was accounted for by re-phasing interest and there would be a greater burden on residents in later years from higher interest payments.
 - Adult social care
Funding for adult social care was a national issue. It affected the most vulnerable adults in the borough and was an area of overspend for the Council and was an emotive issue. The concern was that money taken out of the adult care budget represented reduced services for vulnerable adults. The Cabinet proposals were to reduce funding over 2 years. They would like to put more into adult care and not take it out, but this was not realistic in today's world. Their priority was to find more money from other parts of the budget which could be targeted at vulnerable people and the challenge had been to identify savings elsewhere that could be put into highways and adult care.
- They had tried to look at what other authorities were doing to save money. A big cost was staff remuneration - it could not be ignored that there were national pay bands when the cost of living in Telford and Wrekin was much lower than in other parts of the country (the south east). One of the proposals to achieve savings was to review staff remuneration. The option set out was an across the board 2.25%

pay cut to save £1.5m per year which may not be palatable but was felt to be affordable for staff given the low cost of living in Telford. They had also looked at the option of making £1.5m saving by cutting 80 posts, but the risk was that further reductions in headcount could take services below the critical staffing level required to maintain services and it was felt better to maintain jobs and reduce salaries than maintain salaries but cut jobs. There was a proposal to reduce sick pay to statutory entitlement - there were difficult issues with this for staff with serious conditions like cancer – but it could be possible to reduce some elements and not others. The important thing was to have the debate now as budgets would only continue to be squeezed. The choice was between services for local residents and staff salaries which were higher than they need to be in this climate.

- The Youth Employment initiative was the right way forward (as a business owner Cllr. Lawrence had recruited apprentices and believed young people should be given opportunities) but it was felt there was scope to do more by expanding the apprenticeship programme over and above what was proposed and to fill more vacancies with apprentices.
- There were other technical suggestions such as negotiating a fixed % rate for employer's NI contributions with HMRC for Single Status settlements which could save a chunk of money. There had been some discussion with the Chief Financial Officer about whether the amount set aside for Single Status was too high – he had said it was not possible to draw this conclusion at this stage of the project – but this could be worth looking at in more detail later.
- It was difficult within the timescale and with limited access to the budget but they had tried to identify savings from non-essential services for the public, including:
 - End financial support for trade unions (free accommodation, paying staff to work for trade unions) which was difficult to justify to tax payers in the borough.
 - Reduce attendance at conferences
 - Reduce memberships and subscriptions
 - Delete named dedicated posts which are unnecessary and the work could be done different way or absorbed elsewhere
- £475k had been set aside as a contingency to allow for delays from working up and implementing the proposals.
- The administration's proposed investment in PIC was not considered the best use of resources at this time. Officers had collected technical data on the condition of the highways over a long period of time and had advised that it would take 5 years and an estimated £7.1m to bring the network back to an acceptable level. The administration was only proposing to put in enough money for wear and tear and asking residents if this was enough and the funding was driven by this and not by technical assessment. The PIC was not the best use of resources. The MRP reserve should be used for a long-term to investment programme and the PIC proposals were short-term.
- There were proposals for partnering with other authorities which may not be popular but they believed savings could be made from sharing some back-office functions and there was a list of suggested areas in the report e.g. finance, audit, payroll, highways maintenance. There were a lot of organisations around the country using the same IT systems and packages e.g. payroll and better value could be driven out by sharing the service or outsourcing - a lot of authorities had gone down this route. A projected annual saving of £125k was built in the alternative budget which was a cautious estimate and the real savings could be closer to £1m. The partner organisation did not have to be another local authority

or public sector organisation, it could be a private sector organisation, there would still be economies of scale from shared IT platforms and systems. The authority had not looked hard enough or challenged the options. Sharing services did not mean that the authority would lose control – Cabinet would still make the decisions.

- In developing the alternative budget they had tried to draw out better outcomes for residents and best value for the Council. The proposals were not radically different from the administration's but there was some new thinking in them and bringing the proposals to scrutiny was a good opportunity to challenge and put forward some alternative ways of doing things for debate in public.

