BUDGET & FINANCE SCRUTINY COMMITTEE

Minutes of a meeting of the Budget & Finance Scrutiny Committee held at 6.30pm on Tuesday, 2nd July 2013 in Meeting Room 3, Darby House, Telford.

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

Also attending: Cllr. W. McClements, Cabinet Member Finance & Enterprise; R. Partington, Managing Director (MD); K. Clarke, Assistant Director Finance, Audit & Information Governance and Chief Financial Officer (CFO); S. Jones, Scrutiny Officer.

BFSC-7 MINUTES

RESOLVED – that the minutes of the meetings of the Budget & Finance Scrutiny Committee held on 4th June 2013 be confirmed and signed by the Chairman.

BFSC-8 APOLOGIES FOR ABSENCE

Cllrs. A. Lawrence, C. Mollett and co-optee F. Robinson.

BFSC-9 DECLARATIONS OF INTEREST

None

BFSC-10 SERVICE & FINANCIAL PLANNING REPORT- 2012/13 OUTTURN

The Chair invited the CFO to summarise the key points in the 2012/13 Outturn report. These were:

- The Outturn report gives the financial position at year end and had been reported to Cabinet on 27th June.
- The outturn was very positive, with a year end surplus of £55k which was very good in the context of a net revenue budget of £126m and a savings target of £19m. Pro-active management of the financial pressures in safeguarding and adult care had also enabled the Council to remain within budget.
- A £2.5m one-off contingency had been set aside for 2013/14.
- £1m had been transferred from reserves into a Severance Fund.
- The Council had been advised that half of the receipt from the sale of its interest in WMS could be treated as revenue and had been transferred into the budget strategy reserve.
- Section 5.3 set out the service variations over £100k
- Appendix 2 set out detailed service variations over £50k

- Appendix 3 set out the revenue virements required to balance budgets
- Section 7 and Appendix 4 set out the position on the capital budget. There was a variation of £16.9m on capital spend due to delays and re-phasing of schemes into 2013/14 as set out in section 7.2 and in detail in Appendix 4. The shortfall in estimated income from capital receipts was offset by the slippage on capital spend, so there had been no additional borrowing requirements during 2012/13 and no consequent impact on the revenue budget for that year.
- Collection on Council Tax, NNDR and Sales Ledger had ended slightly behind target.
- The report flagged up pressures rolling forward into 2013/14 including:
  - **Care & Support** - pressure on adult care continued, particularly from the continued cost switching from the NHS to the Council from the withdrawal of CHC funding.
  - **Safeguarding** - the forecast in the report was that after use of the contingency set aside specifically for safeguarding would end 2013/14 in-balance, but the forecast had subsequently been revised and was now projecting an overspend of £400k at year end after use of the contingency.
  - **Capital receipts** - the requirement for 2013/14 had been revised from £39m to £45m due to receipts being deferred from 2012/13. Some of the receipts had been delayed beyond 2013/14 including the sale of land in Newport leaving a shortfall of £30m in required receipts.
- There was some good news:
  - Treasury management was expected to benefit by £0.5m even taking into account the rephrasing of capital receipts
  - The indications were that the refund on the revenue grant support for the academies topslice would be £730k (received in 2013/14 for 2012/13) more than double the £351k refund in 2012/13 (for 2011/12).
- KPMG had started the audit, the accounts were open for public inspection . The formal statement of accounts which are subject to audit could be circulated to the Committee if anyone wished to see them.

There were then some comments and questions from members:

- The Chair congratulated officers on coming in £55k under budget and making £19m savings and put on record her thanks to officers. The CFO said the thanks were due to Cabinet members especially as the budget was projecting a £4m overspend last September.

- Mr. Williams queried the shortfall in income from school meal fees and whether it was due to reduced up-take or because the fees were not being collected properly which he felt could put vulnerable parents into debt. Officers explained that responsibility for collection had passed from the Council to the schools, but the CFO said he would look into this and provide a response. The MD said the issue could be looked at as part of the review of school catering. Subsequently the relevant Assistant Director has confirmed that they're not aware of an issue.

- Mr. Williams expressed strong concern about the potential £30m shortfall in capital receipts. He wanted to know why projections made by professional people could be so far out, and said that this was an issue he raised every year and he was frustrated because details were not given to the Committee to scrutinise. The CFO replied that the required amount of capital receipts had been delivered in the past. Sites were continually under review and the best assumptions were made about market values and the best time to sell a property to achieve the best price, but it was impossible to know the exact receipt until the property was sold and sometimes the projection in terms of value or timing of disposal could be out. Mr. Williams said he understood that £20m of the £30m shortfall was accounted for by one receipt in Newport, but even so, there was still a remaining shortfall of £10m which was a very significant amount details are provided to the Audit Committee and members of the Scrutiny Committee are free to attend its meetings.

- Mr. Williams wanted to know what the impact of not collecting the receipts would be. The CFO explained that there would be a small revenue impact on debt charges which can be accommodated within the net position on treasury management given the considerable slippage on capital spending reported in the outturn report. The loss of revenue from interest would only be relatively small because interest rates were so low and the interest impact would only accrue from half way through the year as receipts were generally assumed to be received mid-year.

- Mr. Williams wanted to know whether the slippage in the 2012/13 capital programme was due to the slippage in the capital receipts. The CFO explained that the capital programme assumed a level of borrowing and a level of capital receipt and some slippage was built in. A lot of capital projects slip – for example there had been a 3 month delay on one project because of objections about access – and it was not always possible to predict what objections would be made or the delay impact. The MD said that the Council does not take its foot off the gas with capital receipts and wanted to bank the money, but was not prepared to sell imprudently – to have a "fire sale" at silly prices. There was an assumed level of value for each property and it was necessary to realise the best possible value to maximise the interests of local council tax payers.

- Cllr. Guy asked what happens if the required capital receipt is not realised until after a project had started and whether this would delay a project. The Cabinet member said that some projects were not moving as quickly as they should, but capital receipts were monitored and discussed regularly and new plots were looked at to move forward.

- Cllr. Guy referred to the revised projections for safeguarding, the consistent overspend and the discussion at the previous meeting about setting a more realistic budget, and said he did not understand why the budget was not increased to a realistic amount. The MD said there was not always a direct correlation between the budget and spending because events could outstrip the budget. There were 2 factors to consider:
  a) Internal cost control i.e. being in control of costs and providing the right care at the best price when a child is taken into care. There was still work to be done, but costs had been reduced through the commissioning process for residential

and external foster care placements and the new care contract at Jigsaw; the campaign for internal foster carers continued and there had been 50 new enquiries; the high-cost residential placements had been reviewed and a number of moves were being planned from residential to foster care. There was some good work going on, but still more to do.

b) What happened in the community - the Early Help support was still in its infancy and further up-skilling was needed.

It was not as simple as just putting more money into the budget. There was a fine balance because officers need to be aware of savings targets but no one at the Council wanted social workers to make assessments and decisions based just on money. The welfare benefit reforms may have an impact. The MD believed the strategy was right and would have an impact on costs but it was important to do the right things which took time.

- Cllr. Guy checked he had understood the position correctly, that they would wait until the changes had been implemented and would then review the budget position. The MD confirmed it was. He said the budget could be set at any level but this would mean cutting services in other areas. The budget was scrutinised on a monthly basis and investment had been made into early intervention and edge of care prevention strategies. The CFO said the budget needed to be realistic and this was why an additional £600k had been invested in the service with a £930k contingency which was felt realistic given the Cost Improvement Plan when the budget was agreed.

- Mr. Williams asked if the position could be summarised as keeping the base budget tight but having a contingency. Cllr. McClements said that was right and there was a double contingency with the safeguarding and general contingency but the pressure needed to be kept on people who are spending the money. Most authorities had seen an increase in the number of children coming into care but Telford & Wrekin had seen a steeper proportional increase against its peers and the underlying causes for this needed to be understood, for example whether it is because Telford & Wrekin has a lower wage economy and higher youth unemployment than peers. Since the last meeting, he had seen a map of where other local authorities place their children and there were 24 children's homes in Telford & Wrekin and 61 in Shropshire and he felt the high concentration in the county could be a sign of the lower unit costs. Mr. Williams said he felt is was better to have a lower base budget and try to meet it than to increase the budget.

- The Chair asked about the expectations for income collection given they were down against target and some of the welfare benefit changes had come in. The CFO said the benefits team had been very proactive. They had telephoned people affected early on to offer alternative methods of payment such as direct debit, 12 monthly instalments, weekly instalments, collecting payments on the best date for the customer and the Council was prepared to accept different types of payment to suit customers. They had been very proactive, but the pressures continued. Collection of business rates was important for the Council's income because under the business rates retention scheme the Council would retain 50% of business rate income (up to a threshold).

