

MINUTES of the meeting of Overview and Scrutiny Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Monday 18 January 2010 at 9.30 am

Present: Councillor PJ Edwards (Chairman)
Councillor WLS Bowen (Vice Chairman)

Councillors: PA Andrews, ME Cooper, AE Gray, KG Grumbley, TM James, RI Matthews, PM Morgan, AT Oliver and PJ Watts

In attendance: Councillors H Bramer (Cabinet Member - Resources and JP French (Cabinet Member –Corporate and Customer Services and Human Resources.)

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor RJ Phillips, Leader of the Council.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES

RESOLVED: That the Minutes of the meeting held on 2 December 2009 be confirmed as a correct record and signed by the Chairman.

4. SUGGESTIONS FROM MEMBERS OF THE PUBLIC

There were no suggestions from members of the public.

5. MEDIUM TERM FINANCIAL STRATEGY 2010-13

The Committee considered the draft Medium Term Financial Strategy (MTFS) 2010-13.

The report noted that the MTFS was to be considered by Cabinet on 21 February with a view to Council approving the Strategy on 5 February.

The Director of Resources commented on the context within which the Strategy had been prepared. He noted the considerable uncertainty over the financial position of local government generally in face of the state of the economy and national finances.

The national grant settlement for local government in the final year of the Comprehensive Spending Review 2007 provided for the Council to receive a 4% increase in grant (£2.2m). However, the prospects for future years were more difficult with the Council projecting a 5% reduction year on year.

The original MTFS had originally envisaged a 4.7% Council Tax increase, reduced to 3.9% last year. The Strategy now assumed 2.9% for 2010/11 and the following two years but it was likely that there would be a need to be flexible on this point.

A 1% reduction in Council Tax meant an £830k reduction in the base budget year on year. Whilst the Government might be seeking lower Council Tax rises the Council needed to weigh the implications of any reduction in the proposed increase carefully given the range of budgetary pressures it faced. The Director was monitoring the situation and developing contingency plans with colleagues. He would present a clear statement on the latest position to Council in February.

In discussion the following principal points were made:

- Noting that the Government had indicated that it expected to see Council Tax rises “substantially” below 3%, Members questioned whether a proposed rise of 2.9% was sustainable.

The Director said that the Government never set a firm limit for capping in England. He was monitoring proposed rates across the Country. The average proposed increase by unitary authorities had originally forecast 3.9% but this was reducing. The average for county councils was currently slightly lower at 3% but this was also reducing.

The Government had the power to cap the Council’s Council Tax increase. This would mean the Council incurring the substantial cost of rebilling and having other consequences that the Council would wish to avoid.

- That, whatever the future prospects, the Council expected to receive a 4% increase in Government grant for 2010/11. It was questioned how the proposal to increase Council Tax by 2.9% in this context would be perceived by the public and Government. In a year of a General Election there would be great pressure to reduce the level of Council Tax increases and it was asked what contingency plans were in place should there be a need to reduce the rate of increase.

The Director of Resources reiterated that there were a number of budgetary pressures, for example the need to respond to new legislation and increases in the costs of contracts. If the proposed level of Council Tax increase was reduced, mindful that the MTFs had originally envisaged an increase of 4.7%, consideration would need to be given to service reductions. He had advised Directors of the need to be flexible and to be prepared to revisit budgets.

- It was asked what increase would be required to support a standstill budget. The Director replied that an increase of 2.9% was required in 2010/11 to set a balanced budget as shown in appendix D to the MTFs. In the face of a Government Grant reduction in 2011/12 the projected increase of 2.9% that year would not maintain a standstill position.
- That with inflation rates at such a low level the public would question the need for a 2.9% increase. The Council needed to demonstrate that it was striving for efficiencies and this was likely to be an ongoing requirement in the light of the current financial picture. The Council would also need to demonstrate that its staffing levels were appropriate, noting reductions being made by a number of other authorities.
- That there were a number of key change programmes across the Council, some now joint with NHS Herefordshire, which had evolved over time and indeed changed names. It was essential that the envisaged savings from these programmes were rigorously tracked.

- Clarification was sought on the management change reserve of £915,000 identified as an emerging pressure in appendix D to the MTFs. The Director explained that given the projected 5% grant reduction year on year from 2011/12 it was possible that there would have to be voluntary redundancies. It was prudent to make provision for this possibility.
- The implications of voluntary redundancies on the superannuation fund were discussed, mindful also that the Council was part of a joint scheme with authorities in Worcestershire and their actions could have a bearing on the fund. The Director reported that although part of a joint scheme the Herefordshire commitments to the Fund were ring-fenced. A report was due in the Autumn following the statutory triennial review of the fund and the outcome would need to be taken into account in preparing the 2011/12 budget.
- In response to a comment about pressures on children's services, the Director noted that it was proposed that the service would receive a net budget increase of some £1m.
- That the scrutiny review of support for carers had reinforced the importance of the contribution that carers made and it was important that support to carers was maintained.
- Pressures on the Adult Social Care budget and the difficulty in achieving efficiency savings were commented on.
- The likely local government pay award and the timing of its announcement was discussed.
- The Cabinet Member (Corporate and Customer Services and Human Resources) suggested that individual scrutiny committees might want to look in more detail at service pressures that Directorates faced and efficiency savings that Directors proposed to make.
- Clarification was sought on the Capital Programme. The Cabinet Member (Resources) confirmed that funding was in place to support the development of Plough Lane, balanced by savings on running costs and the capital receipts from the disposal of surplus properties.

It was suggested that, accepting that a consultation was underway on the Local Development Framework, the MTFs did not adequately reflect the intention to complete a number of major capital schemes within the lifetime of the Strategy. It was further suggested that specific reference needed to be made in the MTFs to these major schemes, such as the Butter Market in Hereford. The Director replied that a full review of the Programme was being undertaken. Schemes already underway were being progressed. He noted that the VAT partial exemption limit needed to be reviewed before any capital funding was awarded to the Butter Market Scheme.

- Asked about the specific government grant for the supporting people scheme the Director reported that the specific ring-fenced grant would cease to be provided in 2010/11 and future funding would be subsumed within the general Area Based Grant.

- The proposal in the 2010/11 budget to transfer £2m to general reserves in 2010/11 was discussed. The Director commented that this was in accordance with the Council's decision to replenish reserves drawn on in setting the 2009/10 budget and made provision to balance the budget in future years.
- It was noted that whilst the 2009/10 Council Tax level at Band D for Herefordshire (excluding Parish Councils) was below the average for unitary authorities it was above the average once parishes police and fire were included. It was requested clarification be provided.

RESOLVED:

That Cabinet be advised

- (a) **that the Committee notes the development of the budget is ongoing, expresses concern over the projected level of Council Tax at 2.9%, and highlights also the potential pressure on the superannuation fund; and**
- (b) **following review of the Capital Programme the Committee requests that the text of the Medium Term Financial Strategy should be adjusted to make clear the major schemes it is proposed to complete.**

6. COUNCIL AND NHS HEREFORDSHIRE JOINT CORPORATE PLAN

The Committee considered the proposed joint Council and NHS Herefordshire Corporate Plan.

The report noted that the joint Plan was to be considered by Cabinet on 21 February with a view to Council approving the Plan on 5 February. The NHS Herefordshire Board was to be invited to approve the Plan on 28 January.

A revised report to Cabinet had been circulated to Members. The Corporate Policy and Research Manager (CPRM) noted that this now contained two appendices. Appendix 1 comprised the vision, priority themes, strategic objectives and long-term outcomes, and was proposed to be recommended to NHS Herefordshire and the Council. Appendix 2 was the present working draft of the performance indicators and associated targets, key projects and milestones that would be used to achieve these, as well as providing the basis for strategic performance management. Appendix 2 was work in progress.

He added that the format of the Corporate Plan was a departure from previous years, with considerably fewer words, and a clear focus on delivery.

The intention was to align the plans of the Council and NHS Herefordshire by setting out what they were seeking to achieve through their close partnership, within the overarching framework of the refreshed Sustainable Community Strategy.

It was essential that the Plan was affordable. He reported that it had accordingly been prepared with regard to the assumptions about future funding in the medium term financial strategies of the Council and NHS Herefordshire. However, as noted in the risk management section of the report to Cabinet, the Plan could need to be reviewed were those assumptions to prove significantly wide of the mark, for instance in the light of a dramatic change in the Government's funding regime for local authorities.

In discussion the following principal points were made:

- The CPRM confirmed that the intention was to produce a version of the Plan that was readily accessible to the public.
- The CPRM provided background on the identification of the major challenges highlighted in Appendix 1 in relation to the joint vision for the Council and NHS Herefordshire. He confirmed that these were intended to be of equal priority.
- Members emphasised the importance of the provision of sufficient affordable housing, noting that this had a number of beneficial impacts, for example on people's health, and expressed concern that the currently proposed targets seemed unlikely to meet the probable level of need.
- It was observed that Appendix 2 contained targets for the completion of capital schemes such as the Butter Market for which there was as yet no provision in the Medium Term Financial Strategy. The CPRM reiterated that appendix 2 was a work in progress. He also confirmed that further drafts of Appendix 2 would set out clearly the basis of measurement to be used for each of the proposed performance indicators.
- Members noted that the Plan was being recommended to Cabinet as affordable and deliverable. However, they wished to emphasise the need to be vigilant in ensuring that this was and remained the case. It was noted, for example, that in delivering the long-term outcome of reduced CO2 emissions and successful adaptation to unavoidable impacts of climate change, Members had a concern that the service may be under-resourced, with the post of climate change officer having been vacant for some time.
- Members were also concerned to ensure that the targets were realistic and achievable. It was also noted that a number of targets were dependent on the commitment of partners, such as the Police. The CPRM commented that action plans would be in place to deliver the targets and key projects and that scrutiny committees would be able to monitor delivery against those plans. It was recognised that negotiations with partners would have to take place to finalise some of the targets.
- It was proposed that consideration be given to the following specific points:
 - That a better basis for measuring the delivery of long term outcome 1.3 – 'more and higher spending visitors to the county' would be the STEAM report.
 - The targets for the processing of planning applications against long-term outcome 1.4 – 'improved quality and availability of business accommodation and employment land' did not contain any basis for measuring the quality of decisions, although it was accepted that this could be difficult to devise;
 - The targets for recycling waste at 6.1 of the Plan should be made more ambitious; and
 - That the key project of producing planning policy documentation did not seem sufficient in itself in relation to delivering the targets for long term objective 6.2 – 'reduced CO2 emissions and successful adaptation to unavoidable impacts of climate change'.

RESOLVED:

That Cabinet be advised

- (a) That the format of the Joint Corporate Plan be welcomed;
- (b) That while acknowledging that Appendix 2 was a work in progress for the Executive to complete the importance of ensuring that targets are realistic and achievable and that resources are in place to deliver them be emphasised, noting for example the concern expressed over the resourcing of climate change work; and
- (c) That consideration be given to the specific points relating to long term outcomes 1.3, 1.4, 6.1 and 6.2 highlighted above.

7. SUSTAINABLE COMMUNITY STRATEGY (REFRESH)

The Committee was informed that further revisions were being made to the Sustainable Community Strategy and it was intended to present an updated document to the Committee in February.

RESOLVED: That consideration of the Strategy be deferred.

8. WORK PROGRAMME

The Committee considered the work programmes of the scrutiny committees.

The Committee's responsibility under the Council's new Constitution for overseeing, coordinating and approving the work programmes of the scrutiny committees was noted. It was reported that expressions of interest had been received to fill the remaining place on the External Communication Review Group appointed by the Strategic Monitoring Committee in December 2009.

RESOLVED:

- That**
- (a) the current work programmes be approved as a basis for further development; and
 - (b) Councillor PGH Cutter be invited to serve on the External Communication Review Group.

The meeting ended at 11.55 am

CHAIRMAN