

**AD HOC SCRUTINY PANEL**

A meeting of the Ad Hoc Scrutiny Panel was held on 17 November 2017.

**PRESENT:** Councillors Sharrocks (Chair), J Hobson, Lewis, McGee, McGloin, P Purvis and D Rooney.

**PRESENT BY INVITATION:** Councillor N Walker.

**OFFICERS:** J Bromiley, G Field, C Lunn and P Stephens.

**APOLOGIES FOR ABSENCE** Councillors M Saunders and J Walker.

**DECLARATIONS OF INTERESTS**

Name of Member	Type of Interest	Item/Nature of Interest
Councillor D Rooney	Non-Pecuniary	Agenda Item 4 - Member of Middlesbrough Voluntary Development Agency

17/1 **MINUTES - AD HOC SCRUTINY PANEL - 13 FEBRUARY 2017**

The Minutes of the Ad Hoc Scrutiny Panel meeting held on 13 February 2017 were submitted and approved as a correct record.

Owing to the timescale between the meeting in February 2017 and this current meeting, it was suggested that, upon conclusion of an Ad Hoc Scrutiny Panel review, the respective minutes of the final Panel meeting be ratified by the Overview and Scrutiny Board. Reference was made to the process surrounding the publication of minutes; it was felt that this would be facilitated by undertaking this.

**AGREED** that, in future, minutes of Ad Hoc Scrutiny Panel meetings would be forwarded to the Overview and Scrutiny Board for ratification, as appropriate.

17/2 **COUNCIL BUDGET 2018-2019 AND PROPOSED SAVINGS**

The Chair advised that this meeting had been convened in order for the Panel to review and provide feedback, as applicable, in respect of the Council Budget 2018-2019 and savings that had been proposed. Depending upon the discussion held, a further meeting would be scheduled accordingly.

The Strategic Director of Finance, Governance and Support presented a report, the purpose of which was to:

- Present, for initial consideration, the Council's proposed strategic priorities for 2018-2021, which once finalised following consultation, would form the basis of its Strategic Plan for this period;
- Refresh the Council's Medium-Term Financial Plan (MTFP) to 2020-2021, reflecting and supporting the delivery of the proposed strategic priorities; and
- Set out proposed savings initiatives for this period, which, subject to consultation, would inform the 2018-2019 Budget and those of future years.

The Strategic Plan was the Council's overarching business plan, outlining its contribution to the Mayor's Vision for Middlesbrough and providing a broad overview of high-level improvement activity in the medium term, within the financial parameters outlined in its MTFP. The Plan was central to the Council's corporate governance framework and was updated annually. It was also the basis of the Council's performance management framework, with progress reviewed on a quarterly basis and reported to Executive and Overview and Scrutiny Board.

In March 2017, Council approved a Strategic Plan for 2017-2021 focused on investment, growth and efficiency, incorporating a MTFP and Investment Strategy for the same period. The submitted report commenced the process of refreshing the Strategic Plan for the 2018-2021 period.

The Strategic Plan for 2018-2021 would be presented to Executive for consideration on 20 March 2018, and recommended to Council on 28 March 2018 following agreement of the 2018-2019 Budget. To inform the development of the document, it was proposed that the Council consulted on its proposed strategic priorities for the 2018-2021 period, which were set out at Appendix A.

The report set out the Council's refreshed MTFP to 2020-2021, reflecting and supporting the delivery of the proposed strategic priorities. It was highlighted to the Panel that, following analysis of spending pressures and commitments against the anticipated funding position, the MTFP identified that savings of £22.1m were required for the 2018-2021 period.

The report subsequently set out the proposed savings initiatives for this period, which were equivalent to £18.6m (£5.8m for 2018-2019) and which, subject to consultation, would inform the 2018-2019 Budget, and those of future years.

It was pointed out to Members that, where it was desirable and necessary to attempt to plan ahead for the next three to four years, the position in terms of financial certainty was actually less clear than it had been six to twelve months ago. It was explained that the direction of travel from Central Government was towards the localisation of business rates, which remained clear, but exactly how and when that would be implemented was unclear. Consequently, the risk and implications of this uncertainty had been considered in terms of the financial assumptions that had been made throughout the submitted report. This also meant that the assumptions that were made in 2019-2021 and 2020-2021 were less certain than the assumptions made for 2018-2019.

Reference was made to paragraph nine of the report and the Council's approach to delivering the Mayor's vision for Middlesbrough in 2025 - Fairer, Safer, Stronger, which had crystallised around three strategic themes: Physical Regeneration; Social Regeneration and Business Imperatives. It was explained that the priorities that were being set clustered around these three themes.

Reference was made to the assumptions that had been made in respect of the MTFP, in particular those pertaining to such matters as the public sector pay gap, the Council budget, contractual inflation, the Living Wage, Children's Social Care demand pressures, Government funding reductions, and local funding increases.

In terms of the requirement for savings and subsequent proposals, it was explained that five themes had been identified and worked on in progressing the Council's Change Programme - Return on Investment; Value for Money; Partnerships and Integration; Digital Strategy; and Believe in Families. These themes cut across a number of different budgets; the aim was to translate the over-arching principles and proposals into individual budget reductions, as it was felt that this was the only way that the necessary savings would be achieved.

The proposals were set out in Appendices B-D of the report, as follows:

- Appendix B - Initiatives for 2018-2019 and beyond requiring no, or no further (where this had already been completed) consultation, i.e. either having no public impact, or having been already impact-assessed, mitigated where possible and/or justified;
- Appendix C - Initiatives that would be subject to the impact assessment process and on which the Council would specifically consult prior to implementation for 2018-2019; and
- Appendix D - Initiatives for the period 2019-2021 that may have required separate consultations and/or impact assessments in future years, as proposals were further developed.

Initiatives outlined within Appendices B and C were proposed for inclusion within the Council's 2018-2019 Budget, subject to agreement and, where relevant, further consultation. Proposals in Appendix D would be developed further for consideration in future budget setting.

Reference was made to the Investment Strategy and the use of reserves. It was indicated that, over the period to 2021, the Council planned to utilise £8.9m of its general balances in order to smooth budget savings requirements. In light of the aforementioned uncertainty, it had been recommended that the minimum level of reserves be increased to £7.5m at the end of this period. Members were directed to page nine of the report, where the methodology utilised in order to reach this figure had been demonstrated.

It was explained to the Panel that the planned approach for consultation was to extend this wider than activity had been in previous years. Consultation would take place in respect of both the budget and the proposed strategic priorities, as identified in Appendix A, and would be progressed up to the end of January 2018. Consultation would be undertaken on both an online, i.e. via the Council's website, and offline basis, i.e. to approach those groups that the Council interacted with on an everyday basis, in order to obtain feedback.

A further report would be presented to Executive on 20 February 2018 and to Council on 7 March 2018, which would again refresh the MTFP following the Local Government Finance Settlement, set the 2018-2019 Budget and associated savings initiatives and targets, and comply with the Public Sector Equality Duty and set out any impact identified from initiatives proposed to meet savings targets for 2018-2019. Following this, the Strategic Plan for 2018-2021 would be presented to Executive for consideration on 20 March 2018, and recommended to Council on 28 March 2018.

The proposed strategic priorities for 2018-2021 (Appendix A) had been subjected to a Level 1 (screening) Impact Assessment, which was attached at Appendix F of the report.

It was explained to the Panel that any suggestions for amendments to the report would be highly appreciated. Further, it was stressed that the consultation activity concerned both the budget proposals and the proposals of the strategic priorities, which was of paramount importance.

During discussion, the following questions (Q) and/or comments were raised:

- Q. With reference to page 7 of the report, paragraph 32 - was the £76.8m being referred to 'borrowed money'?