There were no further questions. The Chair and other members of the Committee asked the MD and CFO to pass their thanks down to staff on achieving a good outturn.

BFSC-11 RESPONSE OF THE MANAGING DIRECTOR TO THE COMMITTEE'S COMMENTS ON THE SERVICE & FINANCIAL PLANNING STRATEGY 2013/14-2015/16

The Chair reminded members that the Committee had requested that the Managing Director attend a meeting to respond to their comments on the budget strategy and in particular to outline the Council's approach to:

- Outsourcing and shared services
- Opportunities for commercial income
- Setting priorities and budgets for future years given continuing budget cuts.

Richard Partington gave a presentation providing the following information and points:

Our Financial Context -
The 2010 Comprehensive Spending Review (CSR) had cut local government funding by 28%. George Osborne had updated and extended the deficit period in the Autumn Statement meaning deeper cuts for longer. The spending review in June announced a further 10% cut to local government funding from 2015/16, making a 50% grant reduction in real terms from 2011/12 and 2017/18. Telford & Wrekin Council had already made savings of **£50m** from 2009/10-2013/14. With the June announcement, a further **£40m** saving would be needed by 2017/18 (£10m per year for the next 4 years) meaning the cuts were only half way through and things would get much tougher.
Spending Round 2013 -
The government's spending plans and savings (£11.5bn) announced in June were for 2015/16 onwards. An additional £3bn had been announced for capital projects and the fact that the M6/M54 link was on the list was welcome although not likely to happen until 2020/21. Council Tax freeze grants would continue for 2014/15 and 2015/16 with the referendum threshold remaining at 2% - Telford & Wrekin had increased Council Tax by 1.9% following consultation. £3.8bn had been announced for pooled NHS/local authority funding and Telford & Wrekin would be looking closely at the integration of health and social care services and the potential for sharing services. A key question was how the funding would be distributed across local authorities.
Our Initial Strategy -
Telford & Wrekin had seen the "storm" early on in 2009. Richard Partington had written a paper "One Council, One Team, One Vision" (and One Business) about what needed to be done. It did not follow other Council's strategies but was about understanding the local position and designing a fit for purpose organisation - at that time there were five departments which were not functioning as one organisation. This led to a transformation programme right across the organisation to attack cost, strip out bureaucracy and duplication and to make the Council flexible and responsive. Services had been completely redesigned. The approach had been recognised as an exemplar by the LGA.
A Co-operative Council -
In May 2011 Telford & Wrekin committed to becoming a Co-operative Council. This was about looking outwards and working with employees, residents and partners to

develop new ways of delivering services with the community, and joining up services - "Making Every Contact Count".

Our Results -

There was now a newer, better organisation. £50m savings had been delivered without the public seeing major service cuts; the Council had worked hard to make this happen and few other authorities had redesigned services and jobs from top to bottom. ICT was a critical element and Telford & Wrekin was ahead of the game on developing the IT infrastructure and enabling technologies and other authorities were having a look. Senior management had been reduced by 50%, middle-management by 35%. More than 40% had been saved on back office costs – the MD emphasised how good this was compared to an average 20% saving other authorities had made from outsourcing or sharing services and the fact that some of these authorities were now considering bringing services back in-house as initial cost benefits reduced. Around 1,000 posts had been lost with relatively few (30-40) compulsory redundancies. Office costs had been reduced by 33%. There was a focus on savings from procurement and, going back to the point about outsourcing, the services that were delivered by external providers had been the hardest place to make savings.

Savings/One-offs used in Budget Strategy -

This slide showed the amount of one-off and on-going savings from 2005/06 to 2013/14. Around £20m of the £50m savings had come from "one-offs" which had now gone leaving little leeway to rely on further savings from one-offs – there were none in the 2013/14 budget strategy.

Not doing the "Easy Stuff" -

Telford & Wrekin had resisted making what were seen as "easy" savings that other authorities may have made. Car parking charges had not been introduced in the borough towns because they could dampen economic activity. Free swimming for under-16s had been re-introduced and maintained. There had been no across-the-board pay cuts for staff, and pay increments and sick pay had been retained. There had been minimum cuts to front line services. Key voluntary sector organisations had been given some certainty with three year funding guarantees. Cuts could have been made in these areas, but it was decided that was not the right thing to do. There had been a major consultation on Council Tax options and the public view had supported an increase.

