

DURHAM COUNTY COUNCIL

CORPORATE ISSUES OVERVIEW AND SCRUTINY COMMITTEE

At a Meeting of **Corporate Issues Overview and Scrutiny Committee** held in Committee Room 2, County Hall, Durham on **Tuesday 27 September 2016 at 9.30 am**

Present:

Councillor J Lethbridge (Chairman)

Members of the Committee:

Councillors K Henig (Vice-Chairman), J Armstrong, G Bleasdale, J Hillary, N Martin, P Stradling, P Crathorne, B Graham, E Adam, J Alvey, A Hopgood, A Batey, R Bell, C Potts, J Turnbull, M Wilkes, S Wilson, B Armstrong, H Bennett and J Rowlandson

1 Apologies for Absence.

Apologies for absence were received from Councillors L Armstrong, J Carr, P Lawton, T Nearney, L Taylor and Mrs M Elliott, Co-optee.

2 Substitute Members.

There were no substitutes.

3 Declarations of Interest, if any.

There were no declarations of interest.

4 Scrutiny of the Medium Term Financial Plan (7) - Report of Director of Transformation and Partnerships.

The Committee considered a joint report of the Interim Director Corporate Resources and Director of Transformation and Partnerships which provided an update following the report which was considered by Cabinet on the Medium Term Financial Plan (7) (for copy see file of minutes).

The Head of Corporate Finance and HR provided an overview of the Executive Summary of the Cabinet report considered on 20 July advising Members that the MTFP going forward was now a 3 year plan and would be linked to the settlement received from Government. He advised that the council had achieved all savings to date, however future savings would become increasingly difficult to achieve.

It was reported that there was still a level of uncertainty regarding public finances although it had been stated by government that this further deterioration would not result in a change to the four year settlement provided to local authorities in February 2016. Further

uncertainty in relation to the European Referendum and government spending plans could also impact upon the public sector.

The Head of Corporate Finance and HR further provided details relating to the process of moving towards 100% Business Rate Retention from 50%. Work with colleagues at ANEC would be ongoing.

It was further reported that although the four year settlement from government remained unchanged the MTFP Model had been reviewed and savings of £64.1 million would be required to balance the budget over the 2017/18 to 2019/20 period. In 2017/18 – £29.1 million of savings would be required but in order to balance the budget £8.2m would be drawn from the budget support reserve. Further details of key adjustments following the review of the MTFP Model were detailed within paragraph 21 of the report.

The Head of Corporate Finance and HR referred members to page 12 of the report and provided an update regarding the savings forecast which were considered by Cabinet in September. Moving on he provided an overview of MTFP (7) advising that the additional savings required to balance the budget in 2017/18-2019/20 were a huge challenge for officers and services were currently identifying where those savings could be achieved.

In summary members were provided with details regarding the current AAP consultation exercise and it was noted that the December cabinet report would provide an overview of the response provided.

Councillor Wilkes commented that in March 2012 the council held £97.199m in reserves which had now risen to £234m. The Head of Corporate Finance advised that the increase in reserves could be attributed to a number of factors including the transfer of reserves from the Housing Revenue Account and underspends across services during that period of time often generated via the early realisation of MTFP savings. He added that the level of reserves held left the council in an enviable position which would allow consideration to be given to delaying savings until future years. In addition a proportion of the reserves would be held for the new headquarters.

Councillor Wilkes further commented that he was concerned that saving proposals identified scrapping open access youth clubs and suggested that this decision should be delayed as the cuts were unfair and unnecessary.

Councillor Armstrong commented that the percentage of youths accessing youth clubs across the county was low and the decision to cut this service had already been taken. He added that by achieving the savings in this area funds could be better directed to looking after the county's most vulnerable.

Councillor Hopgood stressed the need for the council to be open and transparent with regard to reserves. For example publicity had been given to the fact that the council had drawn £11m out of reserves to balance the budget, although no publicity was given regarding the addition of £17m to reserves, nor to the receipt of £23m following the closure of the Housing Revenue Account. The Head of Corporate Finance and HR advised that the level of reserves were anticipated to significantly reduce over the next five years. He further advised that details regarding the council's reserves position were reported to Cabinet on a quarterly basis as part of Forecast of Outturn reports.

