HEREFORDSHIRE COUNCIL

MINUTES of the meeting of General Overview & Scrutiny Committee held at The Council Chamber - The Shire Hall, St. Peter's Square, Hereford, HR1 2HX on Tuesday 17 November 2015 at 11.35 am

Present: **Councillor WLS Bowen (Chairman)**

Councillors: JM Bartlett, J Hardwick, DG Harlow, EPJ Harvey, EL Holton, JF Johnson, AJW Powers, NE Shaw, EJ Swinglehurst, A Warmington and SD Williams

In attendance: **PA Andrews, H Bramer (Cabinet member contracts and infrastructure), JLV Kenyon, PM Morgan (Deputy Leader of the Council and Cabinet member health and wellbeing), PD Newman OBE, GJ Powell (Cabinet member economy and corporate services), PD Price (Cabinet member infrastructure) and P Rone (Cabinet member transport and roads)**

Officers: Chris Baird (Assistant director commissioning and education), Richard Ball (Assistant director commissioning), Ben Baugh (Democratic services officer), Jo Davidson (Director of children's wellbeing), Sukhdev Dosanjh (Assistant director commissioning), Geoff Hughes (Director of economy, communities and corporate), Paul Meredith (Assistant director safeguarding and early help), Peter Robinson (Director of resources), Josie Rushgrove (Head of corporate finance), Prof Rod Thomson (Director of public health) and Claire Ward (Deputy solicitor to the council people and regulatory)

41. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor CA Gandy. Apologies had also been received from the Leader of the Council, Councillor AW Johnson.

42. NAMED SUBSTITUTES

Councillor EL Holton substituted for Councillor CA Gandy.

43. DECLARATIONS OF INTEREST

No declarations of interest were made.

44. MINUTES

The minutes of the previous meeting were received.

RESOLVED: **That the minutes of the meeting held on 27 October 2015 be approved as a correct record.**

45. CORPORATE PLAN 2016-20

The corporate plan key priorities had been identified in Financial planning assumptions 16/17 – 19/20 presentation and an overview of the report had been provided at the Health and social care overview and scrutiny committee held earlier in the morning.

RESOLVED: That the draft corporate plan 2016-20 be noted.

46. BUDGET AND MEDIUM TERM FINANCIAL STRATEGY (MTFS) - DRAFT PRIOR TO FUNDING ANNOUNCEMENT

The Director of resources and Head of corporate finance had given a presentation for all scrutiny members on Financial planning assumptions 16/17 – 19/20 at the Health and social care overview and scrutiny committee held earlier in the morning; the minutes of that meeting can be found here.

The Director of resources, responding to questions raised at the earlier meeting but relevant to the remit of this committee, made the following points:

i. The level of response to the Priorities and budget consultation 2016-20 was gratifying, particularly in comparison to previous years.

ii. There were risks within the budget but it had been reviewed and re-profiled in line with the MTFS. Whilst it was difficult to predict the pressures on demand led services, especially in children's safeguarding, it was considered that the budget was deliverable, supported by contingency and reserves.

iii. It was not considered appropriate to consider the question of a referendum on raising council tax above 1.9% in advance of the publication of the Comprehensive spending review (CSR) on 25 November 2015. Nevertheless, the following observations were made: the recent consultation might not be fully representative of the overall population and how they might vote in a referendum; a referendum would be costly in terms of both running the process and in rebilling council tax (as a referendum would not be held until May 2016); it was for members to determine the level of the budget and to consider the savings proposals; there had not been a successful referendum on increasing council tax to date; a significant proportion of budget expenditure related to adults' wellbeing and children's safeguarding and it was questionable whether voters in general would support higher levels of taxation to protect services for a relatively small percentage of the population.

The Deputy Leader said that the consultation was important but was only one part of the information used in terms of setting the budget. It was considered that there would be financial risks associated with a referendum and the authority needed to be mindful of the implications of further increases for low wage earners.

