

**Minutes of the Overview and Scrutiny Committee
11 September 2012**

Present:

Councillor Joanne Sexton (Vice-Chairman)

Councillors:

A. Ayub	R.D. Dunn	A.C. Harman
Mrs M. Bushnell	M.P.C. Francis	A.J. Mitchell
R. Colison-Crawford	A.E. Friday	

Apologies: Councillor Philippa Broom (Chairman), Councillors Mrs I. Napper, Mrs C.E. Nichols, Miss D. Patel, A.C. Patterson and Mrs S. Webb

In Attendance

Councillor T. Evans, Cabinet Member responsible for Finance and Resources and Councillor N. Gething, Cabinet Member responsible for Economic Development attended the meeting and took part in the discussion on those items relevant to their portfolio.

239/12 Disclosures of Interest

No disclosures were made.

240/12 Minutes

The minutes of the meeting held on 24 July 2012 were approved as a correct record.

241/12 Matters arising

The Vice Chairman, Councillor Joanne Sexton, reported that there were no matters arising from the previous meeting. However the committee had previously agreed that representatives from the Ashford and St Peter's Hospital NHS Trust be invited to attend a meeting of this committee. The Vice Chairman reported that arrangements were being made for the Chief Executive and Chairman of the NHS Trust to give a presentation to all Councillors on 2 October 2012. Members would be notified of the arrangements in due course.

RESOLVED to note the arrangements being put in place for Ashford and St Peter's Hospital NHS Trust to give a presentation to Councillors.

242/12 Call in of Cabinet Decisions

No decisions had been called in.

243/12 Capital Monitoring 2012/13

The Committee discussed with Adrian Flynn, Senior Accountant, the report covering the current spend figures for the period April to July 2012 on the capital programme. The Committee noted that £217k had been spent to date. The projected outturn showed that there was an anticipated spend of £1,616m which represented 93% of the revised budget.

It was also noted that the Cabinet would be asked to approve a reduction in the capital programme by £33k.

RESOLVED:

1. That the report of the Chief Finance Officer outlining the Capital monitoring position for the period April to July 2012 be noted; and
2. To support the reduction in the 2012/13 capital programme by £33k.

244/12 2012/13 Net Revenue Monitoring and Projected Outturns

With the agreement of the Vice-Chairman a revised report was circulated at the meeting.

The Committee discussed with Adrian Flynn, Senior Accountant, the report covering the current spend and income figures for the period April to July 2012. It was noted that the original budget of £12.443m had been revised to incorporate the budget carry forwards of £218k. A £262k adverse variance was currently projected but officers by identifying early were seeking to put in place actions to offset this by the year end.

RESOLVED that the report of the Chief Finance Officer outlining the current Revenue spend position for the period April to July 2012 be noted.

245/12 Workforce Monitoring 2012

The Committee discussed with the Head of Human Resources the report on the diversity of the workforce and recruitment monitoring for the year 2011/12. The report provided information on the diversity across age, gender, disability and ethnicity of the Council's workforce, recruitment monitoring for the year and on trends and actions taken. The Committee also noted the extended range of protected characteristics that public authorities are required to report on and noted that in future staff would be able to self-declare their sexuality, gender reassignment and religion/belief so that Spelthorne could give an indication on these issues in the future publication of data.

RESOLVED that the report of the Head of Human Resources on the monitoring data and workforce statistics for the year 2011/12 be received and the action taken noted.

246/12 Budget Process

The Committee received a presentation from Terry Collier, the Chief Finance Officer on the issues, challenges and core approach and principles underpinning 2013/14 to 2016/17 budget. The presentation provided a description and an analysis of the impact the budget and service reductions had across the Council. The presentation explained various factors that had been taken into account when decisions on budget reductions had been taken and highlighted how the impact of reductions had been mitigated. The presentation also outlined the strategy for strengthening the Council's financial position.

A copy of the presentation is attached.

RESOLVED that the presentation from the Chief Finance Officer be received.

247/12 Cabinet Forward Plan

The Committee received the Cabinet Forward Plan.

248/12 Work Programme

The Committee considered the topics that had previously been identified as possible areas the Committee would look at this year. Each Member of the Committee was asked to select three topics and place in priority order.

The following areas were identified as the Committees' priorities to look at over the remainder of the Municipal Year.

Asset Management
Community Engagement
Partnerships – A2 Dominion
Partnerships – Voluntary / Community Sector
Sources of external funding

RESOLVED that Chairman together with the Vice Chairman and Lead Officers to produce a work programme from the priority areas identified at the meeting.

