

FINANCE & ENTERPRISE SCRUTINY COMMITTEE

Minutes of a meeting of the Finance & Enterprise Scrutiny Committee held on Thursday, 12 January 2017 at 6.00pm in Meeting Room G3/4, Addenbrooke House, Ironmasters Way, Telford, TF3 4NT

PRESENT: Councillors S Bentley, A Burford, S Burrell, N Dugmore, S A W Reynolds (Chair), R Sloan, C Smith, D Wright and Co-optees C Mason-Morris and R Williams.

IN ATTENDANCE: Cllr L Carter, Cabinet Member for Council Finance, Partnerships and Commercial Services; K Clarke, Assistant Director Finance & Human Resources; S Jones, Scrutiny Officer.

FESC-06 MINUTES

RESOLVED – that the minutes of the meetings of the Finance & Enterprise Scrutiny Committee held on 10 November 2016 be confirmed and signed by the Chairman subject to amendment to record Cllr Wright’s apologies.

FESC-07 APOLOGIES FOR ABSENCE

None

FESC-08 DECLARATIONS OF INTEREST

None

FESC-09 SERVICE AND FINANCIAL PLANNING STRATEGY 2017/18-2018/19

The Chair welcomed everyone to the first of the budget scrutiny meetings and invited Cllr Carter to present the key headlines from the administration’s budget proposals.

Cllr. Cater opened with a presentation highlighting the key points:

- The two year budget strategy agreed by Council in March had included a £30m package of savings to be delivered over 2016/17-2017/18 so the scale of this year’s budget was different because of the number of savings already agreed.
- The key issue for consultation was the adult social care precept. Last year Council Tax had been increased by 1.2% and 2% for the adult social care precept (ring-fenced money for adult care). In the autumn the government had given authorities the option to increase the precept to 3% for two years. This would generate an additional one-off £1.8m for adult care over two years but would raise Council Tax for residents including those in lower incomes. The precept was not enough to make up the funding gap created by grant cuts, cuts in community services, increased cost pressure from the living wage, increasing demand and societal attitudes towards caring for ageing relatives.
- The Council had made on-going savings of £96m per year which equated to £1300 less to spend per household each year. The slippage in the government’s timetable to bring the national budget back into balance had not affected DCLG’s

savings targets for local government and another £20m on-going savings were needed over the next 2 years.

- Government proposals to increase the retention of business rates by local authorities to 100% by the end of this Parliament remained unclear in terms of when and how the system would operate or additional responsibilities that would be placed on local authorities.
- The Council was clear on its priorities, which were to protect front-line services for vulnerable adults and children as far as possible, and to improve the lives of local people for example helping them be safe, healthy and skilled for jobs.
- Telford & Wrekin had continued to invest in major development projects to support business and attract investment. Capital investments were proposed in roads, NuPlace and in the Council as an organisation to equip a smaller workforce to take on more responsibility.
- One-off investments were proposed in Early Help and Support.
- Work would continue with partners to find new ways of delivering services and devolving services to Town and Parish Councils. One-off money had been allocated to help partners taking over services to manage growth in demand.
- Proposals to make up the £20m grant reduction in 2017/18-2018/19 would aim to save £8m by reducing demand, £5m from modernisation of the organisation and £2m commercial income from existing and new services.
- In terms of the timetable, Cabinet had agreed the draft budget strategy on 5 January 2017, consultation would close on 5 February 2017, the strategy would be agreed by Cabinet on 23 February 2017 and agreed by Full Council on 2 March 2017.

The Chair thanked Cllr Carter for his presentation opened the floor to questions.

The following information was provided in response to questions:

- In terms of documenting and managing financial risk from the Solar Farm and NuPlace, the Solar Farm was generating a profit of around £200k per year and prices were index linked and guaranteed by the government for 25 years so risk was low. NuPlace was still in development and risks were highlighted in the project risk register which had been reported to Cabinet. Profit from commercial projects was reported net of costs, including the cost of borrowing, and it needed to be made clear to the public that without the income from the commercial projects the Council would need to make even more cuts to services. Members requested details of income and cost of borrowing for the Solar Farm and NuPlace to be provided after the meeting.
- In response to questions about the £233k capital receipt set aside as a potential investment in AFC Telford, members were given assurances that AFC Telford had been informed in a timely and professional way of the decision to de-commit the funding. The money had originally been ring-fenced for a learning centre at AFC Telford but no proposals had been forthcoming and as the money needed to be used to good effect it had been decided to put the £233k towards the 3G pitch in Madeley. The cost of a 3G pitch was estimated at around £800k but details of actual costs would be provided after the meeting. Funding was complicated as BSF would only fund facilities for school use and not community use.

