

**BUDGET & FINANCE SCRUTINY COMMITTEE**  
**Minutes of the meeting of the Budget & Finance Scrutiny Committee held on**  
**Wednesday, 12<sup>th</sup> October 2011 at 6.00 p.m. in the Scrutiny Meeting Room, Civic**  
**Offices, Telford**

**PRESENT:** Councillors R. Sloan (Chairman), R. Evans, C. Mollett, S. Reynolds, C. Turley; Scrutiny Co-optee R Williams.

**Also Present:** Councillors W. McClements, A. McClements; Ken Clarke, Head of Finance; Felicity Mercer, Policy and Value for Money Manager; Stephanie Jones, Scrutiny Group Specialist; Tracy Clarke, Scrutiny Officer.

**BFSC-8      MINUTES**

**RESOLVED** – that the minutes of the meeting of the Budget & Finance Scrutiny Committee held on the 27th July 2011 be confirmed and signed by the Chairman.

**BFSC-9      APOLOGIES FOR ABSENCE**

Councillor K. Austin

**BFSC-10     DECLARATIONS OF INTEREST**

None

**BFSC-11     SERVICE & FINANCIAL PLANNING 2012/13-2014/15**

The Head of Finance gave a presentation on Service & Financial Planning 2012/13-2014/15 to advise members on the current financial position and the updated budget gap projections. The following points were made:

- Financial pressures on the Council:
  - The in-year grant cuts of £3m to revenue and £1m to capital budgets in June 2010. Savings have to be found on an on-going basis.
  - The Comprehensive Spending Review in October 2010 had placed the greatest burden of public spending cuts on local authorities.
  - The grant settlement in December 2010 cut the revenue grant by a projected 27% and the capital grant by 45% to 2014/15. This was a revenue cut of £27m over 4 years, equating to a real terms cut of £40m when allowing for inflation. Additionally, the cuts had been front-loaded so half (£13.6m) would come in the first year. The settlement was for two years only. Projections beyond 2012/13 were provisional and there could be further changes – complicated by the local resource Review currently being consulted upon
  - Grant “damping” had continued so that £4.3m had been withheld from Telford & Wrekin in 2011/12 and allocated to other authorities. (This had been reflected in the grant cut figures.)
  - There are a number of pressure areas including on the looked after children’s budget as the number coming into care continued to increase in line with

national trends (an 8% increase from 280 to 301 over the previous 2 months) and on the adult social care budget as the PCT continued to cut back on Continuing Health Care funding and costs fell to the Council.

- The £20m budget gap for 2011/12 had been met by on-going staff and non-staff savings (£4.3m and £5.1m respectively), the £1.4m Council Tax freeze grant (equivalent to a 2.5% tax increase and payable until the end of 2014/15) and the use of £9.2m one-off balances. One-off balances had been used to allow time for cuts to be planned and consulted upon but meant that this amount would need to be found on an ongoing basis next year. Work continued on the organisational restructure, but the required length of the consultation and recruitment periods and notice periods meant that there was typically a 9 month lead in period after the launch of initial proposals before savings were realised.
- There had been changes since the 2011/12 budget had been approved in March:
  - The 100 Day budget review proposals if implemented would make on-going savings of £2.9m p.a. to reduce the budget gap.
  - The budget approved in March included an element for contractually committed inflation, but did not make provision for general inflation which was now estimated at 4.5 - 5.2% dependent on whether CPI or RPI was used and this needed to be built in.
  - The £2.95m reinvestment in adult social care over 3 years had been reassessed as it was now considered to be insufficient and an additional allowance had been built into the projections
  - There was some positive news – the New Homes Bonus scheme (whereby DCLG match-fund additional Council Tax raised on new homes and empty properties brought back into occupancy) was expected to generate around £600k this year and was on-going for six years.
  - It was expected that significant savings could be driven out through improved procurement practice.
  - The £2.8m contribution to Single Status was not made in 2011/12 and would not be made in 2012/13 or 2013/14 as it was considered adequate provision – around £12m - had been set aside to date.
  - The government is carrying out a fundamental review of local government finance (the Local Resource Review) and there is a lack of clarity about what will happen from 2013/14. It was likely that business rate income would pass to local authorities although how this would work and the impact on authorities was unclear.
- The updated projected budget shortfalls were: £21.1m in 2012/13, £27.3m in 2013/14 and £31.2m in 2014/15. It was explained that the figures are cumulative e.g. if the shortfall is met in 2012/13 with ongoing proposals, the gap in 2013/14 would be £6.2m. There was uncertainty about the 2014/15 projection because of the Local Resource Review.
- There were 20% staff and 20% non-staff savings targets for all service areas. £9.4m savings had been delivered in 2010/11 and 2011/12 which meant a further £26.4m would need to be delivered over the next 3 years. Front line services, especially in safeguarding and adult social care would be protected wherever

possible. Senior management costs had already been cut by 50% and another review was underway which is likely to cut senior management structure further. The emphasis was on making efficiency savings from service re-design (e.g. the rehabilitation and re-ablement strategy in adult social care) and through procurement. The savings proposals for next year would be set out to show how and where savings would be made e.g. operational savings, savings through procurement etc.

