

Minutes of the meeting of General scrutiny committee held at Council Chamber, The Shire Hall, St Peter's Square, Hereford, HR1 2HX on Friday 30 November 2018 at 10.15 am

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

Councillors: JM Bartlett, AW Johnson, MT McEvelly, RJ Phillips and A Warmington

In attendance: Councillors E Chowns, JG Lester (Cabinet Member), FM Norman, AJW Powers, PD Price (Cabinet Member) and NE Shaw (Cabinet Member)

Officers: R Ball – acting director economy and place, A Lovegrove – chief finance officer, J Rushgrove – head of corporate finance, and J Coleman – statutory scrutiny officer.

25. APOLOGIES FOR ABSENCE

Apologies were received from Councillors SP Anderson and SD Williams.

26. MINUTES

Councillor MT McEvelly substituted for Councillor SP Anderson and Councillor RJ Phillips for Councillor SD Williams.

27. DECLARATIONS OF INTEREST

Councillor RJ Phillips declared other declarable interests as a member of SPARSE and the Local Government Resources Board.

28. MINUTES

RESOLVED: That the minutes of the meeting held on 8 October 2018 be approved as a correct record.

29. QUESTIONS FROM MEMBERS OF THE PUBLIC

Nine questions had been received.

It was noted in response that the issues raised were referred to in the separate supplement published as a briefing document and would be explored as appropriate during consideration of the relevant agenda item.

30. QUESTIONS FROM MEMBERS OF THE COUNCIL

None.

31. SETTING THE 2019/20 BUDGET, CAPITAL INVESTMENT AND UPDATING THE MEDIUM TERM FINANCIAL STRATEGY

The committee considered the draft medium term financial strategy (MTFS) 2017-21 and the budget proposals for 2019-20.

The chief finance officer (CFO) gave a presentation. The slides had been circulated separately as a supplement to the agenda papers.

The acting director – economy and place (AD) presented slides relating specifically to the directorate.

The cabinet member – finance and corporate services (CMFCS) made the following principal points:

- He commented on the significant savings that the council had been required to make over the past few years and the council's track record in achieving those savings.
- The proposed 2019/20 budget would increase council tax by 4.9% entailing a further £3m savings in 2019/20. This was in line with the approved MTFS.
- He referenced the new capital strategy document at appendix 5 to the report codifying the approach to capital investment.
- He noted that the funding picture beyond March 2020 was as yet unclear meaning that a number of assumptions had had to be made about the government's intentions. In the next budget cycle there would be a new comprehensive spending review, a green paper on charging for care, details of what would replace the better care fund and the improved better care fund, and clarity on business rate retention. Some one-off allocations of government funding were also to be expected and the 2019/20 budget may need to be amended to reflect these.
- He observed that despite the significant reduction in revenue support grant over the past 10 year period the rise in council tax was below the rise in the retail price index.

In discussion the following principal points were made:

- It was observed that there was little flexibility within the budget given the constraints, meaning the room to explore alternative approaches was limited.
- Assurance was sought as to the robustness of the assumptions regarding the improved better care fund and the public health grant. The CFO commented that there was a reasonable assurance that for 2019/20 the assumptions were sound. There wasn't the same level of certainty beyond that point and the council would have to respond accordingly. The CMFCS noted the certainty that accepting the four year settlement had brought and it appeared that that level of certainty was now to end.
- The impact rural sparsity had on the council's budget should not be overlooked and the council should continue to lobby with other authorities for this to be recognised.
- It was important to ensure a good working relationship with health bodies in the county to maximise the effective use of resources to deliver care and for health bodies to reciprocate and acknowledge the need for that relationship.

The CFO commented that co-terminosity of boundaries with health bodies was an advantage. The relationship between the council and health bodies was robust. Work was ongoing in relation to an integrated care service with one financial control total. Where there was overlap as with the IBCF/BCF that was managed in

partnership with health colleagues. There was ongoing joint work on delayed transfer of care.

The CMFCS commented that whilst the local working relationship was good, it could be a challenge to achieve a relationship of equals given the national footprint of the NHS which made it difficult to influence its direction at a strategic level. He noted the work of the Adults and Wellbeing Scrutiny Committee in drawing Wye Valley Trust's attention to some of the anomalies in continuing health care funding in the county. The council was working with the Trust to address delayed transfer of care, seeking to understand the approach to collecting statistics in this area given that the county seemed to be out of step with the picture across the country. He noted also the council's proposed investment in the Hillside nursing centre that would enable some reduction in transfer numbers.

- It was important to recognise that the significant reduction in revenue support grant had had to be managed alongside increased service pressures.
- The head of corporate finance acknowledged that the two entries in the table on page 57 of the agenda papers relating to increased income and efficiency within public realm services (£175k and £25k) should have been combined to create a saving of £200k and that the £25k referenced in that section should have been reflected in the table at page 19 (below paragraph 13) in the line titled "maximise income generation" in the Economy and Place column to make the total in that line tally. She also noted a request to clarify the completeness of the text on pages 117/118.
- Clarification was provided on the provision for funding pressures associated with contract inflation. The AD commented that the provision reflected the fact that the cost bases for the range of contracts the council held for services did vary, some, for example, being linked to the retail price index, others being based on market rates (eg fuel). Alongside these increases the council expected contractors to seek efficiencies.

