Finance Overview and Scrutiny Sub Committee

Minutes of Meeting 17th December 2008

PRESENT

Chairman:
Councillor Michael Lewis

Vice Chair:
Councillor Winnie Smith

Councillors:
Councillor Tarsem Bhogal
Councillor Nick Buckmaster
Councillor Saima Mahmud
Councillor Naz Sarkar
Councillor Milton Martin *

Also Present:

Officers
Ian O’Donnell (IO) – Director of Finance
Stephen Gilson (ST) – Head of Finance (Adult & Community Services)
Duncan Pike (DP) – Head of Resources (Children and Young People)
Lin Burton (LB) – Strategic Management Accountant
Betty Varnava (BV) - Head of Resources (Environment & Regeneration)
Paul Rogers (PR) - Interim Head of Scrutiny

1 APOLOGIES FOR ABSENCE AND SUBSTITUTE MEMBERS
Apologies were received from Councillor Naz Sarkar (Councillor Milton Martin * substituting) and Christina Thomson (Head of Resources, Adult & Community Services).

2. DECLARATIONS OF INTEREST.
No declarations of interest were made.

3. PUBLIC PARTICIPATION: REQUESTS TO SPEAK AT THE SUB COMMITTEE.
No public questions were received.

4. APPROVAL OF MINUTES: 22nd OCTOBER 2008
The Committee:

RESOLVED -

(1) To agree the Minutes arising from the Finance Scrutiny Sub Committee meeting held on 22nd October 2008 as a true record
5. PROGRESS TOWARDS ACHIEVING THE REQUIRED GERSHON SAVINGS 2008/09

The Strategic Management Accountant introduced the report to the Committee.

The Council has entered the new, three year Gershon cycle which requires 3% cashable savings to be made annually. A total of three million pounds was carried over from the last Gershon three year cycle, which assisted with delivering the 2008/09 Gershon figures. The Council is still outperforming the minimum 3% Gershon requirement due to the carry over from the previous three year cycle. It is anticipated that due to the delivery of future efficiency savings within the Council, delivery of the 3% cashable savings will not be problematic. Committee was advised that following a central Government update on target figures, the base figure has been recalculated to reflect the 2007/08 out-turn.

Councillor Mahmud: What is the definition of an efficiency saving?

LB: There is no definitive definition of what constitutes an efficiency saving. There are, however, a range of six activities that result in cash releasing Value for Money gains, as detailed in pages ten and eleven of the report, which may be reported as Gershon savings under the new rules.

Councillor Buckmaster: What inflation target is used?

LB: 3% on each year over 2007/08 and 2008/09.

Councillor Buckmaster: What about the future years’ inflation benchmark forecast:

LB: That is not known at this point in time.

Councillor Bhogal: Page 11 of the report states, ‘Efficiency Review will achieve £2.008 million of savings in 2008/09 (all of which qualify as efficiency savings), but the second year of the traditional Policy Review cuts in 2008/09 will yield sufficient to bring the estimated total to £6,349 million’. Is this definite?

LB: The figures take on board all the slippage on Wave 1 salary savings, procurement savings and associated savings from the workstream. The figures detailed are firmed up for 2008/09, which are lower than originally anticipated owing to the rate of implementation of the Efficiency Review during 2008.

Councillor Lewis: With regard to deletion of efficiency savings from the base, are we actually looking at full year efficiency review savings?

LB: The figures represent the removal of part year costs in 2008/09, and full year costs in 2009/10.

The Committee

RESOLVED:

(1) To further consider the Councils progress in the delivery of required Gershon Savings (actual) in accordance with the timetable as set down by central Government and would, therefore, reconsider the matter between July to
6. OVERVIEW OF AREA BASED GRANT ARRANGEMENTS AND THE RELATIONSHIP WITH LOCAL AREA AGREEMENTS (LAA)

The Director of Finance introduced the report.

The Area Based Grant (ABG) draws together a range of grants that the Council receives as specific growth areas, that is as ring fenced grant with a specified purpose. Central Government decided that it would provide local authority’s with greater flexibility that the various funding streams be brought together under the ABG with no restrictions placed on how it is spent. However, the Council is already committed to a number of areas of work through the ABG received, which it is pursuing to deliver. Therefore, the report does state that funding streams can not be reallocated at this time before a review of priorities has taken place to allow an orderly transition of existing funding arrangements. The ABG does represent a significant amount of grant available to the Council, which is under Council control.

Appendix 1 of the report details the Local Area Agreement (LAA) Reward Grant 2006/09. The Reward Grant commits the Council to deliver a number of common objectives with central Government. If the targets are attained, central Government will pay a monetary incentive award. Through the 2006/09 LAA Reward Grant, there is potential for the Council to claim up to 7.78 million pounds revenue grant should all targets and objectives be met. The LAA targets are, however, very challenging and the full amount of the Reward Grant is unlikely to be met. It is currently anticipated that the Council will be successful in attaining approximately 3.38 million pounds of reward grant, as detailed in Appendix 2 of the report. The Reward Grant monies are not paid up immediately, but rather in tranches, that is 50% of the projected 3.38 million pounds will be payable in 2009/10 and 50% in 2010/11 subject to audit.

Councillor Lewis: Is there potential for the ABG to be removed from Council control in future years?

IO: The intention is to work closer with partners in the borough concerning how we deliver objectives and spend monies.

Councillor Buckmaster: With regard to Job Centre Plus, if another Job Centre Plus office was to be established in the borough and return to employment figures were to rise, would the Council receive additional reward?

IO: The target for the Council is to assist people back into employment via partnership arrangements. The Council would need to clarify whether it could legitimately count those people returning to work via Job Centre Plus as part of its own claim for the Reward Grant. Also, in respect of attaining return to work targets, the Reward Grant is targeting specific groups such as single parents and incapacity benefit recipients.

The Committee

RESOLVED:

(1) To draw to the attention of the Children and Young Persons Overview and Scrutiny
Sub Committee that the LAA Reward Grant, as detailed in Appendix 2 of the report, are unlikely to be met.

7. CABINET FINANCIAL MONITORING REPORTS: MONTH 7 (OCTOBER 2008) AND MONTH 8 (NOVEMBER 2008)

The Committee reviewed the Cabinet Financial Monitoring Reports for month 7 (October, 2008) and month 8 (November, 2008) in order to put questions to Officers present in the event that any service area or Directorate had an overspend over two consecutive cycles (i.e. months). Members of the Committee raised the following questions:

Councillor Lewis: With regard to page 52, paragraph 4.1 of the agenda (Appendix 2, Cabinet Financial Monitoring report Month 8, November), there is a projected increase of £266,000 in the overall net overspend of £2.018 million pounds since period 7. Is here an explanation for the increased overspend?

LB: Children’s Services had identified potential funding from the Primary Care Trust (PCT) to support joint placements. However, an agreement between the PCT and Council in respect of this funding was not concluded and therefore the funding has not been forthcoming. This has resulted in a £250,000 shortfall for Children’s Services, which may be found via alternative savings by the end of the financial year. A further £16,000 shortfall is attributable to the downturn in the demand for Land Charges services.

Councillor Lewis: Does the lack of an agreement with the PCT impact seriously on the financial position for Children’s Services?

DP: The monies were earmarked to support the joint funding of children’s placements. This is an area with increasingly complex needs, for example independent residential care, which could involve health, care and educational elements to the overall care package. The Council was in discussion with the PCT regarding the provision of a one off payment being made this year to support such placements on a case by case basis, but the PCT have advised that no retrospective payment can now be facilitated. Central Government has issued draft guidance for this area (Children’s Services commissioning), but it is still to be formalised.

Councillor Bhogal: I would like to know how many children are in Council care, their age groups and the number of children and young people requiring specialised care.

DP: I will make the information as requested by Councillor Bhogal available to the Committee.

Councillor Martin: Page 53, paragraph 4.4 of the report refers to ‘management actions’. What does this involve?

DP: This would entail not appointing to vacant posts, reattribution of costs to grant and the undertaking of similar actions as detailed in pages 45 – 46 of the report.

Councillor Bhogal: What is the latest position in respect of the recovery of the 3.6 million pounds pension fund shortfall from EduAction?

LB: Assurances have been received from EduAction that the shortfall will be paid, but the contentious issues concerns the amount of interest payable on the 3.6 million pounds since April 2008.
Councillor Mahmud: How has the overspend position in Law and Governance been reached, as detailed on page 53, paragraph 4.7 of the report?

