

DURHAM COUNTY COUNCIL

At a Meeting of **Overview and Scrutiny Management Board** held in Committee Room 2, County Hall, Durham on **Friday 19 February 2016 at 11.30 am**

Present:

Councillor J Armstrong (Chairman)

Members of the Committee:

Councillors P Stradling, E Adam, R Bell, H Bennett, R Crute, B Graham, J Hillary, J Lethbridge, T Nearney, C Potts, L Pounder, J Robinson, A Shield, M Simmons, J Turnbull, S Wilson, J Alvey, G Bleasdale, J Carr, E Huntington, N Martin, L Taylor, M Wilkes, R Young, J Shuttleworth and G Holland

1 Apologies for Absence

Apologies for absence were received from Councillors A Batey, D Boyes, K Corrigan, S Forster, K Henig, P Lawton, M Nicholls, W Stelling, Mr R Patel, B Armstrong, L Armstrong, P Crathorne, J Rowlandson and A Turner

2 Substitute Members

Councillor G Holland for Councillor A Hopgood

3 Declarations of interest, if any

There were no declarations of interest.

4 Medium Term Financial Plan 2016/17 to 2019/20 (MTFP 6) and 2016/17 Budget

The Board and Committee considered a report of the Assistant Chief Executive which informed members of the Cabinet report (17 February 2016) that provided comprehensive financial information to enable Cabinet to agree a 2016/17 balanced revenue budget, an outline Medium Term Financial Plan (MTFP 6) for 2016/17 to 2019/20 and a fully funded capital programme for recommendation to the County Council meeting on 24 February 2016 (for copy see file of minutes).

The Chairman referred to a request from Councillor M Wilkes asking if the Committee would consider his suggested proposals on savings within the budget report. The Chairman advised that this information would be passed to the Cabinet portfolio holder following the meeting.

The Head of Corporate Finance advised that following the late settlement from government, Public Health funding had been cut by 15% over the next four years and that confirmation for some of the Capital Allocations had not been received, plus £230k had been lost from Schools Capital Maintenance Funding. Members were informed that local government were taking the brunt of austerity cuts with every other government department protected. Members were advised that the Department of Communities and

Local Government faced funding cuts of 56% over the next four years whilst the average reduction for all other 'unprotected' government departments was 6%.

The Head of Corporate Finance continued to provide a summary and highlighted key issues within the report relating to:

- Forecast savings for the next four years – reduced from £124m to £104m
- Transitional Funding – Durham would not receive any additional funding
- Specific Grants – additional reductions over the next four years
- Consultations
- Scrutiny Committee Feedback
- MTFP Strategy and Developments
- Revenue Budget and Base Budget Pressures
- Financial Reserves
- Capital Schemes

He concluded that the County Council would face difficult decisions in relation to savings targets, as government grants continued to reduce, therefore reducing the budget. He added that details were included within the report for each service grouping.

The Chairman thanked the Head of Corporate Finance for a detailed and informative report.

Councillor J Robinson referred to paragraph 10 of the report in relation to the Public Health cuts and said that this had been a focus for the Adults, Wellbeing and Health Overview and Scrutiny meetings recently. As Chairman of the Committee, he expressed great concerns about the additional savings on top of the £6m this financial year. He advised that this had been raised as a concern at the Regional Health Scrutiny Committee. Members also expressed concern about the proposals moving funding from the north to the south of the country. The Head of Corporate Finance said that it was unsure what would happen with funding for Public Health after 2018 but that the County Council would utilise reserves from the Budget Support Reserve and the 2015/16 Collection Fund surplus to cover the shortfall of savings for frontline services.

Councillor J Lethbridge commented that he was concerned about fairness and the additional funding targeted at Shire County Councils. The spending power per dwelling was unfair for Durham due to rurality, unemployment and poverty in certain areas of the County.

In response to a question from Councillor Wilkes regarding the level reserves from 2011/12 to 2016/17 the Head of Corporate Finance explained that reserve levels had increased and this provided the Council with greater flexibility. When asked why the report did not reflect this information, Councillor Wilkes was advised that reserve levels were reported in forecast of Outturn report and that this was not a Budget setting issue.

Referring to the tables of savings targets, Councillor Wilkes asked that more detail was given about the implications for services. He suggested that Scrutiny receive detailed information for each target in advance of the 2017/18 budget proposals. The Chairman referred to paragraph 71 of the report where he had asked for further details in relation to savings at an earlier stage to Scrutiny.

Councillor N Martin had compared the December Cabinet report to this latest report and could find no difference in the savings and that all other plans for spending were exactly the same. He said that the additional 2% adult social care precept was not being used to deliver additional services but appeared to be being used to cover the £4m pressure in the budget to cover the National Living Wage. He asked to what extent were the Council expected to deliver new additional services and stated that Members should be made aware of this. The Head of Corporate Finance advised that the government had stipulated that local authorities should utilise the additional sums raised by the 2% adult social care precept to assist in financing additional budget pressures in this service area. In Durham adult social care is facing additional budget pressures of circa £10m in 2016/17 mainly as a result of the impact of the introduction of the National Living Wage. On that basis the additional £3.9m raised via the 2% adult social care precept would be utilised to support this significant budget pressure. Councillor Martin re-iterated his point that nothing had changed within the reports and was advised by the Head of Corporate Finance that it should be noted that the additional income from the 2% adult social care precept was not included in the previous financial models as Cabinet had not agreed at that point to utilise this flexibility.

Moving on to the reserves, Councillor Martin referred to page 77 of the report that outlined the budget summary and said that there had been no estimate in the Cabinet or County Council papers for the level of reserves as they stand at 31 March. He appreciated that estimates were given in November for the position at the end of September, and asked if they were still the same. The Head of Corporate Finance advised that the policy in relation to the level of General Reserves was included in the budget report and that earmarked reserves would be utilised for specific activities identified. The reserves level position reported to Cabinet in the Forecast of Outturn report for March is expected to be slightly higher.

Commenting on the level of earmarked reserves, the Head of Corporate Finance assured the Committee that they could trust the figures within the report. He further advised Members that they had the opportunity to query figures at Scrutiny meetings on a regular basis. The Chairman added that having the level of reserves we did put us in the favourable position we were in today, compared to some local authorities.

Councillor Wilkes was critical of the reserves figures and as the figures kept increasing, he did not feel that this was an adequate use of resources. He asked how much higher the figures would be if they were expected to be slightly higher. The Head of Corporate Finance said that he would share the figures from the draft March Cabinet report.

Referring to the earlier information received from Councillor Wilkes with suggested proposals on the budget, the Chairman agreed that these would be passed to the portfolio holder and leader following the meeting.

Resolved:

- i) That the comments on the Cabinet report of 17 February 2016 be noted, prior to full Council on 24 February 2016.
- ii) That the Chairman of OSMB is charged with reporting the final scrutiny response to Council.