Members then asked a number of questions as follows:

- Mr. Williams wanted to know whether the proposed investment in highways would include the repair and maintenance of foot paths. Cllr. Lawrence said the funding was for the carriageway and not the footpaths. Mr. Williams said the condition of footpaths should be considered especially for elderly and disabled people, and he made a plea on behalf of those who did not think they were being listened to, to do something about the footpaths. Cllr. Lawrence said the condition of the footpaths showed that not spending enough meant there was a surface dressing approach which was a short-term fix and they were proposing a long-term investment in the infrastructure. Mr. Williams said that someone should think of the poor people who cannot get out and Cllr. Lawrence replied it was good that he had recognised the poor condition as an issue.
- Cllr. G. Reynolds asked whether it would be possible to ask for more information about the PIC from the Cabinet Member who was present in the public gallery, but the Chair said the meeting was about looking at the alternative budget proposals.
- Cllr. G. Reynolds commented on the proposed 2.25% reduction in staff salaries and said she felt staff had already taken a pay cut by not having inflationary rises and asked how they felt a pay cut would impact on morale and then on services. Cllr. Lawrence acknowledged there would be an impact on morale, but said that the reduced funding in adult social care would affect morale and impact on services and they needed to find an alternative. The approach was to look at savings from staff remuneration and put more into adult care. He recognised it was a difficult area and they had tried to strike a balance – they hadn't for example recommended a 5% pay cut.
- Cllr. S. Reynolds raised a number of concerns about staff remuneration:
 - The potential impact of pay cuts on the local economy
 - The fact that many staff earned below the national average wage and that staff should not have worse terms than the national average
 - That a straight pay-cut would penalise staff on lower salaries
 - The potential impact on retention and recruitmentCllr. Lawrence responded with the following points:
 - The overall amount of money going into the local economy would not change but would be allocated to a different place. They would choose to put it into adult social care rather than staff. The adult social care money would only be spent on people living in the borough rather than going to staff who may live

outside the borough. Cllr. G. Reynolds pointed out that some of the adult care money is paid to providers outside the borough. Cllr. Lawrence said that may be true, but reducing the adult care budget would impact on employment in the care sector so it was a circular argument – he thought on balance the proposals would be community neutral.

- Staff were on national pay rates but the cost of living was much lower in Telford and Wrekin than in the south east so a pay cut would not have such a great impact. Cllr. Guy asked if they were saying Telford & Wrekin should go down to poorer standards. Cllr. Lawrence said you couldn't just say a pay rate is poor – compared to the private sector some staff were paid more. These were not easy choices and it would get harder, and their approach was to say that staff remuneration had to be looked at. They were saying that it was better to have more staff at a lower wage than to have fewer staff at a higher wage.
 - Cllr. Guy said he semi-agreed that savings could be made on staff budgets but he felt it should be taken from higher earners – 2.25% was a lot of money to someone on a low wage – and he suggested a scale depending on salary level. Cllr. Lawrence said the proposals were negotiable – there were lots of ways to skin a cat – so they could take nothing from low grade staff and the higher the grade the higher the cut. It was the concept that they were proposing, and more detailed modelling would need to be carried out to determine the best way to achieve the outcome.
 - In terms of retention and recruitment, there may be some loss but in the current market there would be more applicants to fill vacancies. Cllr. S. Reynolds said she remained concerned about losing skilled staff and she would not want to see the Council go down this road.
- Cllr. Evans asked how the savings targets in adult social care totalling £10.5m had been arrived at and it was confirmed that the figures were taken from the administration's budget.
 - Cllr. Guy wanted to know where money for the £7.1m annual investment in highways would come from and whether it would be funded from borrowing. Cllr. Lawrence said it would be, but the issue was not the borrowing but the ability to fund the borrowing. There would be long-term revenue implications but they would use MRP so there would be no impact on the revenue budget for five years and there would be benefits from a long-term plan of economies of scale and cost savings down the line from reduced reactive maintenance once the roads had been brought up to standard – so, there would be an on-going cost of capital but it would be offset by long-term reduced spending.
 - Cllr. S. Reynolds asked if they had assumed the capital receipts set out in the administration's budget and Cllr. Lawrence said they had used the same budget as the administration's which assumed the level of capital receipt, they were only proposing changes to the way money would be spent. They were not discussing changes to the capital budget or using the receipt from Newport to fund highways, and were only making proposals in discrete areas.
 - Mr. Williams checked his understanding that they were proposing to increase borrowing for highways which would increase revenue costs. Cllr. Lawrence said they did propose to borrow more, but it would be financed through the MRP

reserve, from making savings equivalent to £2.3m, plus savings later on from reduced reactive maintenance. It was a different approach. Borrowing was not an issue if you can afford it and can make savings to pay for it.

- Mr. Williams noted that neither budget, the administration of main opposition group's, had any proposals to cut member allowances or benefits such as pensions and that they both focussed on cutting elsewhere. Cllr. Lawrence said his group had proposed reducing the number of elected Members but the Boundary Commission had disagreed. Mr. Williams pressed the point and asked if any of there were any proposals affecting member benefits and Cllr. Lawrence confirmed there were not.
- Cllr. S. Reynolds raised a concern about the proposed saving in translation services and particularly the impact on deaf people as 40% of the budget was for sign language and the Council had responsibilities under equalities legislation. Cllr. Lawrence agreed it was a very difficult choice but other authorities had made the choice and there could be alternative ways of providing the service. Cllr. G. Reynolds asked if any of these authorities had been challenged as a result and Cllr. Lawrence said if any had been, they had not reinstated the service but the agreed they were difficult issues.
- Cllr. S. Reynolds questioned the proposal to delete the Equalities Officer post and how this could impact on the Council's ability to fulfil its responsibilities within the General Equality Duty. Cllr. Lawrence said that other authorities around the country were providing the service in other ways and did not have a dedicated officer. They had looked at what other authorities were doing because they did not have the luxury of being presented with officer saving proposals so they had been creative and had contacted other authorities to find ideas from where they had made savings. Cllr. Reynolds asked if they had looked at any of the impacts or consequences of the savings and Cllr. Lawrence said they had only had a limited amount of time and had tried to select changes which had worked so there was a logic behind the ideas. If they were in administration, they would ask officers to look into each case, and the £475k contingency had been built into the budget to allow time to work up the detail.
- Cllr. S. Reynolds asked if the £2.3m investment in adult care was for one year only. Cllr. Lawrence said it would be an on-going investment funded from on-going savings. Money released from not investing in PIC and savings from staff remuneration provided an on-going ability to support adult social care to that extent.
- Cllr. G. Reynolds asked for clarification about the suggestion to scale up the apprenticeship scheme – was the idea to replace the 150 apprentices every 12 months or offer them employment which would cost more and what the extra cost of supervision would be. Cllr. Lawrence said there were only a relatively small number of apprentices in the organisation compared to permanent staff and what they were saying was that they agreed with the approach on apprentices but felt there was scope to do more. The vision was for a rolling programme of 150 apprentices a year – but it could go higher to 200 or 250. At the end of the apprenticeship they could apply for jobs with the Council or private organisations.