In response, it was explained that this was partially the case. At present, approximately £100m had been borrowed on a long-term basis, and approximately £40m on a short-term basis. Some of this would be financed internally, with the Council's reserves being utilised in lieu of borrowing. Consequently, it would be a mixture of borrowing and Council funding.

- Q. What sort of term did the Council have on the above borrowing?

In response, it was explained that this would vary. Short term borrowing was up to a year in duration; long term borrowing was anything between 1-50 years. It was felt that the current balances would not change too significantly over the next few years; some of this would be dependent upon interest rates and where the Council observed the best opportunities. It was highlighted that there was a balance between being locked into very good rates, but having reduced long term viability, which would not suit the Council.

- Q. With reference to page 8 and Teesside Advanced Manufacturing Park (TAMP) - had the Council obtained grant funding in relation to this?

In response, the Panel heard that a report would be forwarded to Executive in the near future, which would set out the Council's progress on this matter. It was anticipated that funding would be a combination of grants and other funding.

- Q. With regards to the development of new housing in Middlesbrough - was the

Council funding this or would it be subsidised by the money received from building sites?

In response, it was explained that the main approach to developing housing was to engage with developers and obtain the best value possible for the land sales.

- Q. When a developer purchased land from the Council, there was a requirement to build affordable housing and provide the Council with money. Was it this money that was being referred to?

In response, it was explained that this was a policy and was applied on appropriate sites.

- Q. Was the Council putting additional funding towards that?

In response, it was indicated that this was not the case. This referred to developments that the Council supported through the sale of land to develop it; the financial benefits for the Council was through the receipt of Council Tax, which was reflected in the revenue budget.

With regards to Council Tax, reference was made to the Government's guidance on the setting and capping of Council Tax rates; Middlesbrough, like many other Local Authorities, was following this guidance.

- Following a comment from a Member in relation to the Council's Investment Strategy, a discussion ensued regarding the notion of self-sufficiency and potential commercial and regeneration opportunities for the Council. Reference was made to the successful initiative that had been undertaken in respect of the Holiday Inn hotel, with the Council providing a loan towards the development. It was felt that this development in particular also demonstrated social success by providing job opportunities to local people. It was agreed that this comment in respect of commercial arrangements would be explored further.
- Q. How, potentially, could Brexit impact upon this planning and what plans were in place to monitor this?

In response, it was indicated that there was a level of uncertainty around Brexit at present; the impact could potentially be positive or negative. It was acknowledged that this did need to be looked at in further detail. Reference was made to the currency exchange rate and the rise in the cost of equipment that the Council had recently purchased from abroad - the example of IT hardware was provided. Whether this was a direct consequence of Brexit, however, was unclear. It was acknowledged that perhaps more explicit reference to Brexit was required in the report / MTFP.

- Q. With reference to page 8, paragraph 37 - 'the Council intended to use £4.1m from its Change Fund in order to support transformational activity' - what constituted transformational activity?

In response, it was explained that this was the process whereby the Council transferred money annually from the general fund into a Change Fund, which would then be utilised to temporarily fund a programme in order to generate savings in the future. The examples of obtaining specific resource requirements, utilising consultants and assignment a Project Manager were provided. A further specific example of the street lighting replacement programme was given. It was clarified to Members that the Change Fund was not a large fund and money was not held permanently in it - it was a resource that was used up and replenished. It was suggested that further explanation as to what the Change Fund would support could be incorporated into the MTFP.

- Q. With reference to the table shown on page 9 - 'Treatment of demand-led pressures - Based on current modelling, no specific additional funding was required for growth in demand..' - in terms of the various new housing developments taking place and the demand for services that would increase from that, for example: refuse collection and street cleaning, what impact on overall service delivery would that mean overall, and should that have been worded in the table?