- A member welcomed the decision to commit on-going resources from the base budget to support the Food Bank.
- In response to questions and comments about the adult social care budget –
 - Increasing the adult social care precept to 3% for two years would bring a one-off financial advantage of £1.8m over the two year period.
 - A member welcomed the level of protection in the budget for vulnerable people but said the committee needed to understand the financial implications of the options the adult social care precept in the short and longer term and was concerned about how far the precept would go towards addressing funding shortfalls. He was concerned about the trend in the Early Help & Support budget and felt it was easy to say the budget was being managed well when individuals would see the impact in reduced services and there should be no complacency about the impact of the cuts. Another Member commented that it would be tempting to front load the precept but the phasing of housing development needed to be considered to maximise collection. The Assistant Director clarified that the 1.2% increase in Council Tax and the 2% adult care precept agreed in the budget last year meant that Council Tax would increase overall by 3.2% this year and 3.2% next year giving an overall increase of 6.4%. There was increasing demand for adult care and increased cost pressure from the living wage. The grant would be cut by another £15m over three years which coupled with the cuts to the public health budget equated to a cumulative grant cut of £20m. The 6% increase in Council Tax for the precept would generate £5.7m over three years so there was a big funding gap even without inflation and pressures.
 - A member asked if it would be possible to collect the extra 1% for the precept and invest it to make more money for the next year but was informed that it was not possible within the rules, the money is ring-fenced and authorities must show they have spent it on adult care in the year it is collected.
 - A further concern was raised by a Member about the impact of Brexit on the recruitment of care workers.
- It was confirmed that the Public Health budget would be cut by a further £350k for both years.
- In response to questions about funding for Pride projects -
 - The £1m to fund small scale projects could be aimed at a raft of issues such as roads or the network and was about resolving local issues which cause a lot of frustration. The additional funding for Pride in Your Community would follow the previous template but applying lessons learnt from the past. The money would be aimed at specific local projects such as bringing space back into green use or projects which maintain the unique aspects of the borough.
 - In terms of the robustness of monitoring processes, Members were informed that an independent panel assessed bids, awarded funding and monitored outcomes but the committee should refer the question to the Cabinet member for Pride projects. It was agreed that a written report would be requested on the systems and processes for assessing bids, awarding money and monitoring outcomes for Pride in Your Community and Pride in Your High Street projects.

- As to whether £1m was enough to fund repairs to structures such as bridges and retaining walls, work would be carried out on a priority basis but the budget was limited.
- In response to questions about business rates –
 - The government had proposed to increase business rate retention by local authorities to 100% by the end of Parliament but the timetable was not clear.
 - There was no clarity about the additional responsibilities that would be placed on authorities in return for the money - it was not 'free money' and on the face of it there could be no benefit although Telford was continuing to attract investment. In terms of 'winners' and 'losers' the government had consulted on fairer funding (the Council had responded to the consultation) and there would be some recognition of local economic circumstances but remained to be seen how accurate it would be.
 - In terms of extra responsibilities there public health grant would be cut and there were proposals to transfer responsibility for attendance allowance to local authorities which would place financial risk on the Council.
 - Telford & Wrekin currently retained 49% of business rates amounting to £39.5m in 2017/18 including Section 31 grants. Under the government's proposals Telford & Wrekin's share would increase to 98%.
 - A Member observed that £0.68m business rates from businesses in Southwater seemed low but he was reminded this was £49% of the total. Businesses had not been offered a discount on business rates as an incentive to invest.
- A member questioned why income from New Homes Bonus (NHB) was projected to fall over the next three years and it was explained that the government had changed how NHB worked. An assumed average rate of growth was calculated and NHB was only payable on homes above the threshold. The period of time that NHB was paid had been reduced from 6 years to 5 and then to 4. Other changes had been proposed including cutting NHB to put more money into adult care e.g. top-slicing NHB and giving back as revenue support grant for local authorities to fund adult care. There would be consultation on the proposals. The improved Better Care fund would also be funded from savings from NHB.
- Clarifying the 4.2% staff pay increase, this was the total increase since 2009. There had been a pay freeze for some years then staff had been awarded a 1% annual increase in line with government guidance. Inflation had been higher than pay awards resulting in a real terms pay cut for staff.
- The living wage had increased the minimum wage from £7.20ph to £7.50ph. The increase had not had a big impact because so few Council staff were on the minimum wage. The increase to £9ph would have a bigger impact as some higher grades would need to be reviewed to maintain the differential.
- A member questioned why the additional £50m investment in the Property Investment Portfolio (PIP) would be 'largely' invested in the borough when he would expect 100% to be invested in the borough. Members were assured that to date 100% of the investment had been spent in Telford and it was not the

intention to spend money outside the borough but it was felt prudent to allow a degree of flexibility should a good investment opportunity arise outside the borough. The PIP currently returned £6.5m income to the Council annually.

