Policy and Resources Select Committee

22nd January 2010 – At a meeting of the Select Committee held at 10.30 a.m. at County Hall, Chichester.

Present: Mr. Britton (Chairman)
Mr. Brown  Mr. Deedman  Mrs. Richards
Mr. Coleman  Mrs. Field  Mr. Stevens
Mr. Coomber  Mr. B. Hall  Mr. Waight
Mr. Crow  Mr. Jones  Dr. Walsh

Apologies for absence were received from Ms. Hendon, Mrs. Millson, Mr. H.E.M. Smith (Leader), Mr. Evans (Cabinet Member for Public Protection) and Mrs Urquhart (Cabinet Member for Environment and Economy).

In attendance by invitation: Mr. Barnard (Deputy Leader), Mrs. Goldsmith (Cabinet Member for Finance and Resources), Mrs. Arculus (Cabinet Member for Children and Young People’s Services) and Mr. Watson (Cabinet Member for Communications).

Declaration of Interests

106. In accordance with the Code of Conduct, members declared the following personal interests:-

- Mr. Britton as a member of Littlehampton Town Council (Forward Plan entry on Littlehampton proposed land transactions)
- Mr. Brown as a member of the Treasury Management Panel (Treasury Management Strategy)
- Mr. Coleman as a member of the Regulation Audit and Accounts Committee (Treasury Management Strategy)
- Mr. Deedman as a member of the Regulation Audit and Accounts Committee (Treasury Management Strategy)
- Mrs. Richards as a member of Littlehampton Town Council (Forward Plan entry on Littlehampton proposed land transactions)
- Dr. Walsh as a member of Littlehampton Town Council and a member of the Littlehampton Harbour Board (Forward Plan entry on Littlehampton proposed land transactions).

Minutes

107. Resolved – That the minutes of the meeting of the Select Committee held on 3rd December 2009 be approved as a correct record and that they be signed by the Chairman.

2009/10 Budget Monitor

108. The Committee considered reports by the Executive Director Finance and Performance and Executive Director Adults and Children (copies appended to the signed minutes).

109. Tim Stretton (Chief Accountant) introduced the revenue budget monitor at 30th November 2009. He confirmed that the projected overspend was £6.3m after
allocations from the contingency and contributions towards the £5m Fundamental Service Review (FSR) savings exercise. This represented a £4m improvement over previous months. He said that the latest position was welcomed, but cautioned against complacency with a quarter of the year still to go. The position at 31st December was £1.8m worse than in the previous month. This was mainly due to a further £1m overspend in Children and Young People’s Services (CYPS) due to provision regarding management action and the Dedicated Schools Grant not being fully accounted for. The £800k was as a result of the recent bad weather. An £8m overspend was now projected at year-end; however the Council did have contingency funds that were not yet committed.

110. The Committee made comments including those that follow. Members:-

- Suggested that contingency funds should be retained for unplanned events.
- Queried the projected delays in FSR savings and whether the £1.2m was no longer needed. Mr. Stretton confirmed that the £1.2m would be moved into reserves.
- Sought reassurance that Finance and Resource savings would not be realised from areas affected by financial problems this year. Mr. Stretton confirmed that the bulk of the savings would be achieved by bringing an overspend situation in to line, thus no bottom line effect.
- Questioned the accuracy of bad weather estimates. Mr. Stretton accepted that this figure would need to be reviewed during the year.
- Questioned the £250k carried forward within the Public Protection portfolio. Richard Hornby (Executive Director Finance and Performance) gave assurances that the base budget remained the base budget, therefore there was security regarding funds for future years.

111. Louise Goldsmith (Cabinet Member for Finance and Resources) praised officers for their hard work over the past year in light of the financial pressures.

112. Julian Harris (Director Operations Infrastructure – formerly Director Resources and Performance, Adults and Children) introduced the Adults and Children Budget Update. He advised that the report provided feedback on the outcome of the work undertaken to address the projected overspend and looked at further options for reducing spend over the coming months. It was noted that the CYPS Select Committee would be looking at the CYPS budget in more detail.

