AGENDA ITEM

2.1

MINUTES OF THE SCRUTINY FINANCE REVIEW GROUP

WEDNESDAY 5TH MARCH 2020 AT 6.00 PM

PRESENT: Councillor Young (Chair), Councillors: Franks, Moles, Nicholls, Rivers, Roche, T. Saleem, Waheed and Wynn substitute for Councillor Skepelhorn).

IN ATTENDANCE: Councillor Malcolm (Portfolio Holder, Customer & Commercial (Finance)

23. APOLOGIES (REF: 1)

An apology for absence from the meeting was received on behalf of Councillor Skepelhorn.

24. MINUTES (REF: 2.1 & 2.2)

Resolved: That the Minutes of the meeting held on 28th January 2020 and 12 February 2020 be taken as read, approved as correct records and signed by the Chair.

25. INTEGRATED IMPACT ASSESSMENTS: OVERARCHING VIEW OF BUDGET CONSIDERATIONS (REF: 8)

The Cohesion and Equalities Adviser submitted a report in regards to the Integrated Impact Assessments (IIA) for the period September 2018 – August 2019 and the resulting decisions that would stand any potential external challenge.

Members were reminded that the IIA process internal to the Council continued to consider Equalities, Cohesion, and Social Inclusion, Poverty, Health, and Environmental impacts. She added that officers had also asked, by the Corporate Parenting Board, to consider the impact on looked after children.

The Cohesion and Equalities Adviser went on to say that Luton continued to comply with its legal duty under the Equality Act 2010 (Public Sector Duty section 149) to have due regard to its decision making process and ensuring that it was analysing the impact prior to a decision being taken. This could be done by any process but the council had decided to continue with a robust process via the IIAs to ensure a clear audit trail if ever needed.

Overall of the 34 IIA's had been undertaken and submitted to the Executive between September 2018 and August 2019, the majority had had a positive outcome. However, the impacts must also consider, wherever possible, mitigation in regard to when a negative outcome was found, and to this end the Council worked hard to ensure that this was considered wherever possible. It was also important that the IIA only considered evidence and where mitigation could not be found, it was clear in the options set out. In relation to the IIAs, 5 had significant negative outcomes. These included:

- Setting the council tax base
- Increase in School Meal Charges
- Adult Social Care Scale of Charges
- M1-A6 Road Planning Application Response
- Review of Experimental Red Routes - Update

The Cohesion and Equalities Adviser reported that Luton continued to consider how best to provide services to people with learning or physical disabilities, and long health conditions term. She went on to say that Race included the diversity of Luton; White British, Irish, African, Caribbean, Bangladeshi, Indian, Pakistani, Polish, Somalian etc. and all of Luton's services were for those who were assessed to need care and support or who were providing support outside of the Fair Access to Care criteria and across our public sector obligations.

Members were informed that none of our the Council's services were male/female specific, although it did support services via service level agreements and LLAL funding which provided particular services that supported women in the community facing domestic violence and honour based violence. However there would be other budget reductions that would impact on women and men, as citizens, as parents, as carers – or simply as people requiring support or advice.

The Cohesion and Equalities Adviser continued that much work was being carried out across the Council as a whole to combat poverty in the Town and to increase the health and wellbeing of its citizens. All of the IIAs considered these outcomes, even though there was no legal duty to do so, it was felt that these areas were as important in the outcome of Executive decision making. She went on to say that Public health ensured that they were able to sign off reports, add to the IIA and ensure clear voice to the health and wellbeing agenda. She concluded that It would be a key part of training to ensure that colleagues sent IIAs to public health to get consideration of the health and wellbeing impact.

Members enquired why an IIA had been carried out for the setting of the council Tax Base as this was not a decision made by the Council.

The Cohesion and Equalities Adviser replied that if there was an impact on the residents of Luton, an IIA would be carried out even if the decision was legislative.

Resolved: (i) That the report (Ref: 9) be noted.