A committee member made a number of comments, including:

a. The consultation had seen a tenfold increase in the number of responses and 61% supported a council tax increase above 2% to protect services and defer savings.

b. It was felt that the administration should trust residents and honour its pledge to work as one council, adding that a significant number of respondents to the consultation were aware of the context of the council's financial position and the potential implications for further service cuts in the future.

c. It was recognised that there were financial costs associated with a referendum but reference was made to expenditure of over £1 million on consultants for one infrastructure project which was not yet ready for consideration by the Planning Committee. The member said that it should be considered a 'spend to save referendum' and would provide an opportunity for councillors to engage with the electorate in all wards about the services they wanted to be protected.

In response, the Deputy Leader said that the Cabinet had thought long and hard about the question of increasing council tax above 1.9% since the cap had been introduced and did not take the decision lightly. The Deputy Leader commented that savings of £49m of savings had been achieved in four years and the authority had delivered better outcomes in many areas, especially in children's and adults' services.

The Cabinet member economy and corporate services commented on the potential for the devolution of services to city, town and parish councils. He noted that the residents of Hereford might have a different perspective about local services compared to people in the market towns and some services could be supported through local council precepts, rather than increasing general levels of council tax.

A committee member commented on a number of matters, the key points included:

1. A referendum would have benefits, whatever the outcome, as it would: provide an opportunity to engage with public and explain the issues to a wider audience; if an increase above 2% was supported, additional income could be built into the base budget and support the MTFS; if an increase was not supported, then the authority would have a mandate to undertake the cuts considered necessary.

2. It was acknowledged that town and parish councils could deliver more at a local level and not just statutory services which benefited a limited number of people but also non-statutory services that the majority of residents valued and made Herefordshire a special place to live and work.

3. The authority had commissioned a study in 2011 about opportunities to increase income streams and, whilst some - such as on-street parking charges in Hereford - were now coming forward, there was a need to maximise income from chargeable services to offset some of the cuts that might otherwise have to be made.

4. The committee member said that she was seriously concerned that the committee was being presented with a budget that balanced at face value but which might not be deliverable, especially in terms of the rate of change within services.

A committee member commented that: the local government elections in May 2015 had demonstrated trust in the existing administration which had been returned; the costs of a referendum would come from revenue costs, therefore additional savings would have to be identified to support this; and the level of capping would not be certain until the CSR was released, so the matter would be best left for full Council to debate in a reasoned and balanced way.

Another committee member said that: proportionally, more people voted for other political parties in the local government elections; work should be undertaken on a potential referendum as part of ongoing budget planning; there was some inconsistency in encouraging local councils to raise precepts whilst considering taking funding away; and a positive outcome to a referendum could create a fund to empower and protect the services that people needed and wanted.

The Cabinet member economy and corporate services said that a further increase in council tax of 1% would equate to around £0.8m, less the costs of the referendum. In view of the different needs in different areas, he considered that local councils might be better placed to make the case for increased precepts to deliver specific services and outcomes at a local level.

A committee member commented that: some members placed emphasis on the level of support for a council tax increase above 2% but, in view of the vote at the last meeting on the review of county farms, overlooked the 37% of respondents that ranked 'selling our smallholdings estate' as their first or second preference to generate income; he considered that local councils could deliver more at a local level to meet the needs of constituents; and the authority would continue to explore opportunities to raise income, including building infrastructure and engaging with businesses to create more jobs and economic growth.

Another committee member said that many parishes were increasing precepts to deliver services at a local level but this had to be seen to be fair; adding that it would be inequitable if similar services in other areas continued to be delivered by Herefordshire Council. The committee member welcomed the increased level of response to the consultation and, noting that more people supported increased car parking charges but not the reduction of customer services and libraries, suggested that a clear link should be made between increased charges and the protection of certain core and local services.

A committee member commented that some services would be difficult to deliver at a local level, especially by local councils that had not been involved in service provision previously and given that central support was being reduced. Therefore, there was a need for an appropriate transition which was funded properly.

