

**MINUTES of the meeting of Overview and Scrutiny Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Monday 28 November 2011 at 10.00 am**

**Present:** Councillor A Seldon (Chairman)  
Councillor JW Millar (Vice Chairman)

Councillors: AM Atkinson, PL Bettington, WLS Bowen, MJK Cooper, EPJ Harvey, AJ Hempton-Smith, RC Hunt, TM James, Brig P Jones CBE, JLV Kenyon, SJ Robertson and P Rone

**In attendance:** Councillors JG Jarvis, MD Lloyd-Hayes, PM Morgan and C Nicholls

**30. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors PGH Cutter, MAF Hubbard, R Preece, and PJ Watts. Apologies were also received from Miss E Lowenstein and Mr P Sell.

**31. NAMED SUBSTITUTES**

Councillor AJ Hempton-Smith substituted for Councillor MAF Hubbard.

**32. DECLARATIONS OF INTEREST**

There were none.

**33. MINUTES**

**RESOLVED:** that the Minutes of the meeting held on 17 October 2011 be confirmed as a correct record and signed by the Chairman.

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

A suggestion was received requesting the Committee to consider the future of the libraries programme for the County.

**35. QUESTIONS FROM THE PUBLIC**

There were none.

**36. BUDGET 2012/13 - PREPARATION AND EMERGING OPTIONS**

The Committee received a presentation on the preparation of the 2012/13 budget and the Executive's view on emerging options.

The Leader of the Council highlighted the following points:

- That the financial outlook remained extremely difficult. The Executive had formed the view that top slicing of budgets was neither sustainable nor appropriate. The administration proposed to adopt a zero based budgeting approach for the remainder of its term in office.

- The Executive did intend to take up the Government's offer of a one year grant of 2.5% of the Council tax base equivalent to £2.2m, in exchange for not increasing the Council Tax for 2012/13. This was a voluntary scheme and some Councils had indicated that they would not participate in it. Unlike in 2011/12 the grant was for one year only and would not be added to the base budget. This had implications for funding in future years. Because it was a one off sum it was proposed to use the grant to fund transition in 2012/13 as zero based budgeting was introduced. He said that he would welcome the Committee's assistance with this transition process.
- Additional challenges that lay ahead for 2012/13 included localisation of the Council Tax Benefits and Business Rates and the transfer of responsibility for Public Health to local authorities.

The Chief Officer – Finance and Commercial then gave a presentation. This covered:

- Future Strategy: future vision as a Council; priorities for the next few years; and what needed to be done to deliver the vision and priorities.
- Budget 2012/13: and future years outlining the challenges and future strategy for 2013/14 and 2014/15.

### **Future Strategy**

Key themes in the future vision included: community leadership; the relationship with residents; commissioning of services and the implications of more outsourcing; localism - the future role of town and parish councils and other local community groups; partnerships - the role of the Herefordshire Partnership, collaboration and cross border working; and development of workforce skills and capabilities.

In terms of future priorities he suggested there was a need to be clear about the long term priorities given the financial challenge and to have a better understanding of the impact the Council would get for the money it spent: for example: where would it invest, protect, or reduce spend? How would it deal with the challenge of an aging population - a step change in early intervention and prevention/increased (or matched) funding for the third sector and community action?

To ensure delivery early action was required to achieve fundamental change. This involved pump prime funding for change; and a programme of "root and branch" reviews including value for money benchmarking and recommissioning/market testing; and changing eligibility criteria. The Council needed to consider whether there were areas to which it could shift resources to fund priorities, whether to explore community budgets and the scope for pooling more budgets. Other issues included developing a closer link between funding services and outcomes; increasing income/trading and reducing public subsidy; Options for cost reduction included posts, suppliers, property; and investment in new technology

### **Budget**

He informed the Committee of the Government's offer of a one year grant equivalent to 2.5% of the Council Tax base, worth £2.2m if council tax were frozen. This was a voluntary scheme. The indications were that some unitary authorities may decline but no counties were saying they would not accept. He noted that accepting the grant meant losing the 'increase to the base budget of a 2.5% council tax increase. He also noted that the 2011/12 council tax freeze grant dropped out of the budget in 2015/16.

He provided a short overview of the 2012/13 budget noting that in 2010 the Council had agreed a two year approach including savings targets and funding for budget pressures, with a council tax increase assumption of 2.5% in the base budget. The current 2012/13 position showed a £1.8m shortfall but this would be affected by the approach to using the council tax freeze grant. There was a need to continue to support the transformation agenda in social care

He reported on the 'Star Chamber' process for challenging budget savings. Savings proposals included service reviews, income, cost reductions, organisational redesign and shared services.

Agreed budget pressures in the financial plan totalled £2.2m, but the latest refresh indicated unfunded pressures. These were being reviewed as a matter of urgency.