In response, it was explained that this paragraph in particular considered the level of general reserve that the Council required in order to plan in demand-led pressures across the Council which occurred in year. Reference was made to general, high-level provision, with examples including Social Care being provided. More specific demand-led pressures, which had already been identified, would be incorporated into individual savings.

In terms of housing developments and increased refuse collections, the Panel was advised that these would not be considered under reserves, but in the revenue budget. Consideration was given as to how this could be recorded, in order to provide context.

A Member requested that further detail to clarify this paragraph, i.e. 'no specific additional funding was required for growth and demand', be inserted, so as to indicate that this referred to a general position.

- Q. Regarding the consultation, how and when would stakeholders be engaged, particularly in terms of those that did not have or use online facilities?

In response, it was explained that the consultation would run until the end of January 2018. In terms of engaging directly with the public and other stakeholders, this needed to be realistic and achievable. Online consultation would be looked at, together with engagement with different directors, service areas, existing bodies and partnership groups and boards. Consideration would be given to undertaking some road shows, although it was reiterated that realistic and achievable work targets needed to be set.

Members were referred to the appendices set out within the report.

It was explained to the Panel that Appendix A consisted of the 'Proposed strategic priorities for 2018-2021'; reference was made to the three themes: Physical Regeneration, Social Regeneration and Business Imperatives, which comprised this section. These set out, at a high over-arching level, the objectives and priorities, without specifying individual projects. The aim was to ascertain how these areas resonated with people, and whether any matters were deemed more important than others.

Appendices B ('Proposals requiring no, or no additional, consultation'), C ('Proposals requiring consultation prior to implementation for 2018-2019) and D ('Proposals requiring further development and future consultation for implementation from 2019-2020 onwards) set out the savings proposals under the three categories.

Appendix E ('Revised Investment Strategy to 2020-2021') was a document that was updated regularly and which formed a part of the MTFP. This set out the capital spending amounts for the next three years.

During discussion, the following questions and/or comments were raised:

- Regarding Appendix B, a Member suggested that an additional by-line be inserted in order to explain why these proposals required no, or no additional, consultation - for example: work was already being undertaken, or work was already being planned. It was felt that this would offer clarity to stakeholders.

In response, this was agreed - with the further suggestion that a statement also be added to indicate that any comments on these proposals would be welcomed.

- A Member made reference to Appendix B and the savings proposals made under 'Believe in Families'. Concerns were raised in respect of Ref BIF 02 and the reduction figure of £1.5m. In response, it was explained to Members that, in previous years, £1.5m had been provided; however, providing that the number of Looked After Children could be maintained, this £1.5m would not be required and could therefore be removed. Consideration would be given to amending this proposal to provide clarity that it would not affect services for current Looked After Children. The £647,000 reduction referenced in BIF 01 would be over and above that.

A short discussion ensued in relation to new approaches being undertaken in respect of Children's Social Care, with mention being made of restorative practice and the importance of identifying such approaches in offering successful service provision.

A Member referred to VFM 04, also within Appendix B, which concerned changes to Community and Adolescent Mental Health Services (CAMHS) for Looked After Children. Concerns were raised in respect of this, as it was felt that there was potential for a further reduction in services to Middlesbrough's most vulnerable children. It was acknowledged that this description was at a very high strategic level, but further understanding around how the proposals may work in practice, and what safeguards would be in place, would be appreciated.

Members agreed that a further Panel meeting would be scheduled in order for an appropriate officer from the service area to attend and provide further information in respect of savings proposals pertaining to Looked After Children.

- Q. Regarding Appendix A, it was felt positive that the Council was consulting on the big picture issues, as well as the savings proposals. It was queried - where had the three themes been derived from?

In response, it was explained that the Physical Regeneration elements derived from the Investment Prospectus; the Social Regeneration elements derived from a report that had previously been submitted to Executive in respect of the Social Regeneration Agenda, which continued to evolve; and the Business Imperatives elements derived largely from the Council Improvement Plan, which had been progressing for 18 months.

- Q. Were there any references to the Council's relationship with the Tees Valley contained in the report?

In response, Members were directed to SR 12 (Appendix A) and the development of a Tees Valley 2025 UK City of Culture bid, followed by PR 06 (Appendix A) and the development of Centre Square as the Tees Valley's premier office location, as examples of this. There were no specific references to the relationship with the Combined Authority. Consideration was given as to whether the report needed to be clearer on this, i.e. identification of projects related to the TVCA.

- Q. Regarding PR 09 (Appendix A), page 12 - which geographical areas were being referred to in respect of 'Inner Middlesbrough's estates'?

In response, the Panel heard that this referenced the prioritisation around certain areas of the town. Members felt that clarity was required in respect of this. In response, it was agreed that this would be reviewed.

- Q. Regarding SR 04 (Appendix A), page 12 - it was proposed some years ago to launch Middlesbrough's Community Bank. Had there been any progress made in respect of this?

In response, it was acknowledged that this had been a difficult initiative to implement, but work was progressing. It was anticipated that, within the next couple of months, potential providers for the Community Bank would be identified and procurement work undertaken. It was unlikely that the Community Bank would be launched in the current financial year, but in the 2018-2019 financial year.

- Q. Regarding PR 07 and PR 08 (Appendix A) - page 12, these proposals both referred to housing. Were they the same or were they different, as one had a target figure and one did not?

In response, it was explained that PR 07 was more generalised in that 1,800 new homes were being built for the general population in Middlesbrough, whereas PR 08 was more specific in that more affordable housing would be provided. It was, however, acknowledged that the

affordable housing element did fit in with the generalised view.

- Q. Was there an indication of what the target percentage of affordable housing was?

In response, Members were advised that this was believed to be 15%, although this would be confirmed.

Following Members' suggestions, it was agreed that consideration would be given to the potential merging of proposals PR 07 and PR08, and inclusion of a target figure for affordable housing, within the report.

- Regarding P&I 04 (Appendix C), page 16 - under the column entitled 2020-2021 savings, a Member raised concern in respect of the £1m figure. Reference was made to potential changes in respite care, which were currently undergoing consultation within the Health sector. It was felt that adults with complex needs could potentially face a concurrent reduction in service provision from both Health and Local Authority services. The Panel discussed this. Reference was made to a recent meeting of the Overview and Scrutiny Board where this had been raised; it was indicated that the Director of Public Health and Public Protection would be devising some strategies that would be forwarded to Council for consideration in due course. A Meeting of the Health Scrutiny Panel would be taking place in the near future to look at the consultation work that was currently being undertaken in respect of the integration of Health and Social Care. It was felt that clarification could be obtained in terms of the impact that the 20% saving in current expenditure would have on service provision - i.e. would the service provision remain at the level it was currently, or would the service be cut.
- Q. Regarding ROI 06 (Appendix C), page 16 - car parking: was it possible that there could be a detrimental impact on bringing people into the town to shop, if the costs of car parking were to increase?

In response, Members heard that work was currently being undertaken to review car parking across the town, which would look at a variety of issues in order to ask these types of questions. Two hours free car parking would continue to be offered in certain car parks; charges for both short and long stay parking in non-applicable areas were being considered. Other initiatives, such as paying upon exit as opposed to by ticket, and park and ride facilities, were being researched. Further factors, such as the level of the Council's enforcement and ensuring that this was correct were also being pursued. Activity would include benchmarking with other areas. The importance of ensuring that damage to town centre footfall was avoided was highlighted to Members.

- Q. For clarification, did the Council not have a sufficient number of Enforcement Officers; were a lot of people failing to pay for parking?

In response, it was explained that this was not the case; it was being suggested that this was one of the areas that needed to be examined.