- Key dates for the process were
  - 10<sup>th</sup> November – Cabinet review 100 Day budget
  - December cabinet – launch of Service & Financial Strategy for consultation
  - December-February – scrutiny review of proposals and alternatives from opposition groups
  - 23<sup>rd</sup> February 2012 – Cabinet finalise strategy and recommendations to Council
  - 1<sup>st</sup> March 2012 – Council final decisions and set Council Tax

Members asked a number of questions:

- *20% savings are dramatic. What discipline is applied to budget holders, and how is spending monitored?*

Everyone understands very clearly the severity of the financial position and the savings targets are applied to all service areas. The senior management team receives regular updates to monitor the position. The Council is still projecting to be within budget at year end but this is after using £2m from contingency which means two thirds of the contingency has been used by mid-year.
- *How is the use of contingency explained?*

Contingency funding has been used to fund the increased case loads for looked after children and adult social care which are demand led costs. We would prefer to save the contingency and carry it over to next year as a one-off benefit to help support the budget in 2012/13 or to provide additional one-off contingency in what will prove to be a very challenging year.
- *Why weren't the additional costs foreseen and budgeted for?*

They are demand led costs which are difficult to project accurately. We are working hard to keep children out of care, but there has been an increase in the number coming into care in line with the experience of a number of other unitary authorities. £1.66m of savings was re-invested in adult social care in 2011/12 in anticipation of the increased costs as a result of the tightening and withdrawal of the PCT's Continuing Health Care funding and other pressures, but the latest projections from the PCT indicate that more needs to be built in.
- *Would the Health & Social Care Bill put additional costs onto the Council?*

This question would need to be put to the lead Corporate Director for a response.
- *Members asked when initial ideas about savings for the next service & financial planning strategy would be available.*

The proposals would be launched for consultation in December 2011 once approved by Cabinet and would then come to scrutiny. There would be consultation with the public on initial options, particularly with service users most affected by some of the proposals during late October and November.

## **BFSC-12     RESULTS OF 100-DAY BUDGET CONSULTATION**

The Policy and Value for Money Manager tabled a report on the headline results of feedback from consultation with the public on the key 100 Day budget proposals.

Consultation had been carried out during September. A survey focused on the seven key proposals that would have the most impact on the public had been carried out using a variety of methods including on-line, postal surveys and face-to-face engagement.

A total of 669 responses were received by 30<sup>th</sup> September, including 525 from members of the Community Panel (49.8%) and 144 from other residents.

There was a good level of support for each proposal, with all receiving a minimum of 64% approval from those responding. The headline results were:

- The highest level of support (88.9%) was for the proposed additional investment in the maintenance of roads and pavements which was almost universally popular. Those disagreeing felt current levels of investment were satisfactory in the current climate.
- The investment in the Small Business Loans Fund was popular (76.2% supported the proposal). Reasons given for not supporting the proposal were that the tax payer should not be supporting businesses, and that the amount (the Council would contribute £25k to private sector investment totalling £250k) was not enough to have a significant impact.
- Most (75.3%) agreed with the decision not to go ahead with the new build Civic Office. Reasons for not supporting the decision (18.4%) were that the new Civic Office would have been a focal point for attracting investment, and that single site accommodation would be more cost-effective. There was also some confusion about the Community Hub.
- The revisions to the Town Centre redevelopment scheme were supported by 73.2%.
- Opinion on the reinstatement of free swimming for under -16s with a flex card was divided. 67.3% supported and 21.1% did not support the proposal (the highest disapproval level of all the proposals). Some felt swimming should be funded by schools or parents, or that free swimming should benefit other groups such as senior citizens, or that the concession should be funded on a needs basis.
- The proposed revisions to the Oakengates and Newport regeneration schemes received the greatest level of “neutral” response, probably because of the local nature of the proposals. Of those who commented on the Newport scheme, some did not object to the revisions and others did not want the scheme to go ahead at all as they felt it would not have a great impact. Comments on the Oakengates scheme included those who were pleased about the funding

allocated and a small number who felt the scheme would not deliver what was needed. Overall, people were comfortable with the revisions.

Members of the public had also been encouraged to put forward their ideas for savings and 700 suggestions had been received since July. These would be added to the suggestions put forward by members of staff during engagement sessions. The suggestions fell broadly into 2 categories:

- Things that are already being done by the Council. This highlighted the need for better communication with the public about things that they may not know the Council is doing.
- Things that the Council is doing, but could do better or things that the Council is not doing but could do.

