

MINUTES of the meeting of Strategic Monitoring Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Monday, 13th February, 2006 at 10.00 a.m.

Present: Councillor T.M. James (Chairman)
Councillor Mrs. P.A. Andrews (Vice-Chairman)

Councillors: W.L.S. Bowen, A.C.R. Chappell, J.H.R. Goodwin and J.P. Thomas

In attendance: Councillors P.J. Edwards, Mrs. J.P. French, R.I. Matthews, R.J. Phillips, D.W. Rule MBE and R.M. Wilson.

47. APOLOGIES FOR ABSENCE

Apologies were received from Councillors H. Bramer and Mrs M.D. Lloyd-Hayes.

48. DECLARATIONS OF INTEREST

There were no declarations of interest.

49. MINUTES

In relation to Minute no 38 the Chief Executive informed the Committee that an Improvement Plan had been prepared in response to the findings of the recent Joint Area Review of services for Children and Young People and submitted to the Chief Inspector of the Commission for Social Care Inspection. He enquired how it was intended to scrutinise implementation of the Plan, if approved. In reply the Chairman indicated that progress would be monitored by the Strategic Monitoring Committee.

In explaining that there was no right of reply for Officers at full Council meetings the Chief Executive expressed the hope that it would be accepted that, as the Minute demonstrated, he had reported fully to the Committee on the findings of the Review, had emphasised how seriously he viewed the matter and the importance of addressing the issues raised. He had also reported fully to Cabinet.

The Chairman remarked on the need for all Members to recognise the importance of the issues raised by the Joint Area Review and their responsibilities with regard to them.

In relation to Minute No 41 on the Pay and Workforce Development Strategy a request was made for a report on staff turnover showing a breakdown of the overall figure. An update was also requested on the findings from exit interviews.

RESOLVED: That the Minutes of the meeting held on 26th January, 2006 be confirmed as a correct record and signed by the Chairman.

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

There were no suggestions from Members of the Public.

51. REVENUE BUDGET STRATEGY AND CAPITAL PROGRAMME 2006/07

The Committee considered the Cabinet's revenue budget strategy for 2006/07 and proposals for the Capital Programme 2006/07.

The reports on the revenue budget strategy and proposals for the capital programme 2006/07 made to Cabinet on 26th January, 2006 were appended to the report.

Revenue Budget Strategy

The Chief Executive explained the position which had been reached in developing the 2006/07 revenue budget. He noted that this was the Committee's opportunity to contribute formally to the process before the Executive presented proposals to Council in March. A Members seminar had also been arranged to ensure that all Members had the opportunity to consider the strategy before Council met.

The Director of Resources then presented the report. She commented on the Government's two year financial settlement for 2006/07 and 2007/08 and the expectation that the next spending review, which would establish a settlement for a three year period: 2008/9-2010/11, would be much tougher for Local Government.

She drew attention to changes to the Government grant formula questioning whether pressures on Social Care, Waste Management and concessionary fares had been fully recognised in the settlement. She noted that the Council was rated a good Council which made good use of resources and achieved good value for money and was achieving a lot with a low resource base. However, of the 44 all-purpose authorities the Council remained the 38th lowest funded and it was important that the pressures on the authority were recognised at a local and national level.

She then highlighted the position on the current year's budget; Cabinet's proposal to write off overspends and the implication for reserves; the consideration given to how to manage increasing pressures on resources to avoid disruption to service delivery; the need to change the way the Council did things as it was unsustainable simply to do more of the same and the consequent importance of the Invest to Save programme; the base budget pressures; areas identified as essential growth, the intention to establish a contingency in recognition of ongoing financial risk for Adult and Children's social care budgets and to undertake an independent assessment of future demand to provide a basis for establishing a new base budget; the key principles agreed for future financial management; and the corporate financial risks which had been identified.