...And Transforming Delivery -

Mr. Partington disagreed with the Committee's view that savings had been made by "salami slicing". A 20% savings target had been set across the board which had been delivered with a variety of solutions. Key services had been re-engineered with First Point as the "front door" for residents; children's services had been re-designed with a single point of contact Family Connect and a new First Point had been set up for businesses as part of the "Business Supporting, Business Winning" economic growth strategy. There was a business approach to making savings - not a slavish one - and resources were aligned to where services were needed. For example, additional investment had been made into children's safeguarding, Business Support and adult care (£28m in 2012/13, £35m in 2013/14) and into Destination Telford which was key to economic growth in the borough and to future income. The Co-operative projects had helped to lever in external funding, for example the Small Business Loans Scheme.

But...Under Pressure -

The job was not done – there would be bigger grant cuts and for longer than set out in

2010. Inflation was rising with no provision in the budget. The aging population and the £8.5m cost shunt to the Council from CHC withdrawal were continuing pressures. Earlier discharge from hospital and increasing care home fees would also increase social care costs. The “shop window” to the borough was important to attract investors so investment in roads and the environment was important. The welfare benefit reforms could impact on cost and income collection. Telford & Wrekin was a youth unemployment hot spot. The Ofsted inspection regime was very challenging . A 1% pay rise for staff had not been built into the budget projections from 2014/15 onwards. So things were tough.

Our Strategy -

Things were being done and opportunities explored. Telford was a growth point – the strategy was to support job and housing growth which would bring more income into the borough and to the Council from business rates and the New Homes Bonus scheme. Opportunities around the City Deals and Growth Pact were being looked. A closer relationship with JobCentre Plus was needed as key to the growth strategy. New income streams were being looked at, both new commercial income and income from existing services e.g. schools, personalisation. The integration of health and social care presented a big opportunity and the investment in pooled services created the potential for better services and the Council needed to be leading the agenda. Cost saving behaviour was being encouraged e.g. shifting to direct debits which were cheaper to process and saved on front-line costs. More automation was needed and processes were being redesigned. Savings from procurement would continue to be pushed, although there was less flexibility with outsourced contracts for example, inflationary pressure and inflexibility in the TWS contract limited savings opportunities, the cost of some care contracts had gone up by 9-10%. Co-operative service delivery would continue to grow, such as the Snow Wardens and Environmental Action Teams.

Our “Commercial” Approach -

A lot of authorities were thinking about commercial income. Telford & Wrekin would lose £40m grant funding over the next 4 years and this needed to be replaced. Five key areas were being looked at to generate income: traded services, existing service area enterprises, new service area enterprises, new commercial enterprises and commercial investments. The commercial approach was to develop/provide services that businesses or residents choose to buy rather than to increase prices. Ideas should complement the Council’s values and not just be about money making but they still need a “business head”. There were no guarantees, but Cabinet and officers were prepared to be brave and rigorous business cases and plans were being developed to minimise risk. One of the issues was staff having the time and capacity to develop ideas which would generate income. The first idea to “go public” was the Council developing and managing some 550 homes and a feasibility study was in progress. Other ideas were being worked up and would be presented to Cabinet in September and the MD thought there would be some surprises in the ideas. He emphasised that Telford & Wrekin was not pursuing a trading company model such as IP&E in Shropshire as there was no business case at this stage to suggest that this was necessary in Telford & Wrekin.

Taking Heart -

An advantage in developing commercial ideas was that Councils were a “trusted brand”. The MD felt that this was an exciting time because although there were worries and threats ahead, there were also opportunities without precedent or rule-book so Councils could take control of their own destiny.

At the end of the presentation Members had some questions and comments.

- Cllr. Austin asked about the model for housing ownership and whether it would fall down on the Right to Buy. The CFO explained that there would be a Council owned company which would own the stock and therefore the properties would not be subject to Right to Buy.

- Cllr. Evans asked for clarity about the further £40m savings required and whether completely new savings would need to be found or whether the on-going savings would contribute to this. The CFO explained that the revenue savings were on-going and contributed to existing savings targets, but the June announcement of a further 10% grant cut from 2015/16 meant that £10m new savings would need to be found each year for four years.

- Cllr. McClements referred to the comment the Committee had made about outsourcing in the budget response, and said that when work is outsourced the organisation loses its skilled staff and is then hostage to a contractor who can put prices up, and the idea of giving away skills and control was folly. This had happened at a previous engineering company he had worked at. Businesses need a blend of control and skills, and contrary to outsourcing more services there were arguments to look at whether it would be better to bring some services back in-house. Adult care was possibly worth exploring because a lot of agency care workers were paid minimum wage but a provider could be charging £14 per hour. Cllr. Evans said she worked in the adult care sector and made no further comment. Richard Partington said there was a lot of good will amongst staff who worked extra unpaid hours and this could be lost with outsourcing.

- Cllrs. Guy and G. Reynolds thanked the MD for his presentation which they said had given them assurance of strong leadership. They suggested the presentation should be shared with all staff to inspire confidence that the Council had a plan and was looking ahead for opportunities. The Chair agreed it was an excellent report which should go to all staff. The MD said that it had already been shared with Senior Managers, Service Delivery Managers and Team Leaders and the plan was to share it with all staff. Just having a growth strategy did not mean that growth would happen – the whole Council needed to perform to deliver the agenda and bringing teams together made the organisation stronger. In response to a suggestion that there should be one big event for staff to hear the presentation, the MD replied that there was a positive narrative, but staff would inevitably ask if they will be part of it and they will worry so this had to be handled sensitively. Telford & Wrekin was lucky; there were growth opportunities and the Council had seized the challenge and needed to be positive, but realistic. Cllr. Guy said that from his experience, strong leadership had a positive impact on morale and performance.

- Mr. Williams referred back to the three specific issues the Committee had asked to be addressed in the presentation and asked if they had all been addressed. He did not feel the question of outsourcing had been addressed but the Chair said she felt the approach had been explained. Mr. Williams said he had not heard anything about what the opportunities were for commercial income generation and the MD said the presentation had set out the overall approach and areas where there were opportunities to generate income but the specific ideas could not be discussed because they were commercially confidential. Cllr. McClements assured Mr. Williams that ideas were being developed and further initiatives would be presented to Cabinet in September and that there were some surprising ideas. He said that Telford was lucky because it had growth potential. The retail sector was changing radically with the move to internet shopping but the retail offering in Telford was strong and would have support from the Council to help it keep its competitive advantage. This was crucial for the borough and for the Council's income which will depend on business rate retention. He said we had seen what has happened in other towns where high street shop closures had percolated through the town, and in this respect Telford was lucky. The MD said that other places, including Shrewsbury's riverside complex, seemed to be struggling to get investment but there were some exciting announcements coming up in Telford that would take the town up a league. Private investment was coming in and a good relationship had been built with the town centre management company so they were also investing in the centre.

When there were no further comments the Chair thanked Cllr. McClements and officers for the presentation and answering questions and they left the meeting.

BFSC-12 SINGLE STATUS

The Chair advised members that the Assistant Director Law, Democracy & Public Protection as lead officer for Single Status had sent apologies for the meeting but had provided a written briefing note which was tabled. The Chair asked if members had further questions which they would like the Assistant Director to attend a future meeting to address. Members said it was a good initial report, but Cllr. Evans said there was a lot more to be explained such as why Single Status was so behind schedule, questions about staff morale particularly staff who may have a drop in salary and the financial contingencies set aside for implementation. It was agreed that Cllr. Evans would discuss these issues with the Assistant Director and report back to the Committee if she felt there were issues that needed to come back to a future Committee meeting.

BFSC-13 WORK PROGRAMME

Members discussed the work programme in the light of the information discussed at the meeting. The Scrutiny Officer updated members on the status of outstanding information requested at the last meeting:

- Cost trend data in care placements was being verified and would follow
- Cost benchmarking data – there was no off-the-shelf benchmarking data available but this had been discussed by Cabinet members and officers who were looking into what was available regionally and how it could be used to benchmark costs. This would take some time and a report would follow.
- The question about the cost benefit of spending more on marketing to attract foster carers was being looked at and a response would follow.

All other reports requested had been circulated.

The following was agreed in relation to the work programme:

- Care Placements: members requested an update on the Cost Improvement Plan in November
- Continuing Healthcare: members of the Budget & Finance Scrutiny Committee would be invited to attend the Health & Adult Care Scrutiny Committee meeting when it receives the Health & Wellbeing Board response to the Committee's recommendations on CHC. Cllr. Evans said she sits on both Committees and could be a link.
- Capital Receipts: the Chair would discuss monitoring of capital receipts with the Chair of the Audit Committee to discuss how this would be done to avoid duplication.
- Single Status: the approach had been agreed in the previous discussion.
- Ideas for commercial income: members would wait until the September Cabinet report was published and then decide whether there were any issues they wanted to scrutinise at a future meeting.

The meeting ended at 8.15pm.

Chair:...

Date:...