All suggestions would be considered, divided by service area and the best ideas would be short-listed to follow up first. Fresh ideas would be considered as they were submitted, and feedback would be given to people making the suggestion. Implementation would be managed and driven by the senior management team.

Phase 2 of the engagement strategy would be led by the Community Engagement Manager and focus on specific areas where cuts may have the greatest service impacts. The strategy was currently in the planning stage. The aim was to consult on the impact of various savings scenarios, and to get ideas about how the impacts could be addressed, mitigated or alternative solutions.

Members asked the following questions:

- *Is the cost of consultation in terms of staff time and materials worked out to determine the most cost-effective way of consultation?*  
We try to join up across teams so that staff meeting the public can combine consultations. Costs are tracked so a unit cost can be calculated. In terms of improving the Council's understanding of people's views, and understanding the level of knowledge that people have about the Council, the cost is worthwhile. For example, the savings suggestions had highlighted areas where the Council needs to communicate better to tackle misconceptions. The Cabinet member emphasised that consultation with the public is essential and that the authority can be challenged if it is not done.
- *When will initial ideas about savings be available for consultation with scrutiny?*  
The full budget proposals will come to scrutiny once approved by Cabinet in December. There will be continued consultation on specific services before then and details of the plan are being worked out.

**The following points were made for further discussion or action:**

- **The Policy and Value for Money Manager suggested that the Committee could play a role in monitoring how the savings suggestions are taken forward.**

- **Details of consultation events would be provided for members to decide whether and how they want to be involved. The Chairman said that the Committee needed to be assured that consultation was conducted properly and early enough.**
- **Members emphasised that all savings suggestions should be considered thoroughly so that good ideas are not missed.**
- **Cllr. Evans suggested that the savings proposals should be looked at to see how they could be done as a co-operative team.**

The Cabinet member and officers left the meeting.

### **BFSC-13     RESPONSE TO THE 100 DAY REVIEW OF 2011/12 SERVICE & FINANCIAL PLANNING STRATEGY**

Members had a discussion about the points they would like to make in response to the 100 day budget proposals.

The Committee accepted that savings needed to be made given the scale and front-loading of the cuts to the authority's grant settlement. Members acknowledged that the 100 Day budget proposals had resulted from an in-year review of an existing budget, and although the savings were significant, there had not been scope within the review for major structural changes. The Committee noted that the savings resulting from the proposals were consequently relatively small in relation to the overall projected shortfalls for 2012/13 – 2014/15.

The Committee supported the increased investment over the next two years in the maintenance of roads and pavements, and that the high level of public support (88.9% of respondents agreed or strongly agreed with the investment) demonstrated that this was a priority for the public.

The Committee recognised the hard work of officers that had gone into the public engagement activities within a short space of time, and noted the excellent response rate from members of the Community Panel (49.8%). However, one Member had strong reservations about the validity of asking a question about the cancellation of the new Civic Office when people would not be able to give an informed view without understanding local government finance. Members were further concerned that survey samples should be large and representative enough to draw a fair picture of public opinion across the borough.

There was some concern about the potential impact that the Small Business Loans Fund could have, and the Committee agreed that this would be scrutinised at a future meeting.

The Committee also wanted to express concern that two thirds of the contingency had already been spent, half-way through the year.

It was noted that the Chairman would attend Cabinet on 10<sup>th</sup> November to present the scrutiny response.

**RESOLVED**

**That the response to reflect the discussion would be drafted by the Scrutiny Group Specialist and circulated to members for approval.**

**BFSC-14    FORWARD PLAN**

It was agreed that the next meeting at 6.00pm on 15<sup>th</sup> November would look at procurement.

The meeting ended at 7.50p.m.

**Chairman:** .....

**Date:** .....

## Appendix 1 – Work Programme

MEETING DATE	AGENDA ITEM
Wednesday, 27 <sup>th</sup> July Scrutiny Meeting Room	<ul style="list-style-type: none"> <li>• 100-day review of 2011/12 service and financial strategy</li> <li>• Financial Monitoring report</li> <li>• Telford Town Centre Report</li> <li>• Schools Capital Programme</li> <li>• Work Programme</li> </ul>
Wednesday, 12 <sup>th</sup> October Scrutiny Meeting Room	<ul style="list-style-type: none"> <li>• Interim feedback from consultation on the budget – 110 day and medium term</li> <li>• Agree response to 100-day budget proposals</li> </ul>
Tuesday, 15 <sup>th</sup> November Scrutiny Meeting Room	<ul style="list-style-type: none"> <li>• Financial monitoring report</li> <li>• Feedback from budget consultation</li> </ul>
Thursday, 15 <sup>th</sup> December Scrutiny Meeting Room	Service & Financial Planning 2012/13-13/14 (budget proposals)
Tuesday, 17 <sup>th</sup> January Scrutiny Meeting Room	Evidence gathering for budget proposals Alternative budget proposals
Wednesday, 1 <sup>st</sup> February Scrutiny Meeting Room	Further evidence gathering Agree response to budget proposals
<b>Other Forward Items</b>	
Procurement – there is an expectation that significant savings can be driven out through the procurement process – how and where will this be done (e.g. in adult social care)	
On-going monitoring of Capital Receipts	
Adult social care – consultation, proposed service changes, impact assessments, savings proposals	
SEN – savings proposals - how can costs be controlled	
Financial monitoring reports	
Highways Capital Programme	