113. The Committee made comments including those that follow. Members:-

- Expressed concern at the proposed reduction in the Youth Service budget and asked whether consultation had taken place regarding the effects of this action. Mr. Harris advised that further details would be reported to the CYPS Select Committee in March. He suggested that cuts would not be made to voluntary sector support but that work was still to be undertaken on how to minimise the effects. Ms. Goldsmith added that it was hoped that some improvements could be realised as a result of the review.
Were concerned about the Councils’ legal duty to meet assessed need regarding self directed support and how these ‘extra’ costs would be balanced when addressing resource needs. **Mr. Harris confirmed that there was some room for manoeuvre in this area if needed once there was more clarity about the government’s proposals for free personal care.**

Sought greater assurance around the Council’s monitoring and commitment to bringing spending back in line. **Mr. Harris confirmed that an action plan was being finalised and that the position had moved on since the report was written with specific targets to drive down costs.** Members suggested that this issue should come back to the CYPS Select Committee in due course.

Sought assurance that the targets/budget figures were really achievable in the next financial year. **Mr. Harris advised that many FSR targets were well advanced, however the proposal regarding the Youth Service was more recent and may be hard to achieve.** **He said that Adults’ and Children’s Services accepted that if the savings were not realised the figures would need to be balanced from elsewhere within the overall Adults’ and Children’s budget.**

Asked whether the £0.7m savings for Looked After Children (LAC) were derived from an assumption that demand would fall. **Mr. Harris confirmed that it was based on a more cost effective way of placing LAC i.e. more in-house foster care and kinship placements.**

Asked how many LAC were cared for in-house, the cost of the team and whether there was any scope for outsourcing. **Mr. Harris advised that there were approximately 750 LAC with approximately 350 in-house at present. He confirmed that the team cost approximately £350k per year to support and advised that the service was being looked at as part of the Children’s Delivery Programme.** **Reviews of other models were currently being undertaken to find the best model for West Sussex.**

**Questioned why there were delays in filling places at May House – the new in-house residential facility.** **Mr. Harris responded that the business case may not have been as developed as it could have been and advised that the unit was being looked at to see whether it was viable in the medium/long term.**

114. **Resolved – That the Committee notes the budget updates and requests a further budget update at its next meeting in March.**

115. At this point the agenda was re-ordered.

**Draft Corporate Plan 2010/11**

116. Patrick Ellis (Head of Policy) advised that the Corporate Plan was the main planning document sitting beneath the County Strategy and set the priorities for the budget. He advised that a number of key meetings with the Cabinet and Select Committees had been postponed due to the adverse weather and that the Leader had agreed that the Plan would now be brought to Select Committee meetings leading up to March, with a view to adoption by the County Council on 26th March. He said he was confident that the FSR had already focussed the 2010/11 budget...
and suggested that there would still be opportunities to flex the budget following the agreement of the Corporate Plan targets and input from Select Committees.

117. Members considered that the Corporate Plan was fundamental to the budget setting process and were disappointed that it had not been possible to consider the key priorities alongside the budget. They considered that this was particularly important for new members and questioned why a draft could not have been provided.

118. Resolved – That the Committee considers the draft 2010/11 Corporate Plan at its next meeting in March.

**Draft Budget 2010/11**

119. The Committee considered a report by the Executive Director Finance and Performance (copy appended to the signed minutes). An appendix on Personnel was tabled at the meeting (copy appended to the signed minutes).

120. Steve Harrison (Chief Technical Officer) introduced the report. He advised that the current projected overspend for 2009/10 would impact on the 2010/11 budget and that the County Council had received the lowest possible grant settlement for 2010/11 amounting to only £1.5m (1.5%). This was the final year of the three-year settlement and the FSR had contributed savings of £22m, taking the total savings realised over the past four years to over £60m. The main features of the revenue budget for 2010/11 were:

- £7.2m to address the ongoing cost pressures around looked-after children.
- £6m to meet the costs of the new Materials Resource Management contract.
- £4.8m to meet the cost of the Government’s new proposals for free personal care at home.
- Replenishment of the Special Revenue Reserve to £7.1m to mitigate the significant financial risks going forward.

121. A 2.5% increase in Council Tax was proposed for 2010/11 representing a £28 increase for the average Band D property. Provisional figures for Government grants after 2010/11 were unknown.

122. The Committee made comments including those that follow. Members: -

- Commented that the public budget consultation deadline of 15th January 2010 was too late in the process.
- Expressed concern at the proposed reduction of £2m from the Youth Service budget.
- Expressed concern about the increased cost of highways maintenance following the recent severe weather and suggested that a £1m saving was unrealistic. Also questioned the efficiencies being sought in the contract and the negative effects this may have on Killed and Seriously Injured figures. Mr. Hornby advised the £1m saving related to improvements in the contract with May Gurney. He confirmed that an additional £350k had been spent on repairing potholes this year and that spend would be higher than anticipated in that area of the Capital Programme than in previous years.
• Expressed concern about the proposed reduction in support for home care and self-directed support and the effect of this.

• Asked about the costs of the independent review and whether this represented value for money. Mr. Hornby advised that the Council had spent £30k on an independent economic review. He believed that the return would be substantial and offered to share the report with the Committee.

• Questioned whether a 1.5% inflation increase in staff salaries was appropriate against the national backdrop. Mr. Hornby confirmed that he had consulted with other County Councils and believed it would be imprudent not to set some funds aside.

• Queried why no account was taken of the 2009/10 overspend outturn projection. Mr. Hornby responded that the forecast for LAC appeared steady, hence the assumptions in the budget.

• Queried the reduction in public transport support which was linked with the increase in revenue from on-street parking – noted it would be a retrograde step to reduce support for public transport. Mr. Hornby advised that there was likely to be an increase in revenue due to parking cost increases.

• Noted that is was only possible to assess the robustness of the budget in light of what was known (i.e. in the absence of the Corporate Plan).

• Questioned the robustness of reserves, and of the £22m Fundamental Service Review savings in light of the 2009/10 projected overspend as a large proportion was still ’assumed’. Were not confident that the papers adequately noted the risks related to the delivery of the savings. Mr. Hornby reassured members that assumed savings were tracked but agreed there were risks that needed to be managed.

• Asked whether the reduction in budget for the Locality Working Team was linked to the recent proposals to reduce the number of County Local Committees, which had subsequently been delayed. Mr. Harrison advised that this may be an error in the figures and agreed to clarify this. **Action:** Steve Harrison.

• Questioned whether it was a good time to cut the Keep West Sussex Working budget. Ms. Goldsmith confirmed that the cut was due to a reduction in Local Authority Business Growth Incentive Scheme (LABGI) funding.

• Asked about the future of the Local Government Pension Scheme.

• Asked whether recent Icelandic Bank indications affected current budget estimates regarding recoverability on this matter. Mr. Hornby advised that the Council worked closely with its actuary and 1% was considered prudent.

• Suggested there was a need to recognise that future finances would be reducing and therefore a need for members to be clear where budget cuts should be made so that resources could be redirected to priority areas.
- Supported the establishment of a Task Force to consider future member involvement in the budget process.

123. Resolved – That the Committee: -

(1) Notes the 2010/11 draft budget;

(2) Emphasises members’ disappointment that the draft Corporate Plan for was not available for the Committee’s consideration of the budget.

(3) Endorses the comments of the other Select Committees and submits these along with its own comments to the Cabinet for consideration at its meeting on 26th January, particularly emphasising members’ concerns around the robustness of reserves and assumptions regarding the FSR savings.

