

MINUTES of the meeting of Overview and Scrutiny Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Friday 14 January 2011 at 9.30 am

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

Councillors: ME Cooper, KG Grumbley, TM James, RI Matthews, AT Oliver and PJ Watts

In attendance: Councillors PL Bettington, H Bramer (Cabinet Member - Resources), JP French (Cabinet Member - Corporate and Customer Services and Human Resources, JG Jarvis - Cabinet Member - Environment and Strategic Housing) and RJ Phillips – Leader of the Council).

45. APOLOGIES FOR ABSENCE

Apologies were received from Councillors PA Andrews, AE Gray and PM Morgan.

46. DECLARATIONS OF INTEREST

There were none.

47. MINUTES

RESOLVED: That the Minutes held on 29 November 2010 be confirmed as a correct record and signed by the Chairman.

48. SUGGESTIONS FROM MEMBERS OF THE PUBLIC ON ISSUES FOR FUTURE SCRUTINY

There were none.

49. MEDIUM TERM FINANCIAL STRATEGY 2011/14 AND BUDGET UPDATE 2011/12

The Committee was invited to comment on the draft Medium Term Financial Strategy (MTFS) for 2011/14 and inform Cabinet of its views.

The Director of Resources presented the report. He highlighted the following points:

- Further information had been received on the Government's financial settlement for schools. This presented a challenging position for schools, with falling rolls leaving them facing a budget reduction.
- The front loading of funding reductions placed significant pressure on funding in 2011/12. The profile of reduction for Herefordshire was 13.3%, 8.6% and 1.9% for the next three years.
- That the Council had been making preparations for a funding reduction for some time. In 2009 a strategy had been developed based on an estimated 15% reduction in government funding over three years. This had represented the best estimate of an

approach to address the national deficit. These figures were built into the 2010 MTFS agreed by Council in March 2010. However, the timing and extent of the budget reductions required by Government had changed.

- The Local Government Settlement had been announced on 13 December 2010, one of the latest announcements in recent times. This had complicated the production of papers for the Committee's consideration as work on the preparation of the MTFS continued.
- There was a net funding loss of £11.206m in 2011/12. The Director outlined steps that had been taken by Directors to arrive at proposals to close the funding gap and the core principles and priorities, set out at paragraphs 15 and 16 of the report that had been used to identify the further savings required and the necessary service changes.
- The budget setting principles were set out at paragraph 17 of the report.
- The Government's review of the funding formula had resulted in a net decrease of £2.7m in the Council's grant. The main variation resulted from changes to concessionary travel funding distribution.
- That it was estimated that as a result of the budget proposals up to 250 posts would be deleted from the organisation (excluding schools).
- That the current policy for the general fund reserve required it to be 3% of net revenue budget. The total net budget for 2011/12 was £148.8m and would require a reserve of £4.5m. In addition non schools specific reserves totalled £7.87m. It was proposed that a specific financial reserve of £1m was established following a review of current specific reserves to meet potential financial pressures associated with the reduction in funding.
- The effect of the changes to the funding formula on concessionary fares funding and the proposal that a sum of £550k was passported within formula grant and that temporary support of £1m was provided by temporary use of the current £2.774m Waste Reserve. The 2012/13 budget would require this to be repaid and the base budget would be adjusted. A reduction in expenditure on concessionary travel would still be needed. This could be achieved by meeting guidance for availability of concessionary fares which would yield approximately £200k of savings. These measures would protect concessionary travel funding and provide £1.55m of funding compared with £1.8m in 2010/11.
- That although the timeframe of the Comprehensive Spending Review for 2010 was four years the settlement was a two year settlement with a new local government funding methodology to be in place for 2013/14.

In discussion the following principal points were made:

- Members thanked the Director of Resources and his team for the quality of the report that he had produced and the Member seminar held on 10 January on the financial settlement and its impact.
- It was noted that the late settlement meant that work was ongoing on the budget and that the report for consideration by Cabinet on 20 January included additional information.

- Members questioned the proposed use of the Waste Reserve to support expenditure on concessionary fares, mindful that the Reserve would soon be required for its intended purpose, and sought assurances that the commitments under the joint waste contract would be met.

The Leader of the Council outlined the proposal to limit concessionary fares bringing the policy in line with the statutory requirements in 2011/12. This would mean that concessionary fares would no longer generally be available before 9.30 am. However, it was proposed that adults who supported people with a disability would continue to receive the current, unlimited concession. Careful consideration needed to be given to be given to concessionary funding in future years. He emphasised the disparate nature of settlements received by Councils, ranging from a 51% reduction in the case of one Council to a 20% increase in the case of another.

He noted that the Government was advising Councils to use reserves to offset the effect of the front loading of the Government's funding reductions. The alternative was to make further cuts and then reinstate funding later. The policy was to replenish the Waste Reserve in the 2012/13 budget. He emphasised the significant effect that the front loading of the funding reduction had had on the Council's financial plans.

The Cabinet Member (Environment and Strategic Housing) reported that discussions had been held with the Director of Resources and Worcestershire County Council about when the Waste Reserve would need to be drawn on for the purposes of the joint waste contract. He had been assured that the reserve would be replenished in time for when it was needed and endorsed its proposed use on that basis.

- Comment was invited on the joint working with health including the planning for the development of a GP Consortium and health promotion changes included within the priorities to be delivered in the medium term, as described in paragraph 15 of the report. The Director of Resources informed the Committee that the pathfinder status for the development of the GP Consortium, the efficient approach to provision of public health services, which were proposed to be transferred wholly to local authorities, and work to integrate the commissioning and provision of care were advantageous to the Council's financial position.

The Leader of the Council added that NHS Herefordshire had agreed that the funding provided through the NHS budget nationally to support joint working between the NHS and Councils across the country in the provision of social care would be made available. In other parts of the country joint working arrangements were not so advanced and Councils were having to undergo tough negotiations with the relevant Primary Care Trusts.

- In response to questions the Director of Resources stated that the assumptions made in the MTFs for 2010/11 about reductions in funding and the savings required had been peer tested with other authorities and the approach in Herefordshire had been comparable to that of the majority of authorities.
- In relation to staff reductions a Member stated that the focus should be on not reducing posts providing frontline services. A concern was also expressed about the level of salaries for senior posts.

Asked whether alternatives to redundancy had been considered the Cabinet Member (Corporate and Customer Services and Human Resources) stated that efforts were being made to offer flexibility to staff. She also commented on measures that had been undertaken to manage the Council's costs which necessarily meant staff reductions. These included reducing layers of management, the reduction in the

need for staff as a result of the introduction of the Agresso software which reduced the amount of data entry and analysis required, the Shared Services project, and management of recruitment. Posts dependent on grant funding would also be deleted where those grants ceased and a case could not be made that funding delivered a policy requirement.

In relation to the savings of £3.148m on the pay bill included in the 2011/12 budget the Deputy Chief Executive clarified that this was the current estimate of the net savings. The Council's transition to a smaller, strategic organisation was ongoing. The Council would, however, still have an enormous amount of responsibilities to discharge and this would represent a huge challenge over the next two years.

A Member observed that outsourcing could prove effective but also could have pitfalls. A number of continuing concerns about the cost effectiveness of the Amey contract were expressed.

The Director of Resources confirmed that sufficient capacity had been provided within the MTFs to meet the ongoing costs of redundancy.

- Concern was expressed about the provision in the Comprehensive Spending Review that from 2013/14 Council Tax Benefit would be localised. The Director of Resources commented that it remained the case that further detail was awaited. A number of other measures relating to housing benefit were described in the MTFs.
- The New Homes Bonus to 'reward' councils granting planning permission for the construction of new homes, by matching Council Tax receipts for each new home built for a number of years, with an additional premium added was discussed. The estimate that this would provide £660k per annum was questioned. The Director of Resources considered that this was a fair assumption at this stage, pending the receipt of further information from the Government.
- Asked about the implications of increasing charges for adult social care and how any policy would be approved, the Director of Resources stated that a review would be needed. Benchmarking showed that the Council's charges were at the lower end of the scale but there were issues that needed to be taken into account in setting charges having regard to the County's particular circumstances including its rurality and low wages. The 2011/12 budget provided for an increase in discretionary charges in line with inflation.

The Leader of the Council commented that the outcome of the full review of charges that needed to be undertaken would require Member approval. He noted that the Council had to reach a view on where the balance was to be struck between making further savings, including further redundancies, and what income it was appropriate to increase. The review was needed to outline the options and help inform that choice.

- The Director of Resources provided an assurance that he considered the assumptions made about the projected interest rates included in the Minimum Revenue Provision Statement, representing the financing of capital expenditure from the revenue account that was initially funded by borrowing, were sound.

He reminded the Committee that he was required to make a formal statement that the budget calculations as a whole were robust and he considered that the proposals for the 2011/12 budget met this test. The new financial management system with provision for commitment accounting, and additional mechanisms would help to ensure that savings targets would be achieved.

- A Member expressed concern that the MTFS made no mention of major capital schemes under consideration but not sufficiently advanced to be included in the capital programme. The Leader acknowledged that greater clarity within the MTFS on this point would be helpful. It was proposed that an explanatory note on the funding of future capital projects should be added to the MTFS.
- Members expressed a number of concerns about the need for clarity as to where savings would be made and the need to ensure that they were delivered to achieve a balanced budget. The budget report set out the total savings required of each Directorate but did not provide the opportunity for political oversight of the detailed savings and their impact upon the community.

The Leader of the Council commented that the report outlined principal areas where the majority of the savings would be generated. These included savings from the deletion of posts where grants had ceased or there had been grant reductions, a reduction of some 25% in management posts, the shared services project and service redesign, around 250 posts in total.

It was proposed that further detail on the proposed savings should be included in the budget report to Council.

- The Leader invited the Committee to indicate to Cabinet whether it agreed with the core policy principles and budget setting principles included in the report, highlighting in particular the proposal to take advantage of government funding up to 2.5% of council tax increase, and the policy on the use and future replenishment of reserves to mitigate the impact of the front loading of government reductions.

The Committee indicated its support for the principles set out in the report.

RESOLVED:

That Cabinet:

- be advised that the core policy principles and the budget setting principles set out in the report at paragraphs 15, 16 and 17 are supported by the Committee;**
- be recommended that Council through the Cabinet receives sufficient detail of the proposed budget reductions to understand the impact on communities, services and the organisation; and**
- be recommended that an explanatory note on the funding of future capital projects should be included in the Joint Medium Term Financial Strategy.**

50. JOINT CORPORATE PLAN 2011-2014

The Committee considered the draft Joint Corporate Plan (JCP).

The Head of Policy and Performance commented that the JCP took account of the fact that fewer resources would be available in the future and focused in particular on local priorities the Council had to deliver.

The Cabinet Member (Corporate and Customer Services and Human Resources) stated that consultation with Partners on the content of the Plan had taken place but further consultation would be necessary and the Plan may also need to be reviewed in the light of the outcome of Council elections in May.

RESOLVED: That Cabinet be advised that the Committee welcomes the aspirations in the Joint Corporate Plan, whilst noting the challenge in ensuring the delivery of the desired outcomes.

51. WORK PROGRAMME

The Committee considered the work programmes of the scrutiny committees.

RESOLVED: That the current work programmes be approved as a basis for further development.

The meeting ended at 11.53 am

CHAIRMAN