

MINUTES of the meeting of General Overview & Scrutiny Committee held at The Shire Hall, St. Peter's Square, Hereford, HR1 2HX on Tuesday 4 November 2014 at 10.00 am

Present: Councillor WLS Bowen (Chairman)
Councillor BA Durkin (Vice-Chairman)

Councillors: ACR Chappell, EPJ Harvey, TM James, JG Jarvis, PJ McCaull, AJW Powers, A Seldon and DB Wilcox

In attendance: Councillors H Bramer (Cabinet Member), J Hardwick, AW Johnson (Cabinet Member), MD Lloyd-Hayes, JW Millar (Cabinet Member), GJ Powell (Cabinet Member) and PD Price (Cabinet Member)

21. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors AJM Blackshaw, DW Greenow and RL Mayo. Apologies had also been received from Mr P Burbidge and Miss E Lowenstein (education co-optees).

22. NAMED SUBSTITUTES (IF ANY)

There were no named substitutes.

23. DECLARATIONS OF INTEREST

8 Proposed Revisions to the Council Tax Reduction Scheme 2015/16.

Councillor BA Durkin, Non-Pecuniary, A council appointed representative to Herefordshire Citizens' Advice Bureaux Trustee Board.

24. MINUTES

The minutes of the meeting held on 8 September 2014 were received.

RESOLVED: That the minutes of the meeting held on 8 September 2014 be approved as a correct record and be signed by the Chairman.

25. SUGGESTIONS FROM THE PUBLIC ON ISSUES FOR FUTURE SCRUTINY

No suggestions had been received in advance of the meeting. The Chairman invited members of the public in attendance to suggest issues and Claire Keetch, Chief Executive of Herefordshire Citizens' Advice Bureaux (CAB) suggested that, in view of the proposed revisions to the Council Tax Reduction Scheme and the potential for additional non-payment, the authority should consider how increased need for legal and debt advice could be met, especially considering the uncertainties around funding for the CAB service.

26. QUESTIONS FROM THE PUBLIC

Questions had been received from the following: Claire Greener of the NFU on behalf of the Herefordshire Tenants' Association in relation to agenda item 4, Minutes; and Victoria Wegg-Prosser in relation to agenda item 7, Proposed Capital Programme 2015/16 to 2017/18. The

questions and officer responses were published in a supplement to the agenda and also circulated at the meeting.

Noting that a number of tenants were present, the Chairman said that he understood that there would be no changes to the policy in relation to smallholdings during the remainder of the current administration. He said that there would be no debate on the issue at this meeting but the Head of Corporate Asset Management and the County Land Agent were available to speak to people outside the meeting.

27. PROPOSED CAPITAL PROGRAMME 2015/16 TO 2017/18

The Chief Financial Officer presented the report, the key points included:

- i. Comments were invited from the committee on the proposed capital programme, for submission to Cabinet and subsequently to Council.
- ii. The current capital programme amounted to £146.7m. The proposed additions to the scheme would cost £57.5m of which £48.6m would be funded from external sources.
- iii. A summary of the additions was appended to the report and an overview was provided of the principal requirements.
- iv. It was reported that the total outstanding debt was £168m as at 31 March 2014 and was being repaid at £10m per annum. With additional investment already approved and the proposed additions identified in the report, the debt requirement would be £200m as at 31 March 2018.
- v. The authority had a long-term debt to asset percentage of 26%; this reflected the average position for all unitary authorities.

The principal points of the ensuing debate included:

1. The Chief Financial Officer advised that the profile of the funding depended upon the details of the scheme involved; overviews were provided in relation to the South Wye Transport Package and Hereford Enterprise Zone.
2. In response to a question from a member, the Chief Financial Officer explained that purchase of gritters would provide better value for money than leasing and the borrowing cost would be funded by the winter service budget. The Director for Economy, Communities and Corporate said that a list of all vehicles in the council's ownership would be provided to the member.
3. Another member questioned why the savings in terms of vehicle leasing costs were not identified in the report and the Chief Financial Officer advised that the report identified capital programme intentions going forward, subsequent decision reports would set out the value for money and financing considerations in detail. The member felt that there was an inconsistency in terms of presentation compared to the Hereford Enterprise Zone and the Chief Financial Officer said that he would review the relevant paragraphs before submitting the report to Cabinet.
4. The committee was advised that the Marches Local Enterprise Partnership Board was due to make a decision on the distribution of business rates and the identified investment in the Enterprise Zone would not proceed without a suitable arrangement in place.
5. In response to questions about the Three Elms Trading Estate, the Head of Corporate Asset Management and the Cabinet Member for Contracts and Assets

outlined the background to the issue and how the cost of borrowing would be funded from rental income.

6. It was questioned whether investment in Colwall Primary School was being viewed in terms of the potential impact on schools provision in the wider catchment, especially given plans for the expansion of Ledbury Primary School. The Chief Financial Officer said that the schools estate strategy was being updated and any investment would need to be made in the context of that strategy. He added that a separate project was looking at various options for Colwall Primary School.
7. In response to comments, the Chief Financial Officer said that the wording of the report would be reviewed to ensure that there was clarity about the categorisation of funded and self-financing schemes and about the amounts making up the £8.9m additional corporate investment need.
8. A member commented that the potential sale of £60m of assets over the next three years, as identified in the Medium Term Financial Strategy (MTFS), would have an impact on the debt to asset percentage. Another member suggested that it would be helpful if projected figures and percentages to 2018 could be provided as part of the update to the MTFS.
9. In response to a question, the Chief Financial Officer advised that details about the costs of borrowing were provided in regular budget monitoring reports to Cabinet.
10. Noting the reference in the report 'the additional prudential borrowing may impact on other areas where cost savings may have to be made to ensure affordability', a member felt that some indication should be provided of the potential service areas affected. The Chief Financial Officer said that, although intended as a strategy paper, he would add further information to the report.
11. In response to a question, the Director said that the £10.7m figure within the current capital programme for the link road was a best estimate but would depend on concluding land acquisitions.
12. In response to comments from a member, the Chief Financial Officer acknowledged that: the use of the term 'asset' was perhaps different within the public sector compared to the private sector but external auditors used debt to asset percentage as a standard indicator in the appraisal of local authority finances; and the budget was informed by current business rates and potential changes going forward.
13. The Cabinet Member for Health and Wellbeing said that he would provide a detailed response to a question from a Councillor in attendance about the Disabled Facilities Grant identified in the current capital programme.
14. In response to a comment about the need for tenants to have certainty about the smallholdings estate, the Chairman re-iterated that a decision had been postponed until the next administration and would be subject to appropriate scrutiny.
15. A member commented on the agricultural and industrial assets secured for Herefordshire when the former Hereford and Worcester County Council was disbanded.
16. The Head of Corporate Asset Management gave an overview of some of the lease dilapidations and other contractual obligations as a consequence of the rationalisation of council accommodation and expiry of leases. Whilst acknowledging the commercial sensitivity around the sums involved, a committee member suggested that a list of properties and the related timescales would be

helpful. The Chief Financial Officer later advised that there was public access to the leases available through the council's website.

17. Another committee member felt that this committee should be provided with specific information not only on the position with potential lease liabilities leases but also in the context of assumptions made about the sale of £60m of assets as identified in the current MTFS. The Leader responded by advising that Council had approved the current MTFS and it had already been clarified that there would not be any disposal of such assets until the next administration. Members expressed viewpoints on the information that could be shared, protecting negotiating positions, public accountability, and the timing of decisions. The Assistant Director Governance commented on the information available through the Land Registry and explained public interest and commercial sensitivity considerations.
18. Further to paragraph 17 above, a committee member requested that detailed information be provided to the committee, marked exempt if necessary, about the assets that the council holds and proposes to form part of the three tranches of £20m of disposals over the next three years. The Leader emphasised that, apart from the broad assumptions already identified within the current MTFS, no other decisions had been made about these assets and would not be until the next administration, therefore he was not aware of anything else to disclose. The Chief Financial Officer re-iterated the purpose of this report was to seek views on the proposed additional capital investment programme and explained the potential financial and other consequences associated with not proceeding with the schemes. The committee member, re-iterating the point made at paragraph 8 above, noted that debt to asset percentage was given as context to inform the decision on the proposals and was relevant to imminent discussions on the budget.
19. In response to debate on the issue, the Director suggested that a list of the wide range of council assets could be provided, alongside estimated asset values per acre for different use classes. The committee was reminded that separate decisions would be required to deliver individual elements of the MTFS. A committee member and the Leader re-iterated their respective positions on the matters discussed. The Director said that, to assist members, a briefing note could be provided to explain the assumptions that officers were working to in relation to the MTFS.

