

BUDGET & FINANCE SCRUTINY COMMITTEE

Minutes of a meeting of the Budget and Finance Scrutiny Committee held on Wednesday, 9th January 2013 at 6.30pm in Meeting Room 3, Darby House, Telford

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

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

BFSC-17 MINUTES

RESOLVED – that the minutes of the meeting of the Budget & Finance Scrutiny Committee held on 19th December 2012 be confirmed and signed by the Chairman.

BFSC-18 APOLOGIES FOR ABSENCE

Cllr. A. Stanton.

BFSC-19 DECLARATIONS OF INTEREST

None.

BFSC-20 SERVICE & FINANCIAL PLANNING STRATEGY 2013/14-2015/16 (DRAFT BUDGET PROPOSALS)

The Assistant Director presented the Service & Financial Planning Strategy 2013/14-2015/16 (budget proposals) highlighting the following points:

- The Council's total budget for 2012/13 was £126m made up of around £58m from Council Tax, £66m formula grant and under £2m balances and one-offs. Adult care and support, children and families and neighbourhood and leisure services accounted for almost 90% of the total budget, leaving £13m for all other services including £5m to fund interest costs relating to outstanding debt.
- The latest financial monitoring position showed that most services were under-spent except children's safeguarding which was £2.8m over-spent. Due to tight financial management, the earlier projected use of £4.5m from contingencies had been reduced to £300k and the unused contingency would be rolled forward to create a one-off contingency for 2013/14 and to potentially supplement other balances such as the severance fund.

- In the 2010 Comprehensive Spending Review local government funding had been cut by 28% (around 40% in real terms) which was more than three times the average cut for other public services. The Council had already saved £42m from cuts to staff (850 jobs equivalent to 500 full time posts) and senior management (55% reduction), the sale of Civic Office and downsizing offices (£2m ongoing saving), savings through procurement (£4.25m) and a 35% cut in back office costs.
- The Chancellor's Autumn Statement had updated previous economic forecasts and extended the deficit period to 2017/18, which mattered because the government would need to claw back public spending for longer, and more deeply, than projected. There would be another government spending review during the first six months of 2013 which would firm up projections for 2015/16 which currently have a higher degree of uncertainty as they fall outside the current CSR period.
- Key budget pressures were the ageing population, inflation, the on-going transfer of care costs from the PCT to the Council from the non-award/withdrawal of cases of Continuing Healthcare funding, an all-time high in the benefit caseload, a 25% increase in homelessness applications, under-funding resulting from the grant damping and population under-count and the comparatively low level of Council Tax. Nothing had been built into the budget for a staff pay award or non-contractual inflation.
- In March 2012 the Council had agreed to reject the Council Tax freeze grant and to increase Council Tax by 2.5% following support for this option by two thirds of people responding to the consultation. This year, the government had offered a freeze grant equivalent to 1% for two years. The budget proposals recommended rejecting the current freeze grant offer for the same reasons as last year i.e. it would mean making further service cuts and was not inline with what people wanted, and increasing Council Tax by 1.9% (32 pence per week for a Band B property). Increases of 2% or more would require a referendum by May and this had been ruled out because of the £250,000 cost of a referendum, the cost and confusion of re-issuing Council Tax bills (sent out in March) in the event of the referendum being lost and the potential impact on non-payment. Around 40 Councils had rejected the freeze grant last year and it was anticipated that many more would reject the current offer.
- After initial delays and errors in the publication of the elements of the grant settlement, most of the data had now been received, although confirmation of the Public Health grant was still awaited with an estimated allocation of between £8.2m an £10.4m. Overall, the settlement was no worse than expected, leaving a projected budget gap of **£10m** for 2013/14. There was a lot of uncertainty about the medium-term funding, but the projected cumulative shortfalls were £24m for 2014/15 and £33.7m for 2015/16.
- The budget report set out measures to meet the 2012/13 shortfall:
 - £8.6m savings proposals as set out in Appendix 3 & 4
 - A cautious income target of £100k from commercial activity generated from existing services and new enterprise ideas/share of additional retained business rates

- Encouraging development: commercial development would increase funding through the business rates retention scheme, and residential development would increase income from the New Homes Bonus Scheme
- An increase in Council Tax of 1.9% for the next three years would raise £900k per year.

Assuming there were no further changes in the final settlement, or in spending projections, the Council would have a balanced budget for 2012/13.

- The major investments were: £288m in the capital programme (including BSF, borough towns regeneration, Gorge stability); £1m investment in a Commercial & Business Fund; £150k revenue investment in “Destination Telford” i.e. to promote Telford to potential business and tourist investors; budgets for areas hit by the recession had been put on a more realistic sustainable basis (e.g. property rental income); £150k for winter maintenance and a £600k investment in children’s safeguarding to bridge the gap between the £2.8m overspend and projected savings of £2.2m.
- The consultation activity on the strategy and proposals were outlined.
- The final settlement would be confirmed in late January/early February with a view to final proposals being considered by Cabinet on 28th February to agree recommendations for Council on 7th March.

The Cabinet member then made several points:

- He drew members’ attention to the LGA funding outlook for local government to 2019/20 which showed the squeeze on the level of funding available for other services if authorities continue to provide the same level of adult and children’s care and environmental services.
- The budget gap to 2015/16 equated to £70m in real terms in 7 years and Cllr. McClements emphasised the need for the Council to focus on stimulating the economy. Telford & Wrekin had advantages such as the availability of relatively cheap land for development - there had already been some good housing development schemes with planning permission granted for a further 13000. Cllr. McClements had requested information on the number of start up businesses in Telford & Wrekin to assess the level of activity and potential compared to neighbouring authorities.
- With regard to children’s services, costs were monitored on a monthly basis and there was a plan in place to reduce costs including the recruitment and retention of social workers to reduce reliance on agency social workers and the recruitment of more internal foster carers to reduce reliance on agency carers and to reduce the number of children in residential care which would have a very significant impact on costs.
- The level of balances for 2013/14 was lower than in previous years, but with the lower than previously anticipated use of contingencies in 2012/13, the remaining contingency would be carried forward to create a one-off contingency in 2013/14 and to supplement revenue balances for 2013/14.

- The government had fundamentally changed the basis of local government finance with the introduction of the business rates retention scheme. Funding for the Localised Council Tax Support scheme had been moved into funding from the business rates retention scheme, leaving Telford & Wrekin in a top up position and a net receiver of just under £2m from government. The campaign would continue to lobby government over the under-funding of the Council resulting from the grant damping and population under-count.
- £1.9m savings proposals in adult care had been issued in March and September 2012 with an additional £317k target for 2013/14 and there was a big job to be done in delivering the savings through the enablement and reablement strategy.
- A further voluntary redundancy scheme had been announced for staff.
- Savings had been made through procurement and property rationalisation.
- The overall picture was that services were not closing but were being squeezed.

At the end of the presentation the Chair thanked the Assistant Director and the finance team for their hard work on the budget. Members then asked a number of questions and were given the following additional information:

- With regard to differentiating between statutory and non-statutory services in allocating budgets, the approach was more to look at the services which were important to local people. Minimum service levels were not stipulated for most statutory services so it was still possible to make efficiencies from the statutory services.
- With regard to the Council's pension deficit, the next valuation would be in March 2013 (the valuations were triennial). At the time of the last provisional valuation the deficit had increased but with rises in the stock market over recent months it was anticipated that the deficit would have reduced from these higher levels. An assumption of a 1.5% increase in contribution rate had been built into the budget and it was felt this could be pessimistic but the position was volatile and affected significantly by changes in asset valuations.
- Single Status was scheduled to be implemented in April 2014. £2.75m had been built into the budget from 2014/15 onwards as provision for additional costs arising from the settlement and £0.919m of this sum has already been allocated to fund the elimination of fixed point grades and the award of market pay adjustments to some social worker posts.
- Members made a number of comments expressing concern about the overspend in safeguarding and scepticism that the activities in the Cost Improvement Plan would be enough to drive out the £2.2m savings. The Cabinet member replied that there was a need to reduce the unit cost of types of care, to reduce reliance on agency staff and to reduce the number of children coming into care. The upward trend in the number coming into care had continued and there could be a further uplift following the introduction of the welfare benefit changes. The percentage

coming into care in Telford & Wrekin was higher than the national average and the government had cut the Early Intervention grant. The level of financial monitoring was very high and involved Cabinet members and senior officers including the Managing Director. The service was £2.8m over-spent and the savings target for 2013/14 was £2.2m so an extra £600k had been invested in the service to bring the budget back in balance. Members wanted to know what would happen if the projected savings were not achieved and the Cabinet member replied that this would put pressure on other service areas - some Councils had lifted the threshold for adult social care to "critical" due to budget pressures. Members further questioned the culture of the service and whether there was an over-reliance on contingencies to cover over-spend and felt that closer financial oversight should have been in place earlier. Further comments were made about the need for a radical overhaul of the service. The Cabinet member said that changes were happening and there had been staff reductions: the additional investment had been made into safeguarding because of the number of children coming into care but there had been cuts in other areas such as the children's centres and lifelong learning. Referring to the targets in the Cost Improvement Plan, members remained unconvinced that the projected level of savings could be made, and questioned how the target of 300 children in care would be reached by April 2013 when numbers stood at around 320. Members noted that Shropshire Council was within budget for children in care services. It was suggested that in the light of members' concerns, the Cabinet Member for Children, Young People and Families and relevant officers should be invited to a future meeting.

- With regard to capital receipts, the projected target of £33m receipts for 2012/13 was close to budget and £40m had been profiled for 2013/14.
- There was a 4000 discrepancy between the Council's estimated population count and the ONS count. ONS use the census count and make adjustments for net migration. ONS modelling was 4000 lower than the Council's modelling. The Council had been pressing the case with the ONS for a number of years but it was felt highly unlikely that they would change their position. However, the Council continued to use this as part of a wider argument with government that Telford & Wrekin has particular pressures and is underfunded. Members requested a briefing note to explain the discrepancy.
- There was a question about how and when the Council pays Council Tax over to the parishes, police service and fire authority, whether payments are made in advance of collection thus leading to a loss of interest for the Council, and how a deficit in the collection fund at year end is shared out between the partners. The Assistant Director replied that the pattern of payments was laid down by regulation and he would provide clarification on the rules after the meeting. Deficits or surpluses in the collection fund were shared out pro rata with the police service and fire authority, but the parishes were protected and the Council must pass on what is precepted with no loss or gain to the parish.
- A member asked why the Rights of Way budget had been cut by £5000 when £6m was being invested in Brookside – he felt that maintaining the rights of way allowed people to use the footpaths for exercise free of charge and that £5000 was a small amount that may have a disproportionate impact as not all people could afford gym

fees. The Cabinet member was sympathetic but said there were a lot of people who could make the same argument about other cuts and that it was not possible to keep funding everything. Members suggested that maintenance of the rights of way could perhaps be discussed with the parishes.

- There was a question about why no provision had been made in the budget for inflation. The Assistant Director replied that there was a cash-limited budget so spending was planned and controlled within the cash limit and additional provision for inflation was not built into the budget. There was an issue with pay awards – the Autumn Statement had announced a 1% increase in public sector pay, but local government fell outside this and was subject to a separate pay award. No provision had been made in the budget for pay awards and a 1% increase would put an additional pressure of £600k on the general fund. The current budget was for a full establishment but a vacancy assumption could be built in, or savings could be made from other services or there would have to be fewer staff.
- A member wanted to know whether new Council Tax payers would be able to spread payments over 12 months, and the Assistant Director said that this had been introduced as an option and would be available to tax payers.
- With regard to the potential impact of automatic enrolment of staff into the pension scheme, £100k had been built in for new staff who must be enrolled unless they chose to opt out. A deferment for up to 3 years could be applied for in respect of auto-enrolment of existing staff, but the Council has a duty to inform staff that they had a right to opt into the scheme. Provision had only been made for new staff and members were supportive of seeking a deferment.
- Members wanted to know whether consideration had been given to savings from shared services and if so, for which services. The Cabinet member replied there were some shared services - for example the Youth Offending Service, some specialist services shared with Shropshire and the pension fund – but that in his experience shared services were not always a cost effective solution. Telford & Wrekin had better unit costs for adult care than other authorities in the West Midlands so there would be no benefit to the Council from shared services. The Council had saved 35% on costs of back-office functions which was more than most other authorities had saved from sharing services – the benchmark for savings from shared services was generally 20%. Shared services take a long time to negotiate and incur project costs and once the Council had gone down that route there were risks around the loss of direct control.
- Members asked whether outsourcing, such as proposed by Shropshire, had been considered and if not, why not. The Cabinet member replied that Shropshire had not yet put the outsourced services in place. There was a risk with outsourcing that the Council would lose expertise to the outsource company, and over time the company could then use that very expertise to lever prices upwards. Any outsourcing options would need to be considered very carefully and on a case by case basis. There were small examples, for example the joint energy procurement consortium, but the risks with outsourcing were the loss of control of the service or asset, as seen with the transfer of housing stock to the RSLs, and the lack of transparency and control over management costs.

When there were no further questions, the Chair thanked the Cabinet member and Assistant Director and they left the meeting.

BFSC-21 WORK PROGRAMME

Following on from the previous agenda item, members deliberated the proposals and discussed the areas they would like to look at in more detail. It was agreed that for scrutiny of the current budget proposals, members would like to look at the following items at future meetings:

- The costs and savings proposals for safeguarding at the meeting on 15th January. The Cabinet member Children, Young People and Families and senior officers would be invited to the meeting.
- The savings proposals and impact on service users for Neighbourhood & Leisure Services and Adult Care at the meeting on 22nd January. Relevant Cabinet Members and officers would be invited.

At the Chair's suggestion, members agreed that for scrutiny of next year's budget, the Committee would take a longer term approach and look at the Council's approach to savings options, such as shared services and outsourcing. It was suggested that the Committee should also look at how other authorities had approached savings and what kinds of services had been cut. There was a further suggestion to look at how Telford & Wrekin could benefit from regional funding.

The meeting ended at 8.00pm.

Chairman:.....

Date:.....