

Minutes of a meeting of the Finance & Enterprise Scrutiny Committee held on 15 January 2018 at 6pm in Meeting Rooms G3/4, Addenbrooke House, Ironmasters Way, Telford

Present: Councillors N A M England (Chair), N A Dugmore, R Mehta, C F Smith and D G Wright. Co-optees: Mrs C Mason-Morris and Mr R Williams

Also Present: Cllr L D Carter, Cabinet Member for Council Finance, Partnerships & Commercial Services

In Attendance: Ken Clarke, Assistant Director Finance & Human Resources

FESC-01 Apologies for Absence

Councillors S Bentley and K S Sahota

FESC-02 Declarations of Interest

None.

FESC-03 Minutes

Resolved – that the minutes of the meeting of the Finance & Enterprise Scrutiny Committee held on 9 November 2017 be confirmed and signed by the Chairman

FESC-04 Service & Financial Planning Strategy 2018/19 – 2019/20 (Draft Budget Proposals)

The Chief Finance Officer presented the Service and Financial Planning Strategy (SFP) 2018-19 to 2019-20. The report had been presented to Cabinet on 4th January 2018 alongside the Financial Management Report which detailed the financial position of Telford & Wrekin Council to date.

It was reported that the net projected outturn position for 2017/18 was estimated to be within budget. This was a very positive position, given that £13.8m savings were required to balance the 2017/18 budget, and £3.7m uncommitted balance remained in the central contingency. The Council would aim to sustain this position over the remainder of the year, so that the one-off contingency benefit was available to support the medium term budget strategy. However, there was still a quarter of the year left and potentially the Council could face significant financial pressures from winter pressures.

The two areas of pressure were Children's Safeguarding & Early Help with an anticipated requirement for £3.5m additional investment necessary this year. This mainly related to the cost of placements for Looked after Children and the cost of social workers; and Adult Social Care with current projections for additional

investment of £1.0m, mainly relating to the purchase of care packages. It was noted that the provisional Local Government Finance Settlement announced on 19 December 2018 did not have any additional funding for ASC and Children's Safeguarding despite the campaigning by LGA, industry and MPs across all parties.

The Officer informed members that there were three reasons for setting out the S&FP strategy for the next two years; 2020 was the end of the 4-year grant settlement; the current Administration was in power for a further 2 years and central government had announced a completely new local government financial planning system for 2020-2021. The impact of the new system was unclear but there was certainty that 2020 would see the end of revenue support grant and the public health grant. The other significant change was that local authorities would be able to retain 75% of business rates. Broadly speaking this meant that with the loss of grants and greater retention of business rates, there was no particular impact; no great benefit or cost to the Council.

At the end of the current financial year, the Council had achieved savings of £110 million which equated to £1500 less to spend for every household in the Borough every year. By the end of 2020-21 based on current projections the Council expected to deliver savings of £143m overall, which meant another £33m had to be found over next 3 years.

The Chief Finance Officer highlighted key aspects of the reports and Members raised concerns and queries where relevant:

Central government had announced that for 2018/19 councils would be allowed to increase Council Tax by an additional 1% before a referendum was held and for councils with responsibility for social care this would give an absolute maximum increase of 5.99%. The Council had proposed to continue with its approved strategy of increasing Council Tax over the next two years 3.2% as residents of the Borough had not seen an increase in incomes and households would find it challenging. It was noted that the average home in Telford & Wrekin was Band B (each 1% generated around £600,000), whereas in areas where the council tax base was much healthier a greater advantage would be seen from the increase. Not only was this due to higher house prices but in such areas there were generally more self-funders and therefore a better health economy whereas in Telford & Wrekin there was a pressing need for care which meant a greater level of funding required from the Council.

Appendices 12-13 showed the Cost Improvement Plans (CIP) for ASC and Children's safeguarding. As well as council tax increases, the Council was able to use one-off resources of council tax payers' money which was reasonable over medium term to support the budget for ASC and Children's safeguarding. For the next two years **** of one –off would be used but for 2020-21 the Council would be looking for £19m of savings on an ongoing basis. This was alarming because it could not be taken from ASC which comprised 68% of budget, therefore the £19m had to come from other spending; for example, contracts such as ground cleansing. In terms of one-off resources – there would be around £10m of one-offs remaining in 2021 that could be used and there would possibly be single status money.

It was noted that Full Council had adopted a new approach to the development of future savings proposals as savings had become increasingly challenging. It was an ongoing process which ensured engagement with targeted service users throughout the year rather than once per year during the 4 week budget consultation. This meant that proposals could be developed as soon as was necessary and allowed plenty of time to consult and minimise impact on residents.

Members acknowledged that unlike central government, local authorities were not able to fund revenue services from debt, a balanced budget had to be set each year and debt had to be affordable. 6.4% debt was accounted for last year, which was a decrease compared to 2016-17 which was at 6.9%. The Council's debt was 17th lowest out of 55 unitary authorities and the neighbouring authority's debt was 9% greater by comparison.

Assumptions had been made on the generation of capital receipts. Members acknowledged that it would be important that these receipts, £41m over the next few years, were generated. The Council's values were cautious, sites had been selling at a slightly higher rate and the Council had a good track record in selling the sites it had expected to. However if values went down or there was a down turn in the market, the Council would have to look at mitigation, rephrasing some of the spending plans, identifying alternative assets. It was noted that a list of assets was taken to Audit Committee every 6 months. Members requested a copy of most up to date assets, identifying sites that the Council expected to sell and when they were expected to be sold for the next Finance & Enterprise Scrutiny meeting.

Members questioned the Council's inflation and contingencies approach particularly that no allowance had been built in for general inflation and the problems that could be set up for the future as a result. However it was noted that some provision had been made for additional costs that care providers would face as a result of the new national/ living minimum wage and for contractually committed inflation. It was noted that the base budget for 2018/19 included a base revenue contingency of £3m and also a one-off contingency of £3m to be available in 2018/19 pending the full implementation of the cost improvement plans for Children's safeguarding and ASC. It was acknowledged that if inflation was built into projections, saving would have to be found elsewhere.

On Single Status, Members noted that the new job evaluation scheme was long overdue but the Council was working jointly with the Unions and from a financial perspective the Council was saving money having not implemented it. However, it was likely to be implemented in 2020/21 to meet the requirements of the legislation. An allowance for additional costs arising from this had been built into the budget for 2020/21 of £0.601m rising to £1.270m in 2021/22.

Members noted the savings already delivered by the Council and acknowledged the cuts to Council jobs by over 1,532 since April 2010 saving £30m per annum following major organisational redesign and restructuring. Within the cuts, 932 had been redundancies and only 127 of these had been compulsory redundancies. However, further cuts were required and volunteers were no longer coming forward for redundancy. Senior management had been reduced by 57% which was twice the

national average and the number of middle managers had been cut by 53%. Staff pay since 2009 had increased by 5.3% while inflation had risen by 29.8% cutting staff pay significantly in real terms, the pay of most senior posts had been cut by 30% in real terms.

Members considered the opportunities to generate income through growth, noting that significant income assumptions had been made. £7.5m income would be generated through growth in business rates and council tax. Disposal of 27 council buildings had saved £2m/ year of running costs and capital receipts had also been generated.

There were no new changes to the New Homes Bonus, this had been retained which was good for the Council. The bonus was still payable for 4 years, rather than 6 years previously, and was not calculated on the first 0.4% of growth. In total the allocation for next year was around £494,000 higher than had been assumed with this benefit not yet reflected in the projections included in the report. £6m New Homes Bonus would be received in 2017/18 from the Council increasing its housing supply

A complex resetting of the local government finance system would occur on a regular basis – probably every 5 years; the first reset would take place in 2021 alongside a number of other changes. The Government would look at how much individual Council's needed to spend – based on cost drivers such as populations, deprivation, average cost of wage, highway lengths etc. and decide how much Council's needed to spend to deliver a standard level of service and would deduct the amount that it would expect the Council's to raise locally e.g. from council tax and fees and charges. The difference would be used for setting the business rates retention baselines to redistribute available resources across the country

With the new system resetting, the Council would lose the benefit of its share of 49% of the growth in business rates it had been benefitting from since 2013/14 although details of any transitional arrangements to phase in the new system had yet to be developed.

Members queried the appeals against business rates which was reported as currently very significant with two thirds of the total rateable value in the Borough being subject to appeal. It was noted that this was typical of previous years and that the increased retention of business rates to 75% would obviously double the exposure. Members requested information on the success rate of appeals and how it had reduced the rates collected. The

It was noted that the Council was continuing to maintain its commitment to transfer grant to Town and Parish Councils in respect of Local Council Tax Support. The amount available to allocate was £142k following the latest cut of more than 23% to the Council's (provisional) Revenue Support Grant. The Members requested a breakdown of the amount Town and Parish Councils would receive.