- Cllr. G. Reynolds asked whether there would be a net saving from the deletion of the Sustainability Officer posts because they generate income - the posts are half funded by income generated from the schools. Cllr. Lawrence said that the work would still be done but the concept was that it would be absorbed into other posts. Cllr. Reynolds said there were only 2 posts and deleting them could lead to a loss of savings from efficient buildings. Cllr. Lawrence said they could consider this. The ideas had been passed onto officers for comment but there had been a very limited timescale. Cllr. S. Reynolds said it was a relatively small saving and Cllr. Lawrence said there were some very small savings in the administration budget but they all added up.
- Cllr. S. Reynolds asked if the budget assumed the same growth levels assumed in the administration's budget for New Homes Bonus. Cllr. Lawrence said next year's income model was based on this year's planning consent so the budget would be the same even if the group had a different policy.
- Cllr. Guy clarified his understanding that what was being proposed was the administration's budget but with some changes. Cllr. Lawrence said there was limited scope to change any budget and only relatively discrete areas which could be changed - highways and adult social care were the two big areas they were changing.
- Cllr. S. Reynolds said the trade unions had shared accommodation so she could not see where the saving was. Cllr. Lawrence said the trade unions ought to pay for the space they occupied. Cllr. Reynolds said she felt the funding for staff work with trade unions was needed or it would be more difficult to negotiate with the unions in future. Cllr. Lawrence said they did not object to unions but they did not think it was right for Council Tax payers to support the unions financially by paying for accommodation or services.
- Relating to shared services, Cllr. G. Reynolds asked how managers' roles would be split across organisations and how they would deal with potential conflicts of interest and decide where their allegiance lay. Cllr. Lawrence said they would share the role across functions. They were professional officers capable of separating the roles and making professional decisions. The reality was that roles like finance were based on procedural rules and managers would rarely be in a position of conflict of interest and you couldn't throw away savings on the basis of something that would only happen on rare occasions. Cllr. Reynolds said she was still concerned that officers would be in a position of conflict of interest if they were employed by two authorities or organisations. Cllr. Lawrence said he thought people were able to separate roles – as an example he said represented Telford & Wrekin on the WMS Board and he was able to separate his role as a member of the Council and his role in considering the interests of Trustees. There would be different considerations on different days but he felt managers would act according to their professional standards of conduct. Cllr. Austin said on partnering arrangements, strategic objectives would need to be agreed by both authorities and he thought that could be difficult. He also felt that staff needed a reasonable amount of stability which could only be achieved if staff think they can depend on it. Cllr. Lawrence said that we were in a climate of reducing funding

and although it would be nice for staff to have stability, giving them pay stability would mean creating instability on staff numbers. It was a choice between pay cuts and more jobs or no pay cut and losing 80 jobs and there was only so far you could cut jobs with a finite number of staff. Cllr. Eade made the points that there had already been 1075 staff redundancies and that the additional investment in adult social care should help create stability and maintain jobs in that area. Cllr, S. Reynolds repeated that not all staff were on a living wage and that an across the board pay cut was not fair. Cllr. Mollett said that from his reading of the document there would be a level of protection for staff on lower wages and Cllr. Lawrence clarified that the cut of 2.25% should not take staff below the minimum wage. Cllr. G. Reynolds said it was a case of priorities and everyone would agree that no one liked making cuts.

- Cllr. S. Reynolds asked whether the projected savings (£87k) from reductions in Delivery & Planning and Policy & Strategy were before or after the £40k saving projected from the restructure. Cllr. Lawrence said the proposal based on 10% reduction on the administration's budget and he would come back with clarification. Cllr. S. Reynolds asked about the impact of deleting the posts which carry out a key role in strategic activities and completing statutory returns to government. Cllr. Lawrence said the contingency had been set aside for non-achievement of savings but other authorities had made savings in these areas.
- Cllr. G. Reynolds noted that there were no proposals for income generation and wanted to know whether the alternative budget accepted the income generation proposals in the Cabinet report. Cllr. Lawrence said the alternative budget used the income generation projections in the administration's budget. The opposition group priorities were reducing the extent of the cuts in adult social care and highways and to find other ways to fund them. They had not had access to a team of officers so they had to find ideas themselves and it was not practical to develop suggestions with no officer support.
- Cllr. Austin said that Telford was growing quickly and he felt that the government should give a greater proportion of money from the sale of assets to the authority to assist with infrastructure work. Cllr. Eade agreed that a fair deal should be sorted out.
- Cllr. Guy said the Committee should thank the opposition group for their work in producing an alternative budget which was good for democracy. The Chair offered her thanks for their work and said it had been a very useful exercise.
- Cllr. Lawrence thanked the officer team for their work which had challenged workloads but was part of providing democratic challenge to the budget proposals. Cllr. Eade said scrutiny was the right place to provide challenge in a non-political way.