- Members requested clarification of the purpose of the reserves for Stoneyhill Landfill.
- Referring to savings 18 and 19 a Member commented that he could see the sense in reducing the revenue budget for winter maintenance and deployment of the flood barriers and funding these from contingencies, but wanted to know the total winter maintenance budget and why the £45k saving was not repeated in subsequent years. Confirmation of the total budget would be provided after the meeting. Total budgets were not included on the spread-sheet to keep the amount of information manageable. The £45k was an on-going saving as indicated in the column for total/on-going savings. Amounts were only shown in the 2018/19 and 2019/20 columns were they were new savings.
- A member suggested there could be scope to generate income from advertising on bus shelters if the Council could reach an agreement with Town and Parish Councils which are not VAT registered. The suggestion would be sent to the relevant Manager to consider.
- Asked whether the Cabinet member wanted to comment on the increase in the cost of school meals to £2.30, he replied that the charge had not been increased for three years and the increase would be phased in so that people had notice.
- A Member asked about the take-up of swimming lessons and the projected increase in income. The Council had a good leisure offer and the uptake of swimming and gym membership was good. The focus would be on investing in key areas where there was high demand.
- Referring to saving proposal 8, a Member asked what would happen if the School's Forum did not agree the proposal to top slice the schools' budget. In response, it was felt the Council had a good relationship with schools and that they would see this as a reasonable request but if necessary the matter could be referred to the Secretary of State who could impose an agreement.
- With regard to the additional investment into Nu Place, it was confirmed that the initial investment of £50m would provide around 400 homes and the proposal was to invest another £13.4m to develop three further sites. Details would be provided after the meeting on the number of houses that have been/would be built for the initial £50m investment and how many would be built for the extra £13.4m.
- Referring to section 5.7 Members requested details of how many empty properties the Council had helped to bring back to use and the cost of service.

- Referring to section 5.5 Members wanted to know what work was being done with the CCG to support safe discharge from hospital and avoid inappropriate admissions. Members were advised to raise the question with the Cabinet Member for Adult Social Care & Older People and Cllr Burford informed Members that the Health & Adult Care Scrutiny Committee was looking at this.
- Re: saving proposal 2 members asked about the risks to the Council of reducing the number of finance and HR staff (e.g. delays responding to FOI requests, increased tribunal costs). The budget report set out a number of steps that would be taken to mitigate the risks but the restructure had to happen because costs had to be reduced. Cllr Sloan reminded Members that the Audit Committee monitored the risks - there were relatively few FOI requests but they still cost money.
- Re: saving proposal 3 a member asked how over £4000 could be saved from the PA budget without any impact. It was explained that the saving was for a reduction in staff which had already happened but the money had remained in the budget.
- A Member questioned why there was a proposal to increase income from trading with schools (proposal 4) and to top slice the Dedicated Schools Grant (DSG) to provide services for schools (proposal 8). It was explained that the top-slice of the DSG was to provide core services to maintained schools but they could also choose to buy in other traded services. The traded services were also provided to non-maintained schools including schools outside the borough. Members suggested this should be made clearer in the budget papers so people could make the distinction.
- Re: saving no. 1 it was explained that where possible savings were delivered as early as possible and the amount shown was where savings put forward for 2016/17 and 2017/18 had been delivered early.

When there were no further questions the Chair thanked the Cabinet Member and Assistant Director and they stepped down.

Members discussed items they would like to look at in future meetings. It was agreed that written responses to the items identified during the discussion would be requested, that the meeting on 18 January would be used to consider the adult care budget and that the meeting on 26 January would be used to consider the alternative budget proposals.

The Scrutiny Officer would contact the Monitoring Officer on behalf of Cllr Burrell to seek advice on whether he would need to Declare an Interest in the scrutiny of the adult care budget.

FESC-10 WORK PROGRAMME

The Chair updated Members that she had spoken to the Assistant Director about the CPE review. The data requested by the committee was being collected. There was a significant amount of work to be done which would be reported back to the committee around April. A meeting would be arranged one the timescale was clearer.

The meeting ended at 7.30pm.

Chairman:

Date: