

Blackpool Council



BUDGET SCRUTINY REVIEW FINAL REPORT

CONTENTS

1.0 Background Information

2.0 Panel Considerations and Findings

- 2.1 Budget Savings Proposals Summary
- 2.2 Consideration of the Budget
- 2.3 Conclusion

1.0 Background Information

1.1 At the Tourism, Economy and Resources Scrutiny Committee on 25 October 2017, Members agreed to establish a Budget Scrutiny Panel to undertake an in-depth scrutiny review of the budget savings and the likely impact on services of any proposals.

1.2 The meeting was held on 12 December 2017 and the Scrutiny Panel was comprised of Councillors Clapham, Critchley, Elmes, Galley, Hunter, Mitchell, Ryan, Singleton, and T Williams. The Panel elected Councillor Hunter as Chairman and Councillor Critchley as Vice-Chairman.

1.3 The meeting was also attended by:

- Councillor Blackburn, Leader of the Council
- Councillor Cain, Cabinet Secretary

- Mr Neil Jack, Chief Executive
- Mr Steve Thompson, Director of Resources
- Mrs Diane Booth, Director of Children's Services
- Mrs Karen Smith, Director of Adult Services
- Mr John Blackledge, Director of Community and Environmental Services
- Mr Mark Towers, Director of Governance and Partnerships
- Mr Alan Cavill, Director of Place
- Mr Phil Redmond, Chief Accountant
- Ms Judith Mills, Public Health Specialist
- Mrs Sharon Davis, Scrutiny Manager

1.4 Councillor Hunter declared a prejudicial interest in section 1.91 of the budget 'Use of reserves, e.g Highfield' as a Governor of Highfield Leadership Academy.

Councillor Singleton declared a prejudicial interest in section 1.11 of the budget 'Blackpool Coastal Housing dividend to General Fund' as a Director of Blackpool Coastal Housing Limited.

Councillor Galley declared a prejudicial interest in section 1.51 of the budget 'Cultural Exemption generating VAT recovery' as a Director of Blackpool Entertainment Company Limited.

Councillor Cain declared a prejudicial interest in section 2.22 of the budget 'Budgets outside the cash limit – car parking/companies' as the Chairman of Blackpool Operating Company Limited.

All the above named Members left the room for the consideration of the section in which they had declared an interest.

2.0 Panel Considerations and Findings

2.1 Budget Savings Proposals Summary

- 2.1.1 Mr Steve Thompson, Director of Resources presented the proposed budget to Panel Members and highlighted that the finalised budget gap for 2018/2019 was £5.5 million. The figure had been increased from the original forecast of £4.8 million due to an increase in pension costs. It was noted that the reduction in budget was smaller than in previous years, however, the Council was in the eighth year of making such cutbacks and it was therefore becoming harder to identify savings.
- 2.1.2 In the previous year 2017/2018, a rolling three year budget had been developed. It was revisited at the start of the budget process for 2018/2019 to ensure it was still valid and sustainable. In order to identify the required savings caused by the additional funding gap all directorates had been set a target for budget savings.
- 2.1.3 The budget proposal would be subject to lengthy consultation. Councillor Blackburn advised that he had met with Trade Unions to discuss concerns relating to the removal of the Essential Car User Allowance Scheme. He added that the Trade Unions had raised no further concerns in relation to the budget.

2.2 Consideration of the Budget

- 2.2.1 Councillor Blackburn advised that the National Joint Committee had recommended a 2% wage increase for the next two years. The offer had been formally made for consideration by Councils. The offer also included an increase of up to 22% for the lowest paid staff. It was confirmed that the assumption within the budget was of a 1% pay award. Councillor Blackburn added that the increase for the lowest paid staff would affect each Council differently dependent on current wage levels and that due to the commitment to pay the living wage in Blackpool a much smaller increase would be due.
- 2.2.2 The Panel sought clarity on the Blackpool Coastal Housing (BCH) Dividend to General Fund and Councillor Blackburn advised that there was more money in BCH reserves than required by the company and therefore the decision had been made to transfer £500,000 into the Council's budget for 2017/2018.
- 2.2.3 Questions were raised regarding how the 'technical savings' were being made in relation to the use of reserves and Highfield Leadership Academy. Mr Thompson advised that it had been determined that the accumulated reserve for the Private Finance Initiative (PFI) was no longer necessary. It was further noted that there was a total of £34 million in earmarked reserves that were regularly reviewed to ensure risk was reflected appropriately.
- 2.2.4 Members discussed income from car parking and asked a number of questions regarding strategy and approach. In response, Councillor Blackburn advised that a number of agency staff had been deployed at peak times in order to assist in parking enforcement. He noted that parking enforcement must be handled sensitively and that it was important to avoid an authoritarian approach. Further questioning highlighted that an additional £100,000 income was forecast from car parking and was already being