**BRIEFING TO: FINANCE & BUDGET SCRUTINY COMMITTEE**

**SUBJECT: SAVINGS THROUGH PROCUREMENT**

**DATE: 15 NOVEMBER 2011**

A Procurement Task Force has been set up to champion effective and efficient procurement across the Council. The group is chaired by the Head of Governance and membership is made up of Service Delivery Managers from each service delivery area, representatives from Legal and Audit and the group is supported by the Corporate Procurement Team. Cllr Bill McClements and Clive Elliott also attend the Task Force meetings. The group works together to:

- Ensure continued efficient and effective procurement activities in their service areas
- Report actual savings as they are realised
- Share information on current negotiations to reduce costs and any challenges faced
- Provide detailed information on how current contracts are being managed
- Take the lead in supplier management where contracts pass over a number of areas
- Identify procurement and negotiation training and skills gaps for officers
- Look for opportunities to aggregate spend and put corporate contracts in place
- Look for opportunities to cancel contracts where provision can now be managed in house.
- Look for opportunities to avoid procurement all together by use of existing local and regional arrangements, shared services or innovative service provision

SMT has already identified specific proposals totalling £2.2m that they expect to be secured during 2012/13, £890k for 2013/14 and £500k for 2014/15 but will try and deliver savings earlier wherever possible.

Since the Task Force formed in September 2011 they have

- Reviewed contractual relationships with our top 60 suppliers and suppliers paid over £100k in the last financial year to ensure that these contracts provide value for money and, where practicable, to negotiate improved rates or create capacity and flexibility allowing more services to be delivered at the same cost.
- Worked with the Improvement and Efficiency Partnership to health check the approach and identify potential opportunities not yet accessed, including an energy audit, and work on commissioning in adults' and childrens' care.
- Developed a comprehensive contracts register which will be a key source document to monitor savings and manage all contracts over £50k in the Council and feed into the transparency agenda.
- Worked to change the procurement culture to ensure best value for all contracts from specification through to contract management.
- Adopted a market category approach for reviewing social care contracts rather than supplier specific.

Procurement remains a standard agenda item at SMT and Policy Review so that progress can be closely monitored at all levels.

Report prepared by Sarah Bass - Strategic Procurement Service Delivery Specialist.

**Budget & Finance Scrutiny Committee  
Forward Plan 2011/12**

MEETING DATE	AGENDA ITEM	LEAD MEMBER/ OFFICER	ADDITIONAL ATTENDEES
Wednesday, 27 <sup>th</sup> July Scrutiny Meeting Room	<ul style="list-style-type: none"> <li>• 100-day review of 2011/12 service and financial strategy</li> <li>• Financial Monitoring report</li> <li>• Telford Town Centre Report</li> <li>• Schools Capital Programme</li> <li>• Work Programme</li> </ul>	Bill McClements Paul Clifford Fliss Mercer Kate Turner	
Wednesday, 12 <sup>th</sup> October Scrutiny Meeting Room	<ul style="list-style-type: none"> <li>• Service &amp; Financial Planning 2012/13 -2013/14</li> <li>• Interim feedback from consultation on the budget – 110 day and medium term</li> <li>• Agree response to 100-day budget proposals</li> </ul>	Cllr, Bill McClements Ken Clarke  Felicity Mercer	
Tuesday, 15 <sup>th</sup> November Scrutiny Meeting Room	<ul style="list-style-type: none"> <li>• Procurement</li> <li>• Review of phase 2 budget engagement activity</li> </ul>		
Thursday, 15 <sup>th</sup> December Scrutiny Meeting Room	Service & Financial Planning 2012/13-13/14 (budget proposals)		
Tuesday, 17 <sup>th</sup> January Scrutiny Meeting Room	Evidence gathering for budget proposals Alternative budget proposals		
Wednesday, 1 <sup>st</sup> February Scrutiny Meeting Room	Further evidence gathering Agree response to budget proposals		
<b>Forward items</b>			
On-going monitoring of Capital Receipts			
Costs in service areas agreed by members, particularly high spending services - savings proposals, impacts (e.g. adult social care, SEN)			
Financial monitoring reports			
Highways Capital Programme			
Savings suggestions			
Budget consultation			