249/12 Any Other Business

No other business discussed.

Overview and Scrutiny 2013-14 to 2016-17 Budget Challenge 11 September 2012

Terry Collier, Chief Finance Officer

Session to cover

- **Financial Health**
 - Council's current financial health
 - Updated medium term projections
- **Risks and Uncertainties**
 - New funding system – “retention” of business rates
 - Council tax support scheme
 - Housing benefits
- **Detailed budget process**

Figures in Context –this financial year (2012-13)

- **Revenue Budget**

- Housing/ Council tax Benefits handled £34m
- Spend on running the Council £21m
- Total £55m

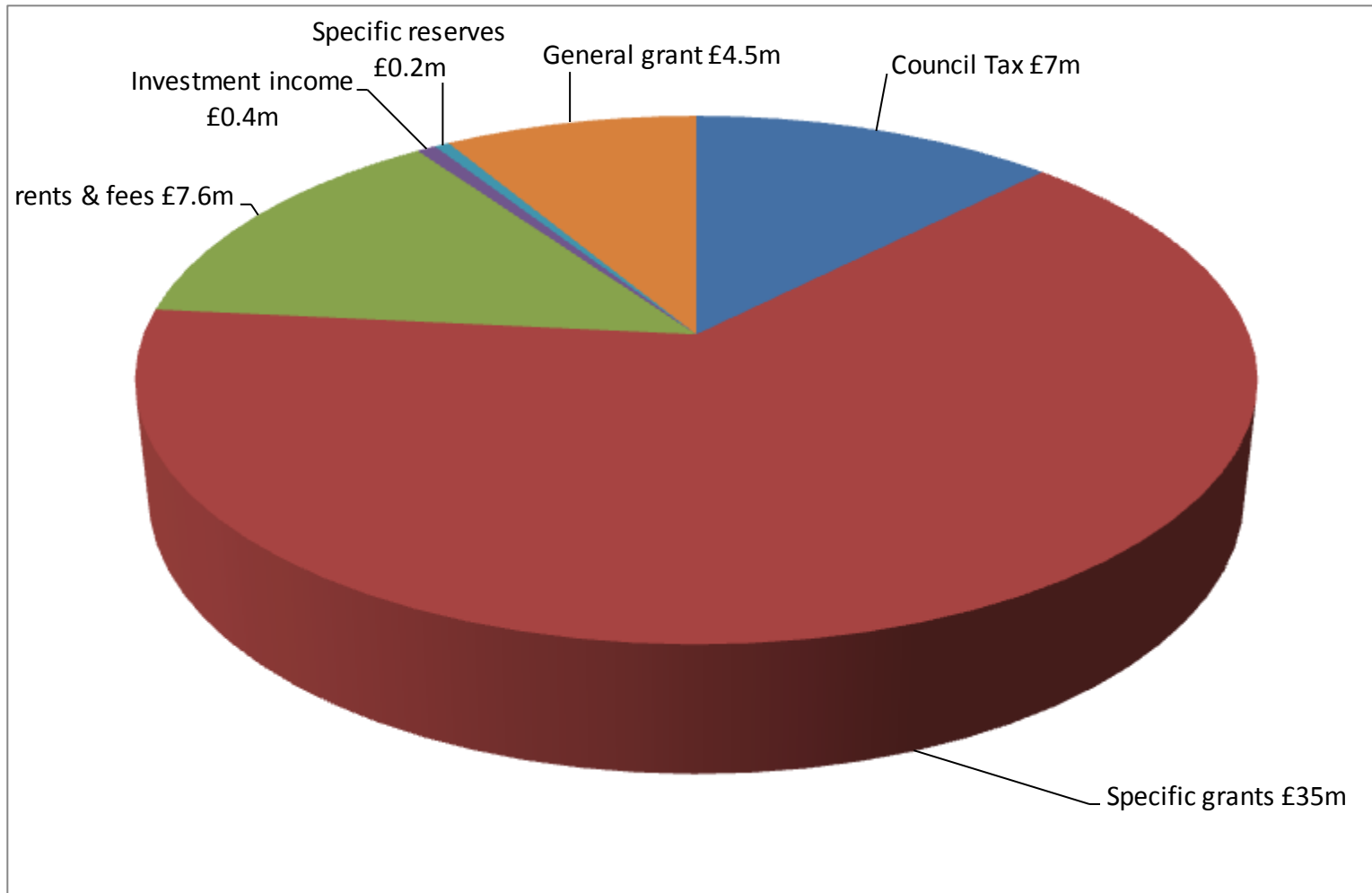
- **Capital** £1.8m

Collect Keep

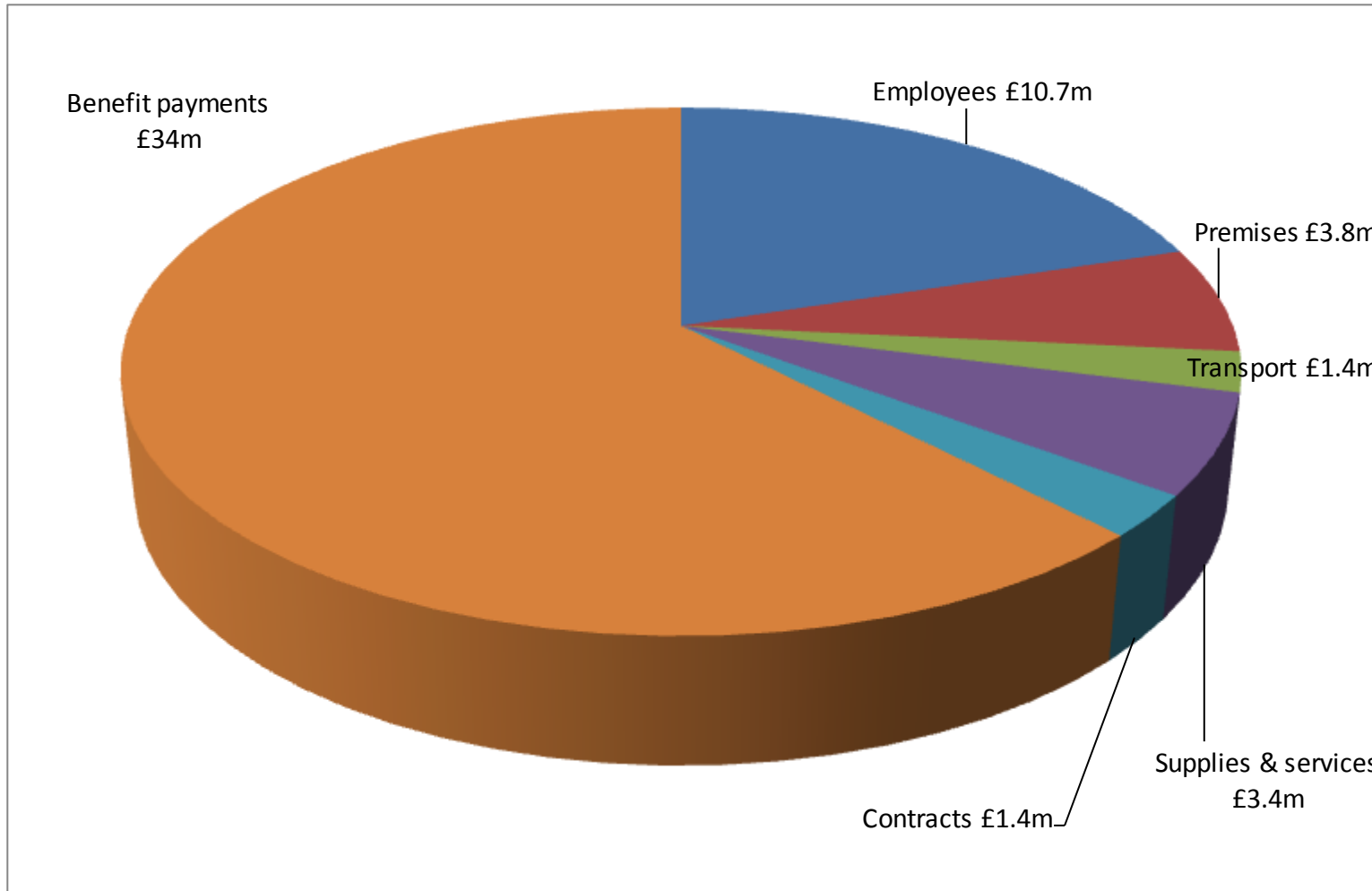
- **Income**

- Council Tax £60m £6.8m
- Business Rates £44m £3.3m

Total Gross Revenue funding (£55m 2012-13)

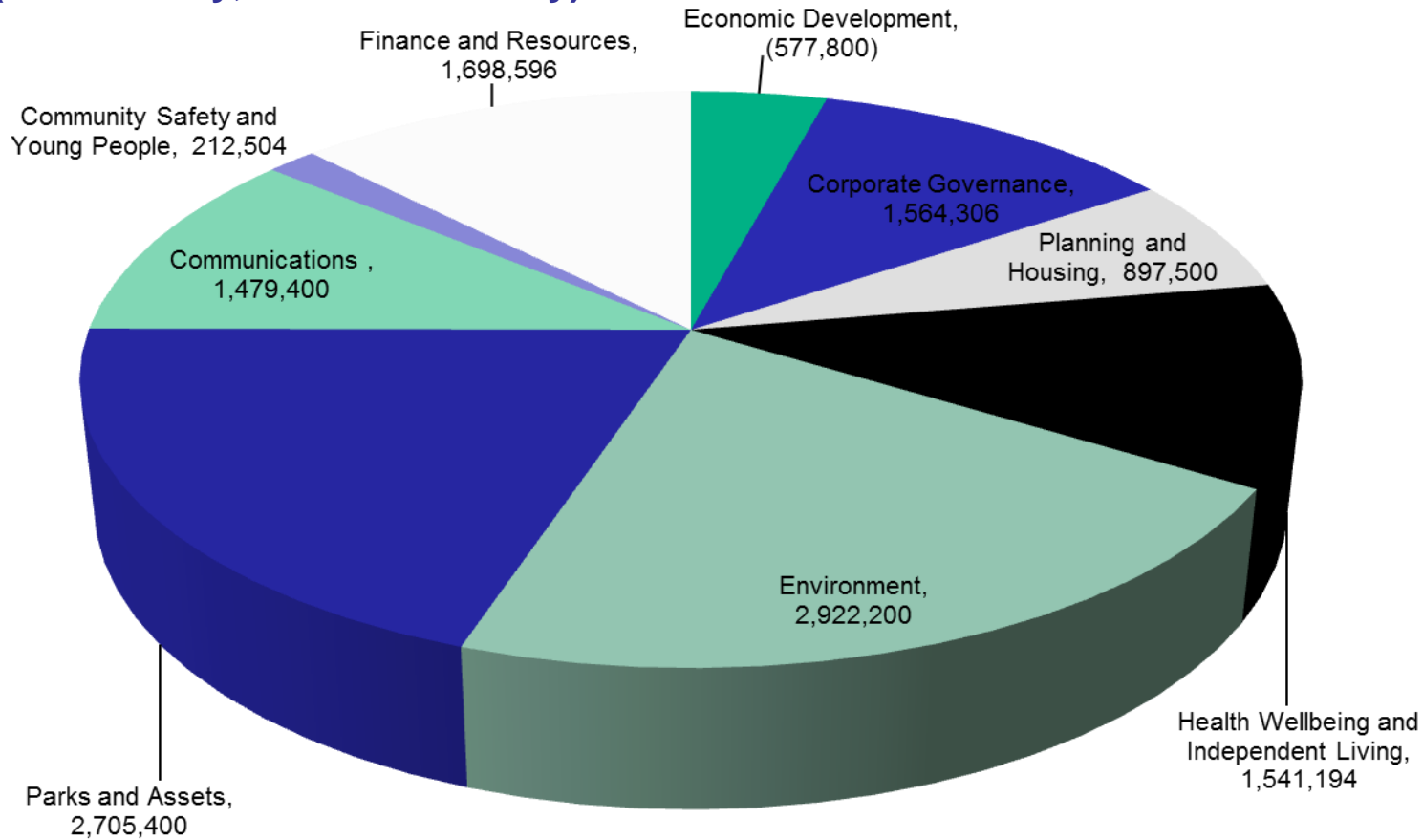


Budget expenditure broken down by type of spend



Revenue Budget service expenditure net of fees and charges breakdown by portfolio

(S=Statutory, D=Discretionary)



Council's Financial Position

RESERVES SUMMARY				
	Revenue	Capital	Total Reserves	Comments re capital exp & receipts
Balance of reserves as at 31st March	£	£	£	
2012	11,999,872	1,984,740	13,984,612	
2013	11,799,800	683,740	12,483,540	Includes £100k for Churchill Hall
2014	11,849,800	328,240	12,178,040	
2015	11,949,800	-32,260	11,917,540	Revenue contribution to fund capital £33k
2016	12,099,800	-392,760	11,707,040	Revenue contribution to fund capital £360k
2017	12,249,800	-753,260	11,496,540	Revenue contribution to fund capital £360k