In the ensuing discussion the following principal points were made:

- In response to questions the Director of Resources explained that at the time the report to Cabinet had been prepared information on the grant settlement had been incomplete. It would now be possible to include full details in the next report to Cabinet, which would form the basis of the report to Council. She commented in more detail on the changes to the way in which government grant was calculated, explaining how the Government had calculated a notional budget requirement figure for the Council for 2005/06 based on the new formula and how a 4.7% increase in council tax in 2006/07 would translate into a 6.6% increase on that notional figure. She reiterated that because of the creation of a dedicated ring-fenced grant for schools this represented a 4.3% increase on the notional budget for that area, and a 2.4% increase on other expenditure. With a Local Government Pay award of 2.9%, increased provision for pensions and severe increases in fuel and utility costs the increase in non-school budgets of

2.4% would barely meet the costs of inflation.

- A question was asked about the assumption in paragraph 9 of the Cabinet report that the £1.65 million cash efficiency gain target would be achieved. The Director of Resources replied that currently £1.1 million of savings were identified. Any shortfall would be allocated to Directorates to meet. Efficiency plans would be firmed up as part of the Corporate Strategy Review and the development of the Service Improvement Programme.

The Chief Executive commented that there was nothing new in the pursuit of efficiency gains. This had always been part of the Council's budget strategy. Where there was a change of emphasis was in ensuring that where efficiency savings were made the resources generated were not simply reinvested in the same service area but were reallocated to corporate priorities.

- It was noted that in the appendices to the Cabinet report there were a considerable number of growth items which Directorates had identified. In numerous places it was stated that the growth would have to be delivered from existing resources given the corporate financial context. It was suggested that a lot of expectations would be unmet.

The Chief Executive expanded on the financial constraints facing the Council. He said that the government grant settlement for the next two financial years could not be changed and representations to change the underlying basis of the settlement, even if ultimately successful, would take longer than that to take effect. There were restrictions on how much Council Tax the Council could raise and limitations on the income it could reasonably generate from other sources. In that context the Council either had to fundamentally change the way it operated or recognise that it would have to accept incremental reductions in services. The review of the Corporate Strategy was intended to identify how to make those fundamental changes without impacting on front line service delivery.

- Advice was sought on the possibility of the Council's budget being capped. In reply, the Director of Resources said that she could not give definitive advice on this point. It was thought that much would depend on the picture of Council tax rises nationally, noting that ministerial statements expected the average Council Tax increase to be less than 5%, and possibly the notional budget increases. In both instances the proposals being made by Cabinet were not out of line with other authorities. However, the risk of capping had to be acknowledged in finalising the proposals.
- Clarification was sought on the proposal, as set out in paragraphs 18 and 19 of the Cabinet report, to set aside a contingency sum to provide for the possible ongoing financial risks associated with the adult and children's social care budgets. The Director of Resources commented that the view had been taken that even if current and prior year overspends were written-off and the base budget adjustments outlined in paragraph 15 of the report were approved there were still significant financial risks for these services. To make a robust assessment of the likely level of future demand it was proposed that independent work would be commissioned to assess the level of need, in particular in relation to adult services. In the meantime it was proposed to create a contingency sum from the capacity available within the 2006/07 budget in case demand could not be met from within the approved budget.

The Chief Executive commented that in the face of tighter settlements in future years and pressures on resources the Council could not afford simply to make

additional provision in the base budget at this stage. It had to establish clearly what the demand was and begin to plan now for the 2008/09 budget.

- In reply to a question about the proposed assessment of future demand it was reported that a project brief had been delivered to the Policy and Research team and, if necessary, this would be externally validated. The intention was that the work would be completed by the end of the Summer.
- It was requested that the next report to Cabinet should clarify how the proposed contingency for social care expenditure would be funded.
- In relation to paragraph 15 of the Cabinet report, which identified base budget pressures, it was noted that provision had been made to provide for catching up with inflation indices for the contract with SHAW Homes Ltd for the provision of services for older people but nothing had been included to meet the increased costs of other private care contractors. Concern was expressed that provision was not being made in the base budget at this stage. In reply it was stated that as a block contract the financial commitment to Shaw Homes Ltd was clear. This contrasted with the uncertainty over the future costs of individual contracts. Further evidence was needed of the costs of other private care.
- The efficiency gains identified by the Director of Environment in paragraph 44 of the Cabinet report were queried, in particular the expectation that a reduction in supervision between the client and HJS as contractor would be feasible. It was noted that the Review commissioned by the Committee and nearing completion suggested that it would be hoped that this would be achievable.
- It was noted that the intention to generate efficiency savings by providing capacity for Property Services to focus on the corporate property agenda was in line with the findings of the Property Review undertaken by the Committee.
- The Director of Resources reported on work to identify the potential for her Directorate to contribute further to the efficiency agenda.
- The fact that the pressures on social care budgets and waste management budgets were national issues was acknowledged. It was also noted that the benefits of Government increases in health budgets were negated if partners responsible for social care were not provided with resources to fulfil their complementary responsibilities upon which the success of the health reforms also depended.
- It was suggested that expenditure associated with the growth items identified in the appendices to the report and how much fell in 2006/07 and how much in 2007/08 needed to be more clearly explained. It was again noted how many references there were to the need for the proposed growth items to be met from existing resources. The fact that the "wish lists" of Directorates had been included in the report was welcomed. However, in recognising that not all these proposals would proceed it was requested that the impact on service delivery should be more clearly explained so that Members were fully aware of the implications.