achieved through ensuring ease of payment. Councillor Blackburn highlighted that patrons of car parks were more likely to park for longer and spend more time in the town centre if they did not have to make a decision upon arrival about how long to park for. The ability to pay by phone also increased the amount of time patrons would park for.

- 2.2.5 Upon consideration of the Business Loan Fund (BLF), Members queried how the required saving would be achieved. Mr Thompson advised that 2018/2019 would be Year 2 of the BLF and the scheme had steadily grown since its inception. The scheme was exceeding targets and expansion would be determined by appetite for risk. Councillor Blackburn highlighted that some Councils had used the BLF to purchase commercial enterprises in other towns or cities and noted that the priority for Blackpool Council was to invest in Blackpool and the immediate area in order to promote regeneration and enterprise.
- 2.2.6 The Panel discussed interest charges on loans and the exact detail was unable to be provided at the meeting. An overview was provided to Members after the meeting as follows:
- Public Works Loan Board (PWLB) at Month 8 £1,475k and forecast to year-end £2,262k
Other (Market Loans and Local Government Reorganisation debt) at Month 8 £1,445k and forecast to year-end £2,168k
Temporary at Month 8 £238k and forecast to year-end £390k
- Total loan interest forecast to year end: £4.8million
- 2.2.7 In relation to the Cultural Exemption Generating VAT Recovery, Members questioned the details of the VAT recovery and any systems that might need to be put in place to obtain the funds. Mr Thompson advised that tickets sales for cultural events held at venues such as the Winter Gardens could be exempt from VAT. Previously, VAT had been paid and the money identified in the budget was predominantly a backdated figure that had already been successfully recovered from HMRC. In response to further questions, Councillor Blackburn confirmed that the scheme met HMRC eligibility criteria for the VAT exemption and an initial refund had been received.
- 2.2.8 The Panel was also informed of new case law indicating that Local Authority not-for-profit Leisure Services should not be treated differently in regards to VAT exemption to charitable organisations providing leisure services. The change meant that VAT paid from February 2013 could be reclaimed.
- 2.2.9 Members queried whether schools had been approached to contribute to the costs of school crossing patrols as set out in the budget and what the general response had been. In response, Councillor Blackburn advised that initial conversations had been held and a variety of views had been presented. There was an argument that Academies should fully fund crossings outside of their school buildings. Mr Jack added that every crossing would be risk and safety assessed prior to any changes being made.
- 2.2.10 Following consideration of the budget, Members commented that there did not appear to be any mention in the budget of savings related to reducing the cost of private suppliers. Councillor Blackburn advised that there was a large amount of work ongoing in

conjunction with neighbouring authorities. It was noted that it was too early to predict any possible budget savings in relation to the work.

- 2.2.11 The Panel discussed the option of voluntary redundancy and queried if there were any circumstances in which an application for voluntary redundancy would not be accepted. In response, Councillor Blackburn reported that if an application for voluntary redundancy could be supported then it would be, however, if a person or post was deemed too valuable to the operation of the Council it would be rejected.

2.3 Conclusions

- 2.3.1 The Panel commended Officers for their work on a difficult budget and noted the severity of the cuts to funding over the previous eight years.
- 2.3.2 Councillor Blackburn noted that the reduction in the budget for 2018/2019 was less than in previous years, however, the cumulative impact over the years had been substantial, which made it more difficult to identify any more savings. He also emphasised the need to invest in infrastructure and stimulate growth.
- 2.3.3 The report of the Budget Scrutiny Panel would be forwarded to the Executive for consideration alongside the Budget in February 2018. Following that meeting, a consultation meeting would be held between the Tourism, Economy and Resources Scrutiny Committee and the Non Domestic Rate Payers and Trade Unions prior to final consideration by the Executive for approval by Full Council.