It was observed that the potential for cost increases emphasised the importance of managing large scale capital contracts in particular.

- Assurance was sought that the proposed savings were achievable. The CFO commented that it was difficult to have complete certainty that the savings would be achieved precisely as planned. However, the council's track record in achieving savings was good. Progress towards achieving savings was robustly challenged and monitored so there was early warning if savings were not on track, providing the opportunity to explore alternative options. He was confident that the savings could be delivered. However, it was a difficult task mindful of the scale of savings that had already had to be achieved. The CFMS reinforced the point that robust performance monitoring arrangements were in place to manage the risk associated with planned savings.

(The meeting adjourned between 11.15 – 11.25 am.)

- The AD confirmed that the budget for major infrastructure projects took account of the potential costs associated with public inquiries.
- The balance of capital funding between schemes in Hereford City and the wider county was discussed. The AD commented that a range of capital projects meeting the needs of the county as whole were included in the approved capital programme as set out in annex A to the capital strategy at page 191 of the agenda papers. There was not a separate business case for investment in the condition of footways and cycleways referenced at page 63 of the agenda papers. The case for that investment was incorporated within the overall highway maintenance business case.

The CFMS commented that whilst Hereford City as the largest population centre would expect a proportion of capital expenditure to be allocated to schemes within the City he considered that the capital programme made provision for the county as a whole.

- It was asked whether the capital strategies of health partners aligned with the council's plans and suggested that there would be benefit in the strategy being allied to those of funding partners and funding regimes.
- Revenue from business rates would not meet the increasing costs of social care. Mindful of the forthcoming comprehensive spending review, the council should work with other similar authorities to lobby government and local MPs on the reform of business rates and the funding of local government to ensure that the council's interests were protected. It should also be requested that government provided councils with the earliest notice possible of funding changes.
- With reference to the Treasury Management Statement (TMS), noting reference to the credit rating of certain countries at page 206 of the agenda papers, a member suggested that the authority should adopt an ethical borrowing policy explicitly stating that it would not borrow from countries that did not fulfil particular criteria. The CFMS commented that (as reflected at Annex A to the TMS page 209 of the agenda papers) the council did not borrow from foreign countries and he could not envisage circumstances in which it would. Other members of the Committee did not support the inclusion of such a provision in the TMS. It was suggested that if a proposal to borrow from a foreign country were ever to be made council's approval should be sought.
- It was noted that there was greater flexibility with regard to capital funding compared with revenue funding. It was requested that there should be more clarity on the items in the capital programme and that there should be greater public consultation upon the capital programme in future.

Clarification was also sought on the capital receipt generated by the disposal of the council's smallholdings estate and the allocation of those receipts.

The CFO commented that there was always scope to learn from consultation processes and he noted that there were also a number of current court cases nationally on consultation arrangements of which the council would take note.

He added that in relation to the smallholdings estate, one sale was yet to complete. Once that had been settled a report would be made to the Audit and Governance Committee summarising the disposal. In the proposed capital programme no more use of the capital receipt from the disposal was assumed. He noted that capital receipts were summarised at page 202 of the agenda papers.

He undertook to expand the text of the report to cabinet to provide clarification.

- The committee noted and endorsed the recommendations made by the Adults and Wellbeing Scrutiny Committee and the Children and Young People Scrutiny Committee.

RESOLVED TO RECOMMEND THAT:

- (a) the executive considers a strategy of committing the council's capital budget to being allied to those of their funding partners and funding regimes;**
- (b) the executive continues to work with other local authorities, especially the more rural authorities, to lobby government and local MPs, on business**

rates and fairer funding settlements and requests that the earliest notice possible be given of funding changes; and

- (c) the executive consider the following recommendations made by the Adults and Wellbeing Scrutiny Committee and the Children and Young People Scrutiny Committee:

Adults and Wellbeing Scrutiny Committee – 27 November 2018

RESOLVED: That the committee:

- would like to see a strategy for investment in technology enabled care and a budget allocated to take this forward
- would like to see a review of current commissioning of domiciliary care, especially in our more rural parts of the county
- would like consideration given to a percentage of section 106 contributions being allocated for adult social care
- would like to see the spend to save business cases and the timing of when financial savings will be delivered

Children and Young People Scrutiny Committee – 29 November 2018

RESOLVED: That the committee:

- supports investment in early help, edge of care and placement stability services and requests that business cases are shared with the scrutiny committee when available;
- and
- supports the separate monitoring and reporting of overspends on the LAC budget from the children and families budget.

32. WORK PROGRAMME

The committee reviewed its work programme:

It was requested that an invitation to the Police and Crime Commissioner, Chief Constable and chief Fire Officer to attend to discuss community safety matters be pursued.

It was noted that there was an indication that an alternative budget may be produced and an additional meeting would be convened if this proved to be the case.

It was also requested that the briefing notes that had been requested were produced.

RESOLVED: That the draft work programme as set out at appendix 1 to the report be approved as amended.

33. DATE OF NEXT MEETING

Monday 28 January 2019 at 10.15 am.

The meeting ended at 12.27 pm

Chairman