(ii) That the Cohesion and Equalities Adviser be thanked for providing a clear and comprehensive report.

26. BUDGET MONITORING QUARTER 3 REPORTS 2019-20 (REF: 9)

The Service Director, Finance & Audit informed Members of the latest forecast position for the current year's revenue and capital budgets (Quarter 3) which was due to be submitted to Executive on the 9th March 2020, which was the final monitoring report of the year, which forecasted the expected outturn position for the 2019/20 budget.

Members were reminded that this year's budget had been strained by a combination of cost increases, high levels of demand for services and challenges in maintaining income levels, alongside delivering the savings that needed to be made to keep the Council's finances on a sustainable path.

He added that the Budget had been extremely challenging and officers had been working on improving the forecast outturn position throughout the year. He went on to say the final monitoring now predicted that costs would be within the overall budget set 2019/20. This was an improvement from the £1.4m overspend position previously reported at Quarter 2 and included the savings items previously reported in the Improvement Plan agreed by the Executive in December 2019.

The Service Director, Finance & Audit advised drew Members that it should be noted that the underlying financial challenges faced by the Council remained considerable and these would continue to affect the budget as the Council moved in to 2020/21. He added that budget resources for next year had been prioritised, including additional funding to some of the areas facings the largest challenges. However, the impact of this on the wider position was limited by the Council's overall funding constraints and by the need to meet the effects of cost inflation and growth in demand.

He went on to say that the total overspend reported on service delivery this year was substantial and had increased compared to last financial year. In particular, the cost of providing statutory services including children's social care and on relieving homelessness continued to significantly outpace the budget available for providing these services.

Members were informed that it had been necessary to use all contingencies included within this year's budget to help meet current costs, with the remaining gap supported by compensating savings in other service areas and gains in the corporate resources accounts £2.8m, including returns on the investments in LLAL. He continued that many of the compensating gains were one-off and could not be relied upon for future years. The recovery and improvement plans for the services overspending were continuing to be reviewed, to ensure further progress was made as the Council moved in to 2020/21.

The Service Director, Finance & Audit reported that the delivery of the £15.4m budget savings needed for 2019/20 would be phased over 2 years. He added that part had been delivered in 2019/20 However, around £6.5m remained to be delivered in 2020/21. The impact of this on the 2019/20 outturn position had been partly mitigated by using the specific savings contingency held in 2019/20 to assist with this phased delivery, yet it remained imperative that the remaining savings were fully delivered in year 2, alongside the additional savings that were needed to balance the 2020/21 budget. This would require the full commitment of all senior officers and Members, to ensure that the finances remained on a sustainable path and were resilient in supporting the continued delivery of the services needed in the town.

Members were reminded of the recent Ofstead report for Children's Care Services following the inspection in January, and were informed that changes were already underway toward addressing the concerns raised in the report and the improvement plan would be further developed to provide a comprehensive action plan that would ensure the highest standards of protection and care for vulnerable children.

He went on to say that the ongoing financial challenges faced by the Council remained considerable and the further changes around the future funding support from central government for 2021/22 and beyond wouldn't be known until late Autumn this year. He added that the Council was continuing to adapt and plan for the future to ensure that the impacts on service delivery were minimised, as much as possible.

Members were informed that in regards to wider revenue accounts, the final forecast for the Schools budget predicted an overspend of around £0.7m resulting from higher top-up funding for high needs education, pressures on alternative education provision and higher net costs on school meals provision following the closure of some school kitchens. The forecast overspend could be met from balances held in the central schools reserve. The 2020/21 finance settlement included some additional funding to help meet the increased costs of providing high needs education, £700m nationally, circa £3m for Luton, which would improving sustainability for the next 2 years.

He went on to say that the Housing Revenue Account was currently reporting a net underspend of around £0.6m, primarily from additional rent and leaseholders income and cost savings from temporary staffing vacancies. This increased the potential outturn surplus this year to £1.849m, subject to final requirements to support capital expenditure from revenue funding.