LB: The overspend for the directorate would have reached £664,000. The reserve used of £148,000 is a fixed reserve total. The overspend figure of £552,000 is after the reserve has been applied. Reserves would normally offset any budget deficit, but Land Charges have been particularly affected by the current economic climate and the impact on the housing market, which is compounded month on month. The economic climate has been taken into account with regard to Land Charges and is reflected in the updated Medium Term Financial Plan.

Councillor Buckmaster: With regard to the change of the Councils Pension Fund Managers as detailed on page 55 of the report, if they are managing a fund is it unusual that we do not carry on to a new fund manager holding liquid assets from the previous fund managers?

IO: Some property funds have declined severely in the recent economic downturn and therefore can not be realised. This scenario applies to the Property Fund only.

Councillor Buckmaster: Is there a figure attached to this position?

LB: The Finance Department will supply the relevant figures to the Committee.

Councillor Lewis: Page 57, paragraph 8.1 of the report refers to the use of reserves to balance directorates and service’s budgets with Member permission. How does the process regarding Member permission work?

LB: Recommendations are put forward to Cabinet from directorates seeking to employ the use of reserves. Page 54, paragraph 4.10 of the report details all of the requests to employ reserves with the Cabinet’s permission. It is assumed that there will not be any great variance regarding the projection of the out-turn for the use of reserves by the end of the 2008/09 financial year.

Councillor Bhogal: Are they general or earmarked reserves?

LB: They are earmarked reserves. If a change of usage is proposed it will be reported to Cabinet via the Cabinet Financial Monitoring report for the Cabinets decision.

IO: Page 54 of the report also gives examples of earmarked reserves, for example hoppa bus reserve and flooding relief. There is also the Council’s General Balance, which would be used in the event of an emergency. The Director of Finance would take a decision based on the risk information available as to the level of balance to be used. The Councils reserve presently stands at 2.50% of Net Revenue Expenditure, but it is proposed to move towards reserves accounting for 5.00% of the Net Revenue Expenditure, which is being built into the Medium Term Financial Plan.

Councillor Bhogal: Where will the increase in reserves to 5.00% come from?

IO: It is already an accrual sum from the budget to the reserves, which is effectively an increase in expenditure in the next few years only. There will be the need to make some compensatory savings from elsewhere to do so.
Councillor Lewis: With regard to page 83 of the report and the reference to the reattribution of the Sure Start grant totalling £315,000, would this entail another service area in effect losing the funding?

DP: The action is detailing that in order to balance the budget, all grant income is reviewed and where it has not been commissioned or assigned it has been attributed to other areas, which effectively means that grant may be foregone in one area so as to spend in another. A similar scenario applies in respect of the CAMHS grant totalling £100,000. It is in these instances that managers are required to confirm that the grant is available and secondly, that the grant may be used for the intended reattributable purpose of the grant.

The Committee

RESOLVED:

(1) To report the issue of the Joint Commissioning Costs for Children’s Services to the Local NHS Board in order to draw to its attention to the present difficulties in financing placements in lieu of the anticipated Primary Care Trust funding;

(2) To review the financial and budget position for Children’s Services under the Cabinet Budget Monitoring report agenda item at the Finance Scrutiny Sub Committee meeting scheduled for 3rd March 2008.


The Committee

RESOLVED:

(1) To note the Forward Work Programme 2008/09 and to add the following items to the Programme:

<table>
<thead>
<tr>
<th>Agenda Item</th>
<th>Scheduled to Finance Scrutiny Sub Committee Meeting</th>
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<tbody>
<tr>
<td>Review Children &amp; Young Persons Finance and Budget Area</td>
<td>To be reviewed at the Committee meeting scheduled 3rd March 2009 under Cabinet Financial Monitoring report agenda item.</td>
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<tr>
<td>Gershon Savings</td>
<td>To review the actual savings delivered (to be taken between July – September 2009)</td>
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<tr>
<td>Parking Charges</td>
<td>To be added to Long List – Committee date to be allocated.</td>
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<tr>
<td>Street Trading Accounts</td>
<td>To be added to Long List – Committee date to be allocated.</td>
</tr>
<tr>
<td>Review of Agency/Consultancy Costs in light of the Efficiency Review.</td>
<td>To be added to Long List – Committee date to be allocated.</td>
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Members of the Committee thanked Officers for their attendance at committee.

The meeting closed at 9:15 p.m.

Chairman’s Signature: ______________________________

Date: ____________________