Surrey Council Tax Comparisons 2012/13 (including parishes)

Where your Council Tax Goes

Surrey
County
Council
75.4%

Surrey
Police
13.3%

Spelthorne
Borough
Council
11.3%

	Resident Population District No.	Council Tax Band 'D'	Borough/ Council Tax Band 'D'
		£	£
Elmbridge	130,810	1,566.25	213.10
Tandridge	81,218	1,563.19	210.04
Woking	90,958	1,557.90	204.75
Waverley	116,773	1,557.63	204.48
Surrey Heath	81,848	1,556.04	202.89
Reigate & Banstead	128,369	1,552.36	199.21
Spelthorne	88,999	1,525.37	172.22
Epsom and Ewell	69,578	1,520.27	167.12
Guildford	134,251	1,519.46	166.31
Mole Valley	81,535	1,508.98	155.83
Runnymede	79,550	1,490.04	136.89

Savings made to date

	£m	%
2012-13	1.1	8.4
2011-12	1.7	12.6
2010-11	1.7	11.8
2009-10	1.1	7.5

Over last 10 years approx £12m savings made, which have offset real terms funding cuts, additional responsibilities and service developments

- Net budget over last 4 years has reduced by 20%

2012-13 Budget fundamentals

- Difficult decision as to whether to accept freeze grant
- SBC Tax increase 2.94% (SCC and Police also increased)
- Nil pay increase for third year in a row (except for staff earning less than £21k) and four years for councillors
- Nil use of general reserves and reduced use of specific reserves down to £200k
- Services to public not cut and enhancements such as food waste collection protected.

- Note employee budget reduced by £1.1m or 10% between 2009/10 and 2012/13
- Senior Management FTEs and costs reduced by a third over last two years

How we balanced the budget

- Tightening our belt
 - Free up accommodation space to let out
 - Sharing services
 - 3 year pay freeze (for majority)
 - Tight vacancy control
 - Leaner management structure
 - Smarter use of technology
-
- Achieved without cutting services to the public



2012-13 Grant reductions

- Local government bearing deeper cuts than rest of public sector
- Local government cuts frontloaded
- **2012-13 10.4% grant cut (£548k)**
- In real terms nearly a third cut over 2 years
- Do not know yet what cuts will be 2013-14 and 2014-15
- 2013-14 uncertainties created by impact of introduction of localised council tax benefit and localisation of business rates
- Maybe ongoing public sector cuts for the next decade

2011-12 Outturn

- Small £62k overspend at service level but this includes £422k one off redundancy and pension costs for posts being removed which will deliver ongoing savings
- Managed to avoid use of Business Improvement Reserve to support above
- Staff turnover increased significantly in 2011-12
- £595k one-off VAT refund and interest relating to trade refuse income.
- VAT refund enabled nil use of reserves

Business Rates

- New regime starting 1st April 2013
- Originally intention to simplify but still going to be annual revenue support grant settlements
- Meant to provide incentive to drive economic growth
- We as a Surrey district with a relatively strong taxbase will:
 - Pay 50% of what we collect to govt
 - Pay 20% of remainder to help fund SCC
 - Then pay a “levy” which mean in total we will pay over approximately 86% of what we collect
 - However if future we will bear 50% of the risk of any business rates write-offs (we have assumed budget impact of £150k)

Council Tax benefits

- New regime 1 April 2013
- Government reducing funding by headline 10%
 - But does not take into account 2012/13 or 13/14 council tax increases or volume increases
 - Underlying funding gap for SBC approx 11.5%
- Pensioner claimants protected (44% for SBC) – disproportionate impact on working age claimants
- Districts to devise local schemes to offset funding impact
- Consultation exercise starting September
 - Consulting on reducing council tax discounts on empty/second homes to generate income to partly offset
 - Range of adjustments
 - Seeking to protect “vulnerable” claimants
- New scheme has to be approved by 31 January 2013

Housing Benefits

- Universal credit being phased in to replace several benefits including housing benefit
- Housing benefits phased out between Oct 2013 and Oct 2017
- Government relying on majority of claimants in future interacting online.
- Currently Spelthorne does well from recovering overpayments and receives a financial incentive worth £0.5 per annum. We will lose this so by end of period will be £0.5m per annum worse off.
- Benefits Cap and under-occupation rule changes will impact on residents

Estimated Savings required to balance budget

- 2013-14 Currently £200k funding gap (reflecting impact of new business rates regime)
- 2014-15 Additional £125k – cumulative £325k
- 2015-16 Additional £430k – cumulative £755k
- 2016-17 Additional £150k – cumulative £905k
- I.e. by 2016-17 we need to be saving an additional £0.9m per annum (approx 8% of budget)
- This is a much better position than we have faced at same stage of budget process in previous years!
- Reflects initial impact of housing benefits transfer.

Assumptions behind projections for 2013-14 to 2015-16

- **Council tax** 2.5% per annum rise over the 4 years
- **Pay** 1% payrise for staff and councillors in 2013-14
- **Interest rates** to start to rise from end of calendar 2014 but mitigating actions put in place to improve average rate of return
- **Reserves** 2012-13 last year that there is a net use of reserves (general and specific combined)
- **Pensions** – no increase in employer contributions until 2014-15
- **Housing benefits** – gradual loss of £500k surplus from 2013-14
- **Council tax benefits** – have not yet quantified impact on homelessness budget

Issues around assumptions

■ Council tax

- Currently assuming 2.5% per annum
- Helps maintain taxbase
- Expect a lot more councils will reject tax freeze grant this time if a similar offer is made

■ Remuneration

- Three year pay freeze for some staff equates to approaching a 15% real terms pay cut
- From April 2014 increased employee pension contributions for higher paid staff
- In 2012-13 in Surrey only Spelthorne and Runnymede did not provide staff with some form of pay rise

Risks

- State of economy
- Interest rates
- Inflation
- Possible loss of skilled, experienced staff affecting our ability to deliver statutory responsibilities/projects etc
- Eurozone sovereign debt crisis
- If sufficient deficit reductions not achieved in other areas will local government be asked to generate more in future years?
 - Next spending review for 2015-16 onwards big cuts for local government?
- Impact of risk transfers associated with council tax benefits and localisation of business rates

Uncertain impacts

- Timing and impact of benefits changes
 - May result in increased expenditure on homelessness (statutory function)
 - In turn may increase need to reduce net spend in discretionary areas
- Localisation of business rates – risk transfer to local government
- Future funding of New Homes Bonus grant
- Pension changes

Ways of improving our financial resilience

- Restructuring (2013-14 target £75k)
 - Merger of ICT with Steria staff ongoing savings over £200k per annum
- Partnership working (2013-14 target £40k)
- Procurement
- Accommodation
 - Short term letting out more of Knowle Green
 - Long term Knowle Green “Public Sector Village”?
- Fees and charges
- Business transformation use of IT
- Doing things differently- eg changes to services
- Reducing non-priority services

Partnerships

- Effective contractual partnerships e.g. grounds maintenance, leisure, ICT support
- Partnerships in place with other councils including Audit; Emergency Planning; HR; ICT; Allotments Officer; Transport manager at depot; Asset Management
- Benefit Fraud officer
- Car parking

Accommodation

- **Short term**
- Police on top floor generating £64k per annum
- SCC social services 1st and 2nd floor
- Currently let out 30% of Knowle Green
- Target within 1 year to achieve 45%
- Flexible working to free up office space
- Remote working encompasses more than working from home and will include follow me technology
- **Medium Term**
- Better use of properties in parks/depot
- **Long Term**
- Public Sector Village

Fees and Charges

- Benchmarking
- Charging what the market will bear
- Car Parking nearly £2m of income

The Challenge

- Need to find further savings/income of £0.9m over 4 years
- So much saved already very difficult to find further savings
- Efficiencies and salami slicing savings will not be sufficient
- Stretched resources – a need to reduce number of projects
- We need to be looking at the nature and range of services we provide
 - Prioritisation – we need to decide where to focus our limited resources (both financial and human)
 - How will core services be delivered in future?
 - Identify any sacred cows

Detailed Budget process

- Sept – Salaries work begins with Accountancy and services
- Sept/Oct – Capital bids drawn together
- Oct – Cabinet provide strategic steer
- Nov – Outline budget produced
- First week of December we learn our grant funding figures
- Dec - First draft detailed revenue budget; capital programme and fees and charges
- Jan/Feb Cabinet consider and refine budget proposals
- 31 Jan – deadline for council tax support scheme
- Feb 21 Council approves Budget and Council tax

Questions



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