Members asked a number of questions of the Cabinet Member on the current financial and commercial landscape of the Council;

To date there was no evidence of the impact of Brexit; there was only anecdotal information and the Council's strategy was built on business growth. Central government had not provided any guidance.

To date there was no direct exposure following the collapse of the construction giant Carillion, even with projects in the pipeline and expansion of the industrial estate at Haughton Wood. It was noted that the impact would likely be indirect knock on effect in the supply chain and for jobs in the borough.

Cllr K Sahota left the meeting at 7pm

Members asked about the benefit to the Council of the changes to the treatment of income from leisure services. The Council had been part of a group action that concluded that leisure services income should not be subject to VAT – the Council would receive a back dated payment with interest. Given the pressures on the budget, the Council welcomed the additional income which would provide greater benefit than would be effected by a return to residents.

Further information was requested relating to the ICT savings associated with the server room at Abraham Darby Academy, which would be provided for the next meeting.

The Chair asked the Officer to explain the consultation process employed this year for the Budget. It was reported that the consultation was on the overall strategy and the period of consultation started on 5th January 2018 and would run for the statutory consultation period of 4 weeks. The Cabinet Member had attended a meeting of Town and Parish Councils and the Community sector before the Service and Financial Planning Report had been published to receive input. The Council's approach to consultation had changed; as detailed savings proposals were developed, service users who would have a direct impact and stakeholders with a particular interest in the area would receive be engaged in detailed targeted consultation. It was felt to be more time appropriate rather than waiting for the 4 week budget consultation, once per year.

Members sought assurance on the impact of the increase in council tax and collection rates. It was felt that as the Council had tried to keep the increase to a minimum 3.2%, the impact would not be major. Residents who were subject to benefits in council tax support, where only a proportion of council tax was paid, would therefore see little impact and for low income residents the proportion of council tax collected was also relatively minor.

Commercial activities were becoming a strength of the Council, the Chair asked whether there was any insight that could be provided on commercial ventures. The Cabinet Member reported that there was a proposal to increase profitability at the Solar Farm through the direct supply of electricity to private premises and there was additional investment in NU place and in the property investment portfolio. The Cabinet member clarified that £40m was going into Nuplace as part of the already approved capital programme which would see over 400 properties being built. The main focus of the Council at the current time was on extracting as much income as possible from current initiatives. There was a whole host of commercial initiatives

that had been considered and discarded, the Council was constantly coming up with new ideas to generate income but capacity within the Council was a limiting factor. The Chair agreed that it would be interesting to consider the commercialisation and the Council's enterprising role in the future.

It was noted that there was underspend on the superfast broadband and that Telford & Wrekin would likely exceed the Government's target and achieve above 99% before 2020. 100 houses out of 70,000 across the borough did not have superfast broadband. There are other changes in government legislation that may allow those 100 homes to be reached.

The Members discussed the increase in council tax and how this was communicated with residents. It was acknowledged that on the whole it was not clear to residents that it was only a proportion of their bill that would be increased marginally as other public services would increase their taxes, Fire and Police services and the Town and Parish Councils would also implement increases. Unfortunately legislation prescribed the format of the bill and therefore it was difficult to prevent public confusion when communications went out from the Council about the extent of the increase in council tax. It remained a frustration for Members.

The timescale for the Finance & Enterprise Committee to consider the budget was outlined; the strategy had been approved by Cabinet on 4th January, there was a 4 week consultation period, the results of which would come back to Cabinet on 15th February together with an updated Service & Financial Planning Strategy including the updated council tax base figures. The Chair of Scrutiny Committee would be invited to present the findings of the Committee at Policy Review followed by Cabinet on 15th February. The decision on the overall budget and actual Council Tax levels would be taken at Full Council on 1st March 2018.

Further details would be provided in response to Members' requests including the below and the Cabinet Member for Finance, Commercial Services and Economic Development had circulated the detail behind the savings proposals to Members.

- A copy of most up to date Council assets, identifying sites that the Council expected to sell and when they are expected to be sold.
- Appeals against Business Rates – data on successful appeals and how it had reduced the rates collected.
- Further detail on the Equality Impact Assessment tool, specifically on proportionate impact assessment
- A breakdown of the amounts Town and Parish Councils would be allocated in respect of the Local Council Tax Support.
- Detail on the ICT server room at Abraham Darby
- Feedback from the meetings with Town and Parish Councils and the voluntary sector on the budget.
- Adult Social Care breakdown as to why it is overspent

FESC-05 Work Programme 2018/19

Noted.

Chairman:

Date: