

EXTRACT FROM DRAFT MINUTES OF THE MEETING OF THE OVERVIEW AND SCRUTINY COMMITTEE MEETING HELD ON 16 JANUARY 2012

BUDGET 2012/13

The Committee was asked for its views on the budget for 2012/13 and the principles underlying the Medium Term Financial Strategy.

The report to Cabinet on 19 January had been circulated separately to the Committee.

The Leader of the Council introduced the report highlighting the following issues:

- That the provisional Local Government Settlement for 2012/13 meant a £5.7m reduction in formula grant for the Council.
- The Government's payment of a grant to authorities who agreed to freeze their Council tax for 2012/13 equated to a 2.5% increase in Council Tax but was for one year only.
- The budget proposals involved savings of £9.3m in 2012/13. This followed on from savings of £10.3m in 2011/12.
- A reduction in some services was inevitable but the Council had sought to maintain frontline services.
- The Council was increasingly a commissioning organisation transferring service delivery to other organisations.
- The funding picture after 2012/13 was unclear. There were a number of significant changes ahead.

The Chief Officer – Finance and Commercial Services (CFO) highlighted the following additional points:

- He emphasised that for 2011/12 the Government had offered a grant to those who froze Council tax for four years up to and including 2014/15. A further council tax freeze grant was now being offered for 2012/13 only. It was proposed to use this one-off sum for transformation (£1.2m) and budget contingency (£1m).
- Additional funding for social care within the formula grant was proposed to be passported to that service area. A sum of £2.3m was also to be transferred from the NHS to support social care.
- He also noted provision for a 1% increase in pay from 2013/14; income proposals; the provision of £1m for a change management reserve; savings proposals for directorates as set out in the appendix to the report; the capital programme; and the implications of the transfer of public health responsibilities to local authorities.

In the course of discussion the following principal points were made:

- Paragraph 5.2.3 of Section 5 of the Medium Term Financial Strategy on the Council's financial context noted the extent to which the Council's funding settlement from the Government was below average. The CFO commented that the national funding formula was complex and not transparent so the reasons why the authority fared so poorly were difficult to establish. Members considered that Cabinet should be encouraged, with the Committee's support to make representations to the Government to seek to address the apparent unfairness of the Council's settlement.
- The CFO informed the Committee of the Council's investment policy and provided assurance on the arrangements in place to manage risk to the Council's resources.
- The relationship between NHS and Council funding for social care was discussed. The CFO commented that joint arrangements were in place and national incentives encouraged an appropriate use of funds.

- A Member sought clarification on the proposed use of the council tax freeze grant of £2.2m for 2012/13. It was noted that the Cabinet decision in December had been that the sum would be used for transformation measures. The report before the Committee suggested it was proposed to use £1.2m of this sum for transformation with the remaining £1m being set aside as a budget contingency. The Leader accepted that this point required clarification and that he would request that this be provided.
- In response to questions, the CFO agreed to provide a briefing note showing movements on the Council's general and specific reserves, a breakdown of management fees paid by the Council and a breakdown of PFI funded schemes.
- A Member questioned the inclusion of provision of funding in the capital programme for Hereford Futures. It was asked whether this was in effect subsidising the development of the retail quarter when initially it had been stated that all infrastructure would be provided by the developer.
- It was requested that the wording of paragraph 3.6.2 of the Medium Term Financial Strategy relating to developer contributions should be checked to ensure that it accurately reflected the position.
- The proposed provision of an archives facility was noted. Attention was drawn to West Mercia Police Service's recent construction of such a building. It was suggested this might be a useful model to draw on and might be able to provide the Council with some cost-efficient interim storage.
- The significant pressures on the budget for adult social care services was discussed. It was noted, in addition, that care packages for some individuals with special and/or serious needs could be extremely expensive. The Leader indicated that he would welcome the Committee's assistance as proposals to transform provision were developed. A Member questioned the delay over a number of years in tackling this issue. It was suggested, however, that the graph in the MTFs at page 37 of the agenda papers extrapolating costs up to 2026 at some £160m per annum was unrealistic and therefore unhelpful.
- The Committee was invited to comment on the underlying assumptions underpinning the budget, whether it reflected the Council's priorities and risk management Members did not propose any different approaches. Some Members did, however, express dissatisfaction with the Government's decision that the council tax freeze grant was only for 2012/13, mindful of the consequences for council tax and budgets in future years, considering local authorities generally were being manoeuvred into taking a course that would not be in their financial interests in the longer term.

RESOLVED:

- That (a) Cabinet be encouraged, with the Committee's support, to make representations to the Government to seek to address the apparent unfairness of the Council's settlement;**
- (b) It was important that the financial reporting was transparent and clear and gave the historical context;**
- (c) a briefing note be produced showing movements on the Council's general and specific reserves, a breakdown of management fees paid by the Council and a breakdown of PFI funded schemes; and**
- (d) the Committee's considerations as recorded in the Minutes be made available to Cabinet.**