The budget model included provision for inflation on supplies and services; £250 p.a. increase for staff on lower pay scales (£283k); contract inflation; an additional £1.5m for social care announced in Comprehensive Spending Review (CSR) 10, an additional £500k for the Waste Reserve; a change management fund of £1m; a further 9.5% (£5.7m) formula grant reduction (down to £54.4m) and other further grant reductions (£932k).

The current savings target was £1.8m, currently being reviewed to consider the impact of council tax grant. It was proposed to deliver savings through service reviews (such as Business Support) target of £250k; combination of commissioning and procurement £250k; an additional income target of £400k. This left a gap that was subject to further work.

Other considerations relevant to the 2012/13 budget included: costs of new capital projects to be built into future plans depending on Cabinet's decision; reduction to grants rolled into Formula Grant being allocated a review of waste management contract costs.

He outlined issues and risks for future years. These included: no funding certainty after 2012/13; the 2010 local government settlement only covered 2 years; the settlement for 2013/14 likely to be announced in December 2012; the impact of changes to housing and council tax benefits (council tax benefit to be cut by 10% and prioritised) the impact of the transfer of Public Health responsibilities and the localisation of business rates; the on-going debate about future funding of Academies and possible further reductions in public sector funding.

The position for 2013/14 and 2014/15 indicated savings of at least a further £2m per annum were needed. An approach based on continuing to cut existing budgets was not sustainable. There was evidence of general support for council tax increases if these were explained. These needed to be considered as part of future strategy but a referendum would be needed if an increase was 'excessive'. This required a 'root and branch' review of the future planning process and a longer term assessment. The planning process for the next CSR would commence early in 2012. There were many unknown factors but the estimated impact needed to be assessed.

From 2013/4 there would be a further financial challenge. The key questions for a future approach from 2013/14 needed to be defined, focussing on the future vision as a council; future priorities and what needed to be done to deliver the vision and priorities.

In discussion the following principal points were made:

- The Leader clarified that the zero based budgeting exercise would review every service budget and establish a new budget base.

- The Government's offer of a one year grant was debated. There was concern about the implications for the base budget and knock on effect on funding in future years. The Leader acknowledged these concerns but expressed the view that, on balance, the best course was to accept the grant and aim to achieve a better outcome for the County through a transformation programme funded by the grant.
- The Committee also discussed the localisation of business rates. It was noted that once the base figure was set the Council had little influence over the sum raised. The level of the rates would be set centrally. The only way in which increased income could be generated would be to increase the base through the growth of new businesses or the expansion of existing ones. There were policies in place to seek to encourage this growth such as the Economic Development Strategy. It was noted that business rates from the Enterprise Action Zone would be payable to the Local Enterprise Partnership (LEP) and divided amongst the partners. Members requested a briefing on the operation of the LEP.
- It was requested that care should be taken to ensure that the reduction in staff numbers within the Council did not place an impossible burden on those who remained, with the pressures on those working in social care being of particular concern. The Leader acknowledged concerns about the health and wellbeing of staff. He added that he considered action had been taken to minimise the use of agency staff, requesting that if Members considered there were any examples where the use of agency staff was inappropriate these were brought to his attention.
- The Deputy Chief Executive and Director of Corporate Services commented in relation to the provision in the Change Management reserve for redundancies that organisational redesign had involved the loss of around 200 posts in the last two years. The majority of these had been natural wastage voluntary redundancies. However, the proposed root and branch examination of services as part of the zero based budgeting exercise was likely to have further effect on staffing levels, given the proportion of the budget represented by pay.
- The Leader indicated that he proposed to review the current policy for business rate relief. He considered that there were examples, such as some national charities, where the provision of this relief provided an unfair trading advantage. He acknowledged concerns expressed by Members agreeing that this was potentially sensitive and would require careful consideration. He added that he had concerns about the effect of high rent increases by landlords. These could lead to business closures, and empty properties which currently qualified for business rate relief. He intended to examine whether the Council's powers could be used to encourage landlords to keep rates down and properties in use and invited views from all Groups on the Council. It was noted that this issue would require further consideration as the budget proposals were developed.
- It was confirmed that there was ongoing work to pool budgets with NHS Herefordshire to seek to maximise the use of resources.

In conclusion it was agreed that it would be helpful for the Committee to receive a briefing note on any implications for the authority of the Chancellor of the Exchequer's autumn statement as soon as possible; and for a future briefing on the Local Enterprise Partnership. The policy on relief on business rates would require further consideration as the budget proposals were developed.

### **37. YOUTH SERVICES REVIEW**

The Committee received a presentation on the Youth Services Review.

The Cabinet Member – Health and Wellbeing emphasised that the proposals would be subject to consultation.

The Head of 11-19 Integrated Services gave a presentation.

He reported that the Purpose of the Review was to identify ways in which the vision for young people's services could be achieved; address how youth work could be directed more toward targeted intervention, and to ensure the needs of the most vulnerable were met, utilising youth work skills; establish how communities and the voluntary sector could be better engaged in improving universal provision, making it more locally relevant and available; and identify how reductions to the current youth service budget could be achieved.

The guiding principles were: partnership work to provide universal services; the role of Herefordshire Public Services is to be a community leader and funder of activities, not necessarily a provider; there will be an increased focus on the most vulnerable young people; an increased proportion of the total spend on youth activities to be on targeted support; there will be a mix of providers delivering youth services; contestability will be built into the commissioning and procurement processes; all organisations will engage with the multi-agency group processes in localities; and youth work will be delivered in new and innovative ways which should facilitate the reduction of capital assets in line with the Corporate Asset Plan or ensure that community and corporate use of assets is maximised.

The youth service currently delivered five service functions: Positive Activities; Outdoor Education; Youth Involvement – Unaffected; Student Information Services – Unaffected; and Targeted Youth Support

The proposals envisaged a budget of £766k in 2012/13 a reduction of £191.1k from 2011/12.

In terms of youth service provision in the County as a whole it was noted that Herefordshire Public Services (HPS) Youth Services were not the only provider (25.3% of 13-19 population access HPS provision) but there was no complete measurement of whole provision

The Current HPS contract was worth £75k for the 3rd Sector. There was excellent provision in pockets but incomplete coverage and a large range of preparedness for commissioning.

The proposals represented a significant change of approach. The likely recommendations included: targeted youth support including development of a 1to1 casework service for vulnerable young people with a preventative approach (est £400k); a change to outdoor education provision, which HPS could not continue to fund at the current level, involving further work to explore whether the facilities could be either cost neutral – or deliver a profit; continued funding for positive activities including investing in community engagement and allocating the remainder on a formula basis using the resource allocation tool. This would mean the Council would spend funding on a community engagement and facilitation route rather than through the direct provision of community youth clubs and the staff to operate them.

Examples were given of a range of approaches being adopted across the Country: West Sussex: Manchester: Warwickshire: Gloucestershire: Worcestershire: whose approach was to transfer the delivery of universal services to the voluntary sector and target resources at the most vulnerable young people (anticipated average savings £2.8m); Oxfordshire: whose approach was to merge youth services with others relating to young people and families and employ a youth hub model ( anticipated savings £4.2m);

Devon: whose approach was to reduce the number of geographical teams and managers, and pool resources with other relevant services (anticipated savings £683,500).

It was proposed that subject to approval by Cabinet in December there would be an extensive 12 week consultation period.

In discussion the following principal points were made:

- It was essential to recognise that the proposals meant a fundamental change to service delivery, effectively ending the Council's role as a provider of youth services across the County as a whole.
- The Cabinet Member advised that her priority was the provision of targeted services for those who most needed them.
- That the Council should seek to retain a leadership and co-ordinating role to influence provision in line with the Council's agreed strategy.
- There were many small service providers across the County. Members commented on the need to ensure that there was a clear picture of provision. It was suggested that the localities established by the Council could provide a source of leadership. The Assistant Director – Children and Young People Provider Services confirmed that it was planned to work closely with Local Members and Parish Councils to establish a clear picture of local need and provision. Whilst there was not sufficient resource to establish a data base of all activity in the County, knowledge of activities would be shared and one area may well then decide to seek to emulate the approach being adopted in another.
- The important contribution the youth service made to reducing offending was noted.
- A concern was expressed about the level of consultation to date.
- The importance of encouraging provision and youth support so that it was not perceived as further school or training work was noted.
- There was a need for effective communication of the proposals, seeking views as widely as possible through all the Council's available outlets including particular effort to seek the views of young people through social media and generally.
- The Assistant Director confirmed in relation to community asset transfers that, in seeking to rationalise the use of its properties, the Council would take account of local views and consider whether transfer of an asset was feasible.
- It was suggested that efforts should be made to encourage interaction between young people and older people.

**RESOLVED:**

- That**
- (a) the proposals be broadly welcomed, albeit with some caution, in seeking to take action to address the issue of Youth Service provision;**
  - (b) the intention to work within the localities established by the Council be supported;**

- (c) **it be emphasised that clear lines of communication between schools, partners, the voluntary sector and the Council were essential and the Council should take a leading role in enabling and encouraging others engaged in the provision of youth services; and**
- (d) **it was important that the consultation exercise was as wide as possible and used all Council/NHS Herefordshire facilities and social media to seek to maximise the response.**

### **38. WORK PROGRAMME**

The Committee considered its work programme.

In opening the meeting the Chairman, it being the first meeting since his appointment by the Council in November, had indicated his intention to focus the Committee's work on the statutory role in relation to Community Safety and Health.

The Vice-Chairman – Health and Wellbeing expressed concerns that the current work programme did not give sufficient weight to the Committee's responsibilities for Health Scrutiny.

A Member reiterated a concern expressed in September 2011 about scrutiny of the work of Directorates and the Council's performance.

It was agreed that the Chairman and Vice-Chairmen would review the work programme putting forward priorities for their respective areas of responsibility and seeking to identify relevant timelines within the programme to ensure that the various elements were joined up in a logical way.

The meeting ended at 12.58 pm

**CHAIRMAN**