In response to an earlier comment, the Director of resources advised the committee that the authority was mindful of the need for income generation, with reference made to increased parking charges and crematorium fees, and to make services more self-sustaining going forward.

A committee member said that some parish councils were struggling to retain parish clerks and parish councillors and this trend could be exacerbated by increased pressures and lack of capacity as a consequence of the devolution of services. Another committee member thought that a higher degree of responsibility and engagement might encourage more local people to become involved.

A committee member said that many people were not aware of the links between county farms and the rural economy, whereas the benefits of libraries to a community were more deeply embedded in public consciousness. Therefore, there needed to be more reflection about the meanings of the statements, questions and responses. Another committee member considered that the consultation had been flawed to an extent, as the capital appreciation of the smallholdings estate had not been taken into account.

In response to a question from a committee member, the Director of economy, communities and corporate advised that the authority had contingency and reserves to balance any in year pressures. The committee member expressed concern about the degree to which the directorate had been expected to deliver unscheduled in year savings to balance the accounts in previous years and questioned whether the corporate reserves were sufficient to cover the inherent risks in the budget. The Director of resources recognised that there were risks associated with demand led services and unplanned pressures and said that a general fund reserve balance above the minimum requirement, a mitigation reserve of £4.5m, and an annual contingency budget of £0.7m had been set aside to manage these risks. He added that the authority had to be reasonable when setting budgets.

The Deputy Leader said that the authority had a clear view about the pressures on savings targets and directorates would look to achieve their delivery plans within their own budgets. She also gave an overview of the monitoring undertaken in adults' wellbeing and invited members to examine delivery plans and see what progress was being made.

A committee member, referring to paragraph 28 of the report (page 33 of the agenda), noted that it was estimated that savings of 16% would be needed in schools and questioned to what extent the schools capital investment strategy could support schools to enable them to achieve savings. The Director of children's wellbeing explained that, whilst the government had stated that they would give cash protection to schools based on pupil numbers, the pressures of pay-awards, national insurance and pension increases, and living wage implementation would have to be met within schools' cash-limited budgets. It was reported that advice was being provided to schools about the scale of pressures in the next few years and a range of prudent steps had been suggested that could help schools to meet the challenges; a copy of the letter would be made available to committee members. The schools' capital investment strategy would be submitted for decision in coming months and, in conjunction with the Herefordshire Schools' Forum, schools were being encouraged to work in partnership and explore how costs could be shared between schools, including shared leadership and specialist support provision.

The Chairman commented that the current funding formula did not seem equitable for some schools in the county. The Director of children's wellbeing said that it was a national formula and the council was part of the f40 group of the lowest funded education authorities in England which had successfully lobbied for additional funding and reforms. The committee was also advised that the authority was one of the highest delegators of funding to schools, holding relatively little back centrally, but in contrast spent higher levels on safeguarding services.

The committee member considered that the authority could be doing more in terms of making good use of the links between education and safeguarding services to work more preventatively and undertake early intervention in developing situations in children's lives and within families, thereby offsetting potential costs in the longer term. The Director for children's wellbeing concurred and said that priority was focussed on early help.

In response to questions, the Director of resources provided an overview of the Local Government Pension Scheme and the pension deficit on Herefordshire's fund. It was noted that the last triennial review of the pension fund had been undertaken at the end of 2012/13 and was to be revalued at the end of 2015/16. Whilst there had been significant variations in the estimated deficit in the intervening period, it was anticipated that the agreed repayment of £7m per annum over 21 years would be sufficient to meet the present value of obligations; however, further assessments would be made by the fund's actuaries based on factors such as life expectancy and returns on investments. It was recognised that more detail could be provided in the MTFS.

A committee member, referring to pages 67 and 68 of the agenda, requested that the terminology be reviewed as he considered that reference should be made to 'investments' rather than 'subsidies' in relation to cultural services, as they had a role in economic development and the local economy, particularly as external support for such projects was often dependent on the degree to which local authorities also contributed.

In response to questions from a committee member, the Director of resources said that further details were awaited about government plans to allow local authorities to retain revenue from business rates, therefore it was difficult to make assumptions around this. He also provided an overview of business rate income position in relation to the Hereford enterprise zone and the capital infrastructure investments already made and planned in order to facilitate the further development of the zone. It was requested that a further note of clarification be circulated with the minutes, this is provided below:

> *The Hereford enterprise zone retains all growth in business rate income from 13/14. The use of this growth is allocated by the Marches local enterprise partnership (LEP) who have agreed that this funding will be used to fund the costs incurred in investing and running the zone. This is anticipated to use the*

whole value of the growth until 2025. From 16/17 £100k of business rate growth has been allocated by the LEP to fund the running costs of the LEP.

Clarification was sought on paragraph 4.4.16 of the report, page 54 of the agenda, in relation to borrowing requirement that had not been secured to date. The Head of corporate finance explained that the forecast was for interest rates to stay low for the foreseeable future, meaning that short term debt accrued less interest than long term debt at this time, but the position was being continually monitored.

It was moved and seconded that a recommendation be put forward to Cabinet that consideration be given to the merits of a rise in council tax of more than 1.9%. The motion received an equal number of votes and the Chairman used his casting vote in favour of the motion.

RESOLVED: That it be recommended to Cabinet that consideration be given to the merits of a rise in council tax of more than the 1.9% cap, with consideration given to the best mechanism for advancing this should Council agree to this measure reflecting the wishes of the significant response to the priorities and budget consultation, particularly in relation to retention of specific non-statutory services.

47. PROPOSED CAPITAL PROGRAMME 2016-17

The Director of resources presented the proposed capital programme for 2016/17, noting that the programme had a key role in supporting the council's ambitions to drive economic growth in the county and deliver more jobs and homes. Attention was drawn to the schemes identified on page 101 of the agenda.

Responses were provided to a number of questions from committee members, the principal points included:

i. The 'capital strategy group', referred to in paragraph 5, page 100 of the agenda, consisted of senior representatives from each directorate and was chaired by the Director of resources. Responding to further questions about accountability, the Cabinet member economy and corporate services and the Cabinet member infrastructure commented on their involvement in a range of activities and discussions about individual projects and considered it appropriate for an officer group to assess capital proposals for subsequent consideration by the executive.

ii. The Assistant director commissioning clarified that the 'Hereford city centre transport package' brought together the Hereford city link road and the range of complementary transport and public realm measures within one line in the schemes identified on page 101. A committee member asked for consistency in how schemes were described and accounted for. In response to a further question, the Head of corporate finance advised that the description given on page 106, that 'LEP grant funded investment increasing the net social value of housing and external impact of housing development resulting in a net regeneration benefit of £82m', had been taken from the business case but would be updated in the next iteration of the document. The Chairman suggested that future reports would benefit from expanded explanatory notes.

iii. The Director of resources advised that all projects included an element of contingency, with further 1% contingency across the programme. Reference was made to the £2m identified for 'Emergency property estate enhancement works' which reflected the age of buildings on the estate and the backlog of maintenance.

A committee member noted that numerous schemes had been identified as 'invest to save' initiatives and suggested that the committee would benefit from visibility of those elements of the capital programme which had been delivered and to be assured that savings and returns on investments were being achieved. The Director of resources referred to the examples including the purchase of green bins for recyclable waste and the capital investment in Halo Leisure run facilities across the county. The Deputy Leader said that Cabinet already received performance reports. In order to be as accessible to members as possible, the Chairman requested that a briefing note be prepared and circulated on this matter annually.

RESOLVED: That the capital programme be noted and the comments of the committee be forwarded to Cabinet.

48. DATE OF NEXT MEETING

The Chairman reminded members that an additional meeting was being arranged for December 2015 [Note: this meeting was subsequently withdrawn, the next scheduled meeting being 19 January 2016].

The meeting ended at 1.35 pm **CHAIRMAN**