The Chief Executive emphasised that the Council did not have any additional resources available to fund those items in the appendices for which funding was not already identified in the report. He advised that if Members wished to pursue any of those schemes it was incumbent on them to identify where resources should be transferred from to finance them. He added that it would be

inappropriate to have an arbitrary debate at Council about the relative merits of schemes.

- In reply to a question about growth identified in relation to the cost of elections, noting that carrying out the work was a statutory requirement, the Director of Corporate and Customer Services commented that the intention was to manage this within budget, if possible. However, as the expenditure would have to be committed it had been thought pragmatic to highlight it as a pressure and subject to ongoing discussion with the Director of Resources.
- The Chairman stressed his wish to be assured that the proposed budgetary provision for Adults and Children's Services was sufficient, noting in the case of Children's Services the need to respond to the findings of the Joint Area Review.

The Chief Executive commented in reply that the Improvement Plan for Children's Services in response to the Joint Area Review identified resources needed to deliver the Plan. The next Cabinet report could address this issue.

In response to a question about staff turnover in Children's Services he added that this demonstrated the need for monitoring of the delivery of the Improvement Plan to be very clear and analytical, with a clear explanation of the implications for service delivery of any staff shortages, noting that these would vary depending on the type of staff involved.

The role of Partners in delivering the Improvement Plan was noted.

In reaching its conclusions on the revenue budget strategy the Committee highlighted the following issues:

- the constraints on the level of Council tax increase and the need to be mindful of the potential for the increase to be capped;
- the importance of the Invest to Save programme; and
- the need to ensure that the funding proposals for adult social care and children's Services were appropriate.

RESOLVED TO RECOMMEND TO CABINET

- That
- (a) the proposal for a Council Tax increase of 4.7% for 2006/07 was supported, noting that despite uncertainty over the pressures on Adults and Children's Services this was likely to be close to the maximum level of increase which the Government would be likely to consider acceptable, whilst recording that this support was subject to monitoring developments between now and the Council meeting at which the budget would be set to confirm that there was no change to the Government's advice on what it would regard as excessive increases in council tax;**
 - (b) the transfer of the unspent Invest to Save budget in 2005/06 into 2006/0 be supported;**
 - (c) confirmation be provided that the provision for adults social care services was prudent;**

and

- (d) confirmation be provided that the provision for Children's Services was sufficient to deliver the Improvement Plan prepared in response to the Joint Area Review.

Proposals for the Capital Budget 2006/07

The Director of Resources presented the report noting in particular the proposed level of prudential borrowing and Cabinet's emphasis on the need to maintain as much flexibility as possible between programme years within the overall planning totals.

The Leader of the Council noted the impact on the Programme of the need to use prudential borrowing to finance the Hunderton School replacement. This had been identified as the Council's highest priority and it was to be regretted that Government Grant had not been forthcoming for the Scheme.

Clarification was sought and provided on the increase in the estimated cost of the Rotherwas Relief Road and the difficulty in utilising the gas from the gas flare at Stretton Sugwas landfill site.

In supporting the proposals the Committee noted and supported the flexibility in the Programme and that it would accordingly be subject to change.

The meeting ended at 11.45 a.m.

CHAIRMAN