Councillor R Bell referred Members to Appendix 3 of the report and in particular the choices which were given in the consultation exercise. He further asked whether the results of the public consultation were scrutinised by the Cabinet in order to avoid essential services or areas being cut.

In response the Head of Planning and Performance advised that the consultation exercise followed a well-established approach, providing a balanced view which could be weighed against other factors and advice regarding financial prudence and council priorities.

Further discussion and debate took place regarding the Pension Fund and Councillor Hillary asked whether the volume of staff who had left the authority put the council in danger of having more people drawing pension than those contributing. In response the Head of Corporate Finance and HR advised that an ERVR reserve was built into the MTFP to cover this eventuality. He further provided details regarding recent changes to workplace pensions and auto enrolment. It was noted that 60% of those staff who were not previously paying into a pension had opted to join the pension scheme as part of phase of of the auto enrolment exercise. In relation to phase two of the process a base budget pressure of £1.1m is included in the MTFP which would result in more employees were contributing to the fund.

Councillor Martin commented that he was disappointed that the committee had not received an updated MTFP position that reflected September Cabinet decisions. In addition he raised a query regarding changes to the MTFP Model following the split of the CAS service grouping.

In referring back to the point raised by Councillor Wilkes relating to cuts to youth services, Councillor Martin added that this along with other youth services such as the music service added an important cultural and social aspect to our communities and with such suggested that scrutiny make a plea to Cabinet to retain the music service.

In response to the issues raised, the Head of Corporate Finance and HR advised that an addendum providing an update could have been included within this report and would be noted for future meetings. Regarding changes to service groupings, revised financial reporting would be in place from 1 October 2016 and information would be seen in the revised format from Quarter 3 onwards. The MTFP report which would be considered by Cabinet in December would be based on the new structure.

Regarding issues relating to the music service, the Head of Corporate Finance and HR advised that the service was self-financing and as such no decision had been taken to withdraw. Regarding other youth services it was noted that many services had been offered to schools under SLA's. Councillor Martin added that there had been a lot of concern within this service and felt that this message needed to be better communicated to staff.

Councillor Adam raised a query regarding RPI increases in Business Rates and Top Up Grants and asked whether the assumption was too prudent. In response the Head of Corporate Finance advised that Business Rates increased each year, in line with the RPI. He advised that this was currently set at 1.5% however the December Cabinet report would provide calculations based upon the September figure. He further added that the council

was currently processing a number of appeals with approximately 20% of those being successful, with payment for up to 5 years having to be refunded.

Councillor Wilkes raised a query regarding Microsoft licences and asked why the cost had been increased in 2018/19. He further commented that it would be interesting to learn how much money was spent on software licences across the council. He made reference to practice adopted in Scandinavia where staff in public services used free open access software as opposed to Microsoft office. In response the Head of Corporate Finance and HR advised that the figure presented on page 24 of the report wasn't to do with volume of licences but was related to an expected price rise. ICT Services were carrying out a VFM review and with such this figure may be reduced. It was suggested that The Head of ICT Services be invited to attend a future meeting.

Further discussion took place regarding a recent Microsoft Office staff offer and it was noted that this was limited to 6000 staff at no cost to the council.

Councillor Graham further made reference to page 24 of the report and queried the costs associated with a medical examiner. In response the Head of Corporate Finance and HR advised that this related to changes in relation to the requirement for local authorities being given responsibility for the issuing of death certificates.

Discussion ensued regarding the timing of reporting to scrutiny and it was noted that an additional meeting could be scheduled to take place late November to provide Members with an opportunity to receive an updated position following receipt of the autumn statement. Councillor Hopgood commented that the meeting needed to be scheduled to allow sufficient time for parties to put forward comments.

Councillor Wilkes added that he wanted assurance that the comments of the committee were considered by Cabinet. Councillor Armstrong advised that all comments raised at the meeting including those relating to cuts to youth services would be taken forward to the relevant Portfolio holder.

Resolved:

That the July Cabinet report on the Medium Term Financial Plan (7), Council Plan, Service Plans 2017/18-2019/20 and Review of the Local Council Tax Reduction Scheme be received and the comments raised be forwarded to Cabinet for consideration.

Signed.....

Date.....