The Service director, Finance & Audit reported that in respect of capital expenditure, the final forecast predicted a net reduction of around £59 million compared to the total spend originally programmed for 2019/20 (23% reduction), due to the re-phasing of work from the current year to 2020/21 in line with the latest business plans. The re-phasing primarily related to major corporate capital projects and the new multi-storey car park, together with HRA and school projects, with £198 million was forecasted to be spent on capital projects for 2019/20.

He continued that Key Risks included the Revenue Budget:

- Delivering the planned savings built in to the 2019/20 budget and managing in-year cost pressures including those reported in volatile and demand led statutory service budgets, to deliver a balanced outturn position.
- Managing the changes required as a result of the continued reduction in grant support from Government. This will be closely monitored throughout the year and corrective measures put in place to address any reduction in grant.
- Achieving the level of business rates income budgeted for the year.
- The Council has to demonstrate value for money in delivering its services. This level of overspend raises some concerns and it is

advisable that a best value assessment be carried out on those areas with significant overspend

- The procurement & commissioning, and the modernisation delivery plans are yet to be finalised and until those are complete and agreed by departments, there is a risk that the plans won't deliver the savings required in order to address both the current year and future years' budget savings target. If that is the case then the Council will have to review the effectiveness and efficiency of those activities and prioritise resources based on outcomes.
- Additional resources based on an" invest to save" principles will be made available in order to address any lack of capacity to deliver the savings and recovery plan.

He concluded that key risks for the Capital Budget included:

- Inaccurate capital profiling impacting on the accuracy of treasury management decision making, capital financing costs, borrowing costs and investment returns.
- Overspends on capital projects impacting on the availability of capital resources
- Reduced capital receipts resulting in increased prudential borrowing. This is reviewed throughout the year

Members enquired why costs had increased for property, utilities, and repairs.

The Service Director, Finance & Audit replied that there had been a increase in costs due to the increased number of repairs that had been carried out. This in turn had resulted in a higher deficit.

Members raised concern that the Council was still heavily reliant on the use of agency staff, which had been highlighted as an area of concern in the recent Ofsted Report. Members also commented that agency staff should not be relied upon to to fill core staff roles. Members commented that the over reliance of agency staff often caused instability in looked after children.

The Service Director, Finance & Audit replied that the authority was trying to reduce the number of agency staff. He went on to highlight that although Social care had been successful in recruiting permanent staff, they often left the authority once they had completed their training.

Members commented that staff often left the authority as they did not feel valued and were given greater support by agencies.

The Portfolio Holder, Customer & Commercial (Finance) commented that there were currently external market issues and that the Government were conducting a review of Social Care as they were aware that the system needed to be less profitable for agency staff in order for authorities to retain staff and reduce costs. He therefore suggested that the Finance Review Group could look at the current nature of the market and feed back into the review being conducted by the Government.

Resolved: (i) That the Report (Ref: 9) be noted.

(ii) That the Service Director, Finance & Audit be requested to submit a report in regards to the current nature of the market for recruiting Social Care Staff as opposed to Agency Staff to a future meeting of the Finance Review Group.

27. WORK PROGRAMME REPORT (REF: 10)

The Democracy and Scrutiny Officer presented the FRG draft work programme and dates of meetings for 2020-21 and advised the programme would be appropriately amended and updated as resolved by the Committee below.

Resolved: (i) That the FRG Work Programme be noted and approved and that the following item be included in the work programme as below:

- The current nature of the market for recruiting Social Care Staff as opposed to Agency Staff.

(iii) That the following dates for future meetings of FRG 2020-21 be noted:

- 25th June 2020
- 6th August 2020
- 24th September 2020
- 26th November 2020
- 18th January 2021
- 10th February 2021
- 4th March 2021

(Note: (i) The meeting ended at 19:20pm.

(ii) Date of next meeting: 25th June 2020.)