



### SCRUTINY COMMITTEE

4.30pm – 6.45pm

10 February 2011

Present: Councillors Stephenson (Chair), Blower, Bradford, Driver, Fairbairn, Gee, Grahame, Jeraj, Little, Storie and Wiltshire

Apologies:

#### 1. MINUTES

**RESOLVED** to approve the accuracy of the minutes of the meeting held on 20 January 2011, subject to amending the resolution for item four, Due Diligence, to read 'to note the presentation provided to the members by the section 151 officer.'

#### 2. BUDGET PROPOSALS FOR 2011/12

Russell O'Keefe, head of strategy and programme, and Bridget Buttinger, deputy chief executive, set the brief context for the reports within the budget proposal. The reports covered proposals which would balance the budget for 1 April 2011 to cope with the £1.85million budgetary gap, whilst avoiding further cuts during 2010/11. Members were assured that there had been considerable officer challenge throughout the budget setting process.

#### Policy and budget framework

The Chair introduced the report, stating that the policy and budget framework should be scrutinised in line with the corporate plan, which had slight amendments as outlined within the report.

In response to various questions from Councillor Little, the deputy chief executive explained that the review and creation of the lean blueprint earlier in the year, had been necessary as a first step for the council to meet the savings requirements of the coalition government's initial ideas. It had not been possible to review the budget simultaneously due to the uncertainty around the financial settlement. Savings proposals, in line with the lean blueprint were consulted upon during summer 2010, with recommendations agreed at cabinet on 27 October 2010. The majority of the savings were with back-office services, reducing the impact on frontline services.

She confirmed that a detailed consultation for summer 2011, regarding the council's policy and budget framework, was being developed and would be discussed with members and other groups via, for example, focus panels. The draft consultation would need to be approved by cabinet before going live. The consultation feedback would inform an amended budget and policy framework which would be taken to full

council in July. Members said that they would want to have some input into the development of the consultation papers. The consultation would need to clearly state the council's discretionary and non-discretionary duties, providing the context and helping people to make informed decisions. It was also suggested that specific savings options should be outlined within the consultation papers, along with the budget consequences. It was considered beneficial to review and learn from Norfolk County Council's consultation process, ensuring that details were available for each option.

Councillor Morpew, leader of the council, said that any further reduction of back office resource would need to be staged correctly to reduce the impact on frontline services. He said that the council's capacity to deal with future changes could become compromised if too many managers were removed. He said that the council's capacity would be less, so the council would deliver less.

In response to questions from Councillor Jeraj, the deputy chief executive informed members that the training budget would remain until the final shape of the council was clarified. The training budget would then be realigned with the requirements of the overall council. She explained that the vacancy freeze would continue and that all vacant posts would be thoroughly reviewed by the vacancy management panel to see whether the post was actually required.

Barry Marshall, the head of finance, informed members that officers had been constantly reviewing the budget position and considering the best and worst case scenarios, as set out in the report. He said that the latest changes in the revenue support grant meant that the council remained outside of the capping criteria, which could have had a major impact on the budget. With the continually changing financial environment, there would always be a degree of uncertainty and risk to the budget, and reserves were essential to buffer any adverse impacts.

### **General fund revenue budget**

The head of finance responded to various technical questions from members. The deputy chief executive explained that a total of £5.4m of savings would need to be phased over the two years 2011-12 and 2012-13. She said that the low levels of staff turnover had resulted in fewer vacancies. This could in turn result in more redundancies in the next round of saving proposals because there would be fewer redeployment opportunities.

In response to members' questions, the head of finance explained that the transitional grant would be received for one year only. The council tax freeze grant would be given to the authority for the next three years at approximately £228,000 a year. This amount could be taken out of the savings required. However, after 2012/13, the government plan to restructure local government finances.

### **Non housing capital plan and capital programme**

Jerry Massey, the director of regeneration and development, responded to members' questions regarding the proposed section 106 expenditure. The allocation of section 106 monies would be a cabinet decision, in co-ordination with Norfolk County Council. In response to a member's question regarding whether the capital

programme 2011/12 reflected the council's aim to reduce its carbon footprint, he explained that various schemes had been piloted via the SALIX Programme.

The risks identified in relation to the non housing capital plan included 'if members decide to transfer GF housing to HRA with no compensating transaction.' A report would be presented to cabinet on 16 March 2011 outlining options for the transfer of 139 properties from the GF to the HRA, which would result in a loss of income of £264,000 to the GF.

### **Housing revenue account budget 2011/12**

In response to a question from Councillor Little regarding the uncertain future of supporting people funding for 2012/13, the director of regeneration and development said that officers were awaiting a county decision on the level of funding to be granted. The council had submitted comments to the county and were continuing to work with county officers throughout the review process, with the aim to mitigate the risk and maintain the funding level. The level of vacancies were also being managed.

Mark Smith, the finance control manager explained that the budget figure under miscellaneous income had reduced significantly between 2010/11 and 2011/12 budgets because the income from water charges to tenants had been moved to a more appropriate heading in line with accountancy practices. The repairs and maintenance budget had also decreased. Large provisions had been made in 2010/11 due to the re-provisioning of contracts. However, an increase in confidence of contract management and certainty of repair costs, had enabled some of these provisions to be removed from the 2011/12 budget.

### **Council rents and service charges for 2011/12**

(Councillor Blower and Bradford left the meeting at this point)

In response to a question from Councillor Jeraj, the head of finance explained that housing benefit should cover the proposed increase of rent. In response to a question from Councillor Driver, the finance control manager explained that the council had discretionary powers to set the rental value. However, government control the ultimate rental value via the housing subsidy system and housing benefit system. Members were informed that the government were also considering the rollout of a national rent policy. In response to a question from the chair, he said that even if the council did not increase the rent for 2011/12, the council would still be required to pay the government the expected increase. This would mean that the council would not meet the 30 year business plan and would not meet decent homes.

### **Housing capital plan and capital programme 2011/12**

In response to a member's question, the finance control manager said that a risk to the capital programme included the failure of RTB sales occurring, which could be likely due to the failure of demand from RTB purchasers. He briefly explained the positive and negative aspects of selling the housing stock rather than retaining it, for example, the council would be able to retain 25% of the proceeds however it would

result in loss of rental income and a unit of social housing, which could potentially increase the cost of housing the homeless.

The director of regeneration and development explained that underspend in the housing capital programme 2010/11 had been due to the delay incurred during the contract changeover, and also the reduced cost of work through the new contracts. The money would roll forward into the next year and would be used to enable the housing capital programme to catch-up on delayed work.

Councillor Arthur, deputy leader and housing informed members that papers d to f had been scrutinised by tenants and that they had recognised the constraints upon the council.

Members thanked the officers for the papers.

**RESOLVED** to –

- (1) note that the council's current income is not sufficient to deliver the council's priorities;
- (2) recommend that development of the public budget consultation in June / July 2011 should:
  - a. include quantitative figures and outline the amount of discretion the council would have;
  - b. involve the scrutiny committee in its development; and
  - c. learn from Norfolk County Council's budget consultation
- (3) recommend that the scrutiny committee receives a copy of the consultation results in July 2011 and the associated reports before they go to council for consideration;
- (4) recommend that the learning and development budget should be proportionate to the number of staff employed by the council; and
- (5) recommend that if the council decided to adopt a strategy of in-house provision for housing works rather than outsourcing, additional money would be required within the HRA budget 2011/12.

CHAIR