**\*\*At this point in the meeting, Cllr D Rooney declared an interest in the following discussion point (PI 05)\*\***

- Regarding PI 05 (Appendix C), page 16 - It was commented that a 20% saving in current expenditure seemed like a high percentage, particularly with the introduction of Universal Credit, which could impact on the need to see some of those services retained. It was felt that consideration would need to be given as to whether the Council could afford to make this reduction.
- Regarding BIF 06 (Appendix C), page 17 - It was commented that if families were signposted to the Department for Work and Pensions, and they did attend, financial support was likely to be in the form of a loan as opposed to a grant. It was important to recognise the potential impact on current recipients of monies from the Council.
- Q. Regarding Appendix E, page 24 - In terms of the funding of Adult Social Care and Health Integration, some of the funding figures were Council and some were external. Where did the external funding originate from - was that the NHS?

In response, it was indicated that this was likely to be the case. The total figure of £11,209,000 was divided out between internal Council funding, and external funding that was anticipated to be received.

It was highlighted that any factor within this Revised Investment Strategy could and would change - following an occurrence in the external environment, for example. The importance of keeping Members updated/informed in this regard was highlighted.

- Regarding BI 03 (Appendix A), page 13 - 'Exploring new operating models for the delivery of Council Services' - was the Council moving towards privatisation or contracting out of services?

In response, it was indicated that this was not the case.

The Chair thanked the officers for their attendance and the information conveyed.

With regards to the next meeting, it was agreed that this would be scheduled and Members notified accordingly.

**AGREED that:**

**1. Feedback provided by the Panel Members in respect of the Council Budget 2018-2019 and Proposed Savings would be relayed back to the appropriate officers for action to be taken, as applicable. Feedback provided was as follows:**

- Query regarding the impact of Brexit on funding and the local economy - specific reference could be mentioned in the MTFP.
- Could the impact of housing development, to date, on the Council's revenues be mentioned in the MTFP, in order to provide context?
- MTFP - Explain further what the Change Fund would support.
- MTFP - General Fund review - further detail required in line on demand funding.
- General queries raised regarding the make-up of funding of Investment Strategy and some projects e.g. TAMP.
- Investment Strategy - Commercial arrangements such as the loan towards the Holiday Inn development should be explored further.
- Consultation activity - Query raised in terms of how this would be undertaken.
- Appendix A - Welcomed that the Council was consulting on big picture issues, as well as savings reductions.
- Appendix A - Did the report need to be clearer on projects related to the Tees Valley Combined Authority (TVCA)?
- Appendix A - PR 07 & PR 08 - Could these be merged?
- Appendix A - PR 08 - Could a target for affordable housing be added?
- Appendix A - PR 09 - Provide clarification on what 'inner Middlesbrough' meant and what the Council's plans may be.
- Appendix B - Provide clarification as to why these savings proposals did not require consultation, and also add a statement to indicate that the Council would welcome comments on these.
- Appendix B - Some concern raised in respect of Believe in Families-related savings requirements. A further meeting to be scheduled for Children's Services to provide further information.
- Appendix B - Amend saving regarding non-utilisation of demand funding to provide clarification that this would not affect services to current Looked After Children.
- Appendix C - ROI 06 - Must balance increased car parking charges with the need to attract people to the Town Centre.
- Appendix C - P&I 04 - Provide clarification as to whether there was an anticipated impact on clients, and if so what this was.
- Appendix C - P&I 05 - Could the Council afford to make this reduction in view of the likely impact of Universal Credit?
- Appendix C - BIF 06 - Be clear of any expected impact on current recipients of



**monies from the Council (this was an Impact Assessment issue).**

**2. The Strategic Director of Finance, Governance and Support would obtain clarification in respect of the target figure for affordable housing.**

**3. In order for the Panel to receive information regarding the savings proposals pertaining to Looked After Children, a further meeting of the Ad Hoc Scrutiny Panel would be scheduled and Members notified accordingly.**

**4. The information, as presented, be noted.**