There were no further question for Cllrs. Lawrence or Eade and they left the table. The Chair invited comments and questions from members. The following points were made:

- Cllr. Dugmore said some of the suggestions in the budget about staff conditions

were suggestions and it was difficult to go into detail but if the budget was adopted and once officers were working on it other ideas would fall out. The alternative budget accepted the current administration's assumptions on where income would come from but that did not mean the main opposition group agreed with it but the alternative budget had to be based on what officers said.

- Referring to the proposals for shared services, the Chair reminded members that the Managing Director and Cabinet Member Finance & Enterprise had given a presentation to the Committee about savings that had been made from back-office functions. The Chief Financial Officer said the assumption was that 20% was a good saving to make from shared services and there were one-off costs and there could be a time lag in making the saving. Telford & Wrekin had saved over 40% or £7m per year on back office costs.
- Cllr. Guy noted that the budget proposals said that officers were confident there could be a £250k annual saving from 2015/16 from shared services and asked the CFO for his view. The CFO confirmed that the view in the report was his view and he was confident that if the Council entered into shared arrangements with a willing partner, this level of saving was achievable from the large number of services identified on a list provided by the Opposition Group over and above those listed in the report. He confirmed that the numbers in the alternative budget added up and that the figures were robust.
- Cllr. G. Reynolds asked if it would be possible within the time available to have some case studies from other authorities' savings used as a basis for the proposals. The CFO said that some of the suggestions were from the Tax Payers' Alliance and they didn't know the specific authorities but could try to find out. Cllr. Lawrence said they were all unitaries or districts. The Chair suggested instead of chasing case studies now, this could be a topic for the work programme next year.
- Cllr. Guy said there may be some merit in savings from salaries but he would want the savings to come from higher earners.

When there were no further comments or questions, the Scrutiny Group Specialist said members would need to digest and consider the information discussed and the Committee would agree its response to the alternative budget at the meeting on 4th February.

The Chair invited Cllr. Lawrence back to the table.

BFSC-32 SERVICE & FINANCIAL PLANNING STRATEGY 2014/15-2015/16

The Chair reminded members that the questions put forward by members after the last meeting had been submitted to senior managers for responses to come back to the meeting on 4th February although the responses would be published on 27th January so members could check that the information provided was what they wanted.

The next meeting on 27th January would focus on the adult social care budget and savings proposals. Cllr. Lawrence queried the reference to zero hour contracts in the

administration's budget - there was a proposal to introduce them when the Council had said they would not use them. The CFO said there was a reference to zero hour contracts in one of the social care savings proposals but it was one of a number of different options which had been suggested and it was unlikely to be pursued. Members agreed that a question about this would be sent to the Cabinet Member and Interim Director to be answered at the meeting on 27th January. Cllr. Dugmore said he felt it was wrong to cast out all zero hours contracts because they could suit people's circumstances.

There was a discussion about the lines of enquiry on adult social care for the next meeting and it was agreed the following information would be requested:

- A breakdown of care packages by cost, type of care, the range of hourly rates for each type of care, and the number of people in each band. This was to establish whether there were fewer people receiving high cost care or more people receiving lower cost care to build a picture of where the budget pressures are.
- The distribution of care agencies in and out of the borough
- The % of care packages in each hourly cost band
- Detail on block contracts and block beds.

It was agreed other questions should be forwarded to the scrutiny team to be passed on for a response.

The Scrutiny Group Specialist reported that at a Health & Adult Care scrutiny meeting, the members had raised concerns about consultation on service changes with service users and the risk of legal challenge and the health scrutiny members may explore this at the meeting. The report of the LGA Peer Review of adult care would be circulated for information and other questions may arise from this.

The meeting ended at 8.20pm.

Chair:.....

Date:.....