**Debt Rescheduling**

124. The Committee considered a report by the Executive Director Finance and Performance (copy appended to the signed minutes). Tim Stretton (Chief Accountant) introduced the report. He advised that the County Council had external debt of £356m.1m at an average interest rate of 4.6%. Lower rates were available in the short-term, however, this would introduce a risk that loans would need to be refinanced when they matured at potentially higher rates. Three potential refinancing options had been remodelled, all offering short term revenue savings. Ms. Goldsmith commented that inflation and interest rates could be affected by ‘quantitative easing’, particularly an issue for the 5-7year rescheduling option.

125. The Committee made comments including those that follow. Members: -

- Questioned why, when given that there had been a longer period of low interest rates than ahead, the County Council had not looked at rescheduling its debt sooner. *Mr. Stretton advised that the Council had only been borrowing since 2000 so had a relatively low average interest rate.*

- Did not support the proposals for rescheduling debt as the rationale was only valid if the Council was to stop borrowing and would not provide any sustainable savings. *Mr. Hornby concurred with this view.*

126. Resolved – That the Committee does not support the case for debt rescheduling.

**Treasury Management Strategy**

127. The Committee considered a report by the Executive Director Finance and Performance (copy appended to the signed minutes). Tim Stretton (Chief Accountant) introduced the report. He advised that the Strategy was currently with the Treasury Management Panel which was chaired by the Cabinet Member for Finance and Resources and was set up to provide detailed advice on all aspects of treasury management. In addition the Regulation, Audit and Accounts Committee had a complementary role in monitoring performance and compliance throughout the year. The County Council had nominated the Policy and Resources Select
Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies. Mr. Stretton advised that the essence of the Strategy was about investment in a number of institutions all of which were UK regulated. It was possible to invest in a small number for a maximum of six months but the time limit was usually three months. Investments were based on an assessment of where interest rates would move over the next year. The average expected return was 1.08% on investments over the year.

128. The Committee made comments including those that follow. Members asked whether the figures of £184m for investment versus the £356m debt were higher than was desirable and suggested that they may look high to the public. Mr. Stretton said in his view it was the right level to meet cash flow needs. Ms Goldsmith said she appreciated the concern regarding public perception but considered that the levels were appropriate to this Authorities level of turnover.

129. Resolved – That the Committee endorses the Treasury Management Strategy.

**Task Force on Future Member Involvement in the Budget Process**

130. The Committee was asked to consider establishing a Task Force to focus on future member involvement in the budget process. This suggested piece of work was linked with recommendations accepted as part of a review of performance management carried out during the 2009 Scrutiny Review.

131. Resolved – That the Committee agrees to establish a Task Force to focus on future member involvement in the budget process. Membership of the Task Force will be confirmed at the next meeting of the Committee.

**Forward Plan of Key Decisions**

132. The Committee considered an extract from the Forward Plan, December 2009 to March 2010 (copy attached to the signed minutes).

133. Members asked for further details regarding the Forward Plan entries on the Future Delivery of the Contact Centre and Provision of a Waste Collection Service for Educational Establishments. It was agreed that these issues should be taken to the Committee’s Business Planning Group for further consideration.

134. Members also suggested that further scrutiny should be undertaken of the responses to the recent severe weather. It was agreed that the approach should be developed in consultation with the Committee’s Business Planning Group.

135. Resolved –

(1) That the Committee notes the Forward Plan;

(2) That the Committee’s Business Planning Group considers the proposed decisions on the Future Delivery of the Contact Centre and Provision of a Waste Collection Service for Educational Establishments and agrees whether reports should be provided to a future meeting of the Committee;
(3) That the Committee’s Business Planning Group considers and develops an approach regarding the suggestion that further scrutiny should be undertaken of the responses to the recent severe weather.

**Date of the Next Meeting**

136. It was noted that the next scheduled meeting of the Committee would be held on 22nd January 2010 at 10.30 a.m. at County Hall, Chichester.

The meeting finished at 1.17 p.m.

Chairman