RESOLVED: That

- (a) The report to Cabinet and Council be updated to reflect the clarifications sought by the committee; and**
- (b) Committee members be provided with details of the range of council assets and a briefing note on the assumptions being used in relation to the Medium Term Financial Strategy.**

28. PROPOSED REVISIONS TO THE COUNCIL TAX REDUCTION SCHEME 2015/16

The Chief Financial Officer presented the report and the following matters were highlighted:

- a. The national council tax benefit system was abolished with effect from 1 April 2013 and Herefordshire Council set up a localised Council Tax Reduction (CTR) scheme.

- b. For 2014/15, CTR support by the council was based on 84% of the applicant's council tax charge. The Medium Term Financial Strategy (MTFS) approved by Council in February 2014 assumed reductions in the level of support to 76% in 2015/16 and to 70% in 2016/17.
- c. Comments were invited from the committee on the proposed revisions to CTR for submission to the Leader (Cabinet Member for Corporate Strategy and Finance) and subsequently to Council.
- d. Cumulative surplus had been delivered against the plan in 2013/14 and 2014/15 and it was anticipated that there would be surplus of £211k in 2015/16 which could be used to provide a contribution towards demographic pressures.
- e. Approximately 5,000 residents of working age were in receipt of CTR at the maximum reduction of 84%, with a further 2,034 claimants having financial circumstances which entitled them to partial reduction.
- f. It was reported that the proportion of summonses issued for non-payment of council tax was significantly higher for those in receipt of CTR than those not in receipt of CTR; an additional charge for the cost of summonses was added to claimants' debts.

The Chairman used his discretion to allow Richard Hadley of Ledbury Town Council to address the committee on this subject. Town Councillor Hadley made a number of comments, including:

- there was a high level of concern about this proposal, not just from those directly affected but also the wider community;
- although public bodies had to look at potential cost savings and revenue generation, he did not consider this proposal to be acceptable;
- the level of increase in 2015/16 (for a Band D property) for a resident in receipt of CTR would be around £130, representing a significantly higher increase than that for a resident not in receipt of CTR;
- he considered the proposal unfair and felt that it targeted the poorest sections of the community;
- claimants had received 100% discount under the national system, so the percentage increases each year were substantial;
- the proposal contradicted the national strategy of lifting the least well off people out of tax thresholds;
- Herefordshire had the lowest average earnings in the West Midlands region and some of the lowest in the country;
- indices of poverty did not take into account the additional costs of living in rural areas;
- one third of rural households were considered to be living in fuel poverty;
- the proposal would affect hard working families and individuals, people with disabilities and long term health problems;
- unemployment was generally low, meaning that CTR claimants were just ordinary people that found themselves in difficult circumstances;
- information obtained from the council showed that around 7,000 people were facing court summonses, not only resulting in administrative and court costs but also impacts on the health and wellbeing of those families and individuals concerned;

- social breakdown could have impacts on communities and on long term costs for the council; and
- the funding required could be met by marginal increases in council tax rates.

The Chairman thanked Town Councillor Hadley for his comprehensive and impassioned contribution; individual committee members also extended their thanks.

Points made by the Leader included:

- i. He could not disagree with many of the sentiments expressed but members had to consider the figures; he felt that it was potentially misleading to use percentage increases given the low base level.
- ii. Unlike public authorities, utility suppliers were not expected to reduce bills for low-income households for the costs of services.
- iii. Collection rates had remained consistent despite recent changes to CTR.
- iv. Other taxpayers had to pick up the burden for those in receipt of CTR.
- v. Council tax could not be raised by more than 2% without a referendum and expressed a personal view that a sizeable number of people would consider it right that people should make a contribution towards their costs.
- vi. Although there might be sound arguments for not applying the increase, it was inescapable that the money had to be found from somewhere.

A summary of the debate is provided below:

1. Increasing numbers of people in the county were struggling to meet council tax, utility and transportation costs and many were already relying on food banks and other forms of charity.
2. Reference was made to the suggestion by Claire Keetch (see minute 25 above) and a concern expressed about the potential impact of increased workload for the CAB at a time of uncertainty around grant funding.
3. As the situation had resulted from a change at national level, individuals and groups should also make their concerns known to the local MPs.
4. Utility companies could not cut services off any longer and it would be difficult for public authorities to ration services.
5. In view of the high proportion of CTR recipients receiving court summonses, it was questioned whether the proposals might be more costly and self-defeating in the longer term. It was also questioned whether the £85 charge covered the staff time for dealing with a summons. In response, the Chief Financial Officer advised that there was additional workload associated with chasing debt but many processes were automated and Herefordshire was one of the best performing authorities in the country in terms of collection rates and cost efficiency. Attention was drawn to the appendix to the report which showed examples of potential amounts payable by CTR claimants; it was noted that the majority of people in receipt of CTR lived in Band A and B properties. It was reported that the collection rate from claimants in receipt of CTR was about 95%, as at the end of October 2014, albeit it was being collected at a slower rate.

6. A number of members said that they felt uncomfortable with the level of increase proposed and, acknowledging the costs and uncertainties associated with a referendum, felt that the authority need to find other ways of making savings or generating income.
7. Some members made observations about inequalities within the taxation system, especially the proportion of income paid towards taxation by people with less means. A member commented that stable collection rates might result from people wishing to avoid court summonses but nevertheless something had to give way within already constrained budgets. Another member felt that the argument that some people faced a disproportionate percentage increase in contributions should not be dismissed; it was added that the amount of money involved was relatively small compared to the council's overall budget but would have immense repercussions for those affected.
8. The Leader acknowledged the moral arguments but re-iterated the financial pressures facing the authority and the need to consider different perspectives. He commented that the incomes of many people were not much above those people in receipt of CTR but they were expected to pay the full council tax liability and could be in a worse net position.
9. A member said that: there was merit in looking at absolute and relative figures; there was concern that the level of increase went beyond the break even point; it was disappointing that it was not considered that there was time to analyse different restrictions used by other local authorities; the table on page 31 of the agenda ought to be presented in a different way to reflect what was being collected in year and to clarify the treatment of surplus; the fact that people in receipt of CTR were more likely to receive a summons than those not in receipt demonstrated how fragile their finances already were; there was a lack of clarity about the knock on effects in terms of the health and wellbeing of families and individuals and the resulting service pressures which ultimately fell to the council as costs elsewhere.
10. Further to paragraph 9 above, the member commented that the Income and Charging Task and Finish Group commissioned by the committee had identified guidelines to recover service costs and the council had also engaged consultants to identify additional savings and income opportunities. Therefore, it was questioned whether the authority had delivered the full range of measures before proposing revisions to CTR.
11. The Chief Financial Officer clarified the purpose of the table on page 31 and the key considerations and confirmed that it could be amended to make it more transparent to the user.
12. A member commented on the potential hidden costs of the proposal and noted that the consequences of the breakdown of a small number of families could offset the projected income.
13. A Councillor in attendance commented on how reductions in part-time working hours for women were placing them in difficult financial positions.
14. It was suggested that the executive should look in greater detail at what was happening in other local authorities and it was noted that the response rate from CTR claimants to the consultation on the proposal was much higher than that usually received from the general population to the consultation on council tax. The Chief Financial Officer said that further information on other unitary authorities could be provided within the report. A member suggested that additional figures be obtained from Cornwall, Devon and Somerset authorities.

RESOLVED: That

- (a) The executive be notified that the committee is not content with the conclusions of the report and considers that the Council Tax Reduction Scheme should remain at the present level;
- (b) The executive be urged to explore alternative savings or income opportunities, as identified by the Income and Charging Task and Finish Group, before considering any future changes to the scheme; and
- (c) Detailed analysis be undertaken of other restrictions put in place by other local authorities.

29. DRAFT WORK PROGRAMME AND TASK AND FINISH GROUPS

The committee received the draft work programme and updates were received, from the respective chairman, on progress with the task and finish groups on Community Infrastructure Levy, Development Management (Planning) and Balfour Beatty Living Places.

A committee member noted that there was important work to be undertaken on Digital Strategy but time was limited before the pre-election period.

RESOLVED: That the work programme be noted.

30. DATE OF NEXT MEETING

Monday 24 November 2014

The meeting ended at 1.05 pm

CHAIRMAN