

**MINUTES OF FINANCE AND AUDIT COMMITTEE AND UNIONS CONSULTATION MEETING
- FRIDAY, 13 FEBRUARY 2015**

Present:

Councillor Callow (in the Chair)

Councillors

I Coleman
Galley

Hunter
Hutton

O'Hara
Smith

In Attendance:

Ms M Moss, Mr N Smyth, Ms J Orry and Mr D Dickinson, Unison
Mr N Loonat, Unite
Mr L Ridings and Mr G Fletcher, ATL

Also present:

Mr N Jack, Chief Executive
Ms C McKeogh, Deputy Chief Executive
Mr S Thompson, Director of Resources
Dr A Rajpura, Director of Public Health
Ms D Curtis, Director of People
Mr M Towers, Director of Governance and Regulatory Services
Mr J Blackledge, Director of Community and Environmental Services
Mr A Cavill, Director of Place
Mr P Redmond, Chief Accountant
Ms H Shaw, Head of Business Support and Resources
Bernadette Jarvis, Democratic Services Senior Adviser

1 CHAIRMAN

It was noted that the Chairman of the Finance and Audit Committee, Councillor Callow would preside over the meeting.

2 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

3 GENERAL FUND REVENUE BUDGET 2015/2016 CONSULTATION WITH TRADE UNIONS

Mr Thompson, Director of Resources, commenced his presentation of the budget by advising that some of the suggestions made by the Trade Unions through a series of meetings held throughout the year had been taken on board.

The extent of the required budget savings over the previous four years was reported as £68m with a requirement for further savings of £58m over the next three years. Mr Thompson explained the extent of the challenges faced in meeting the budget savings since 2010 and that these savings had equated to approximately four times the staffing

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costs for all back office services.

Mr Thompson reported that a Medium Term Financial Strategy for the next three years had been approved by Executive at its meeting on 19th January 2015. He outlined the key principles of the Strategy which included resourcing of services in line with Council priorities, achieving value for money and efficiency savings and the principle of keeping Council Tax levels as low as possible. The success in securing a significant amount of income through grants was reported. Another key principle of the Strategy was ensuring that risks were identified and mitigated, for example in ensuring sufficient financial reserves, and maximising prudential borrowing. Mr Thompson emphasised the Council's statutory obligation to set a balanced budget.

Mr Thompson went on to report on the increased demand on local services, particularly in relation to Children's and Adult Services. He also explained that the key drivers for the budget were the level of Government funding and the localisation of Business Rates. In relation to Business Rates, he explained that the Council would benefit from large developments such as the Central Business District and The Harbour. There were however concerns regarding the potential level and impact of successful appeals currently being determined by the Valuation Office as the Council would be responsible for contributing 49% towards the settlements.

Mr Thompson reported on other sources of funding which included the Council Tax Freeze Grant. He also advised on the impact of the redevelopment of the social housing provision on New Homes Bonus.

The pressures on the budget in relation to Children's Services and Adult Services were reported. Mr Thompson advised on a review of parking services currently taking place in an attempt to balance accessibility and value for tourists and residents whilst optimising yield for the Council.

Mr Thompson went on to report on the significant reduction in Council staff in the last few years and the increasing difficulty to deliver services as a result. A further reduction of approximately 300 posts was expected in the financial year 2015/2016 and a further estimated reduction of 300 posts in the subsequent two years. He explained the amount of earmarked reserves required year-on-year to meet redundancy payments and associated pension strain and the potential for other options to be considered beyond the financial year 2015/2016. This included the option of applying for a Capitalisation Directive for future staff termination costs which, although not a prudent solution, would be unavoidable in the event of insufficient resources available to meet the costs. Mr Thompson gave assurances that compulsory redundancies would continue to be avoided where possible, however, the enhanced voluntary redundancy payment offered to staff as an incentive to leave voluntarily had been reduced from £5,000 to £3,000 this year due to affordability.

Mr Thompson advised on the key assumptions in the budget which included the national pay award, the continuation of the voluntary five days unpaid leave and non-pay inflation rates. The budget also assumed known changes to the Settlement Funding Assessment

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and a freeze on Council Tax. The positive impact of low interest rates and the benefits of short-term borrowing were outlined.

The budget gap for 2015/2016 was £25.2m and although the estimated budget gaps for the two subsequent financial years had been set, there was a risk that these figures could change significantly due to the uncertainty of the level of Government funding for the next two years. The reasons for the budget gap for 2015/16 were provided and these included the increased pressures on both Children's Social Care and Adults Services, the latter which had been impacted by an ageing population, above inflation increases and the cost of domiciliary care staff travel time.

Mr Thompson reported on the savings plan adopted as a result of the expected financial challenges. Priority Led Budgeting would continue, with every service expected to deliver some efficiency savings.

There was a recommendation to maintain the level of working balances at £6m. There was currently a net overspend as at month 9 of approximately £700,000 but it was expected that this figure would reduce further by the end of the financial year. The month-on-month improvement to reduce overspends was reported and although there was an expectation that there would be overspends at year end, it was expected that this would be at an acceptable tolerance level in relation to the gross budget of c. £500m and that working balances would be close to the target of £6m.

Mr Thompson went on to report the components of the Council's spending power, not all of which it had influence over.

The final Local Government Finance Settlement figure for 2015/2016 had been announced in early February and the amount was unchanged from the Provisional Settlement other than £360,000 being provided to maintain the Local Welfare provision following consultation.

Mr Thompson advised that the General Fund Revenue Budget had been considered by Executive at its meeting on 9th February 2015.

Mr Thompson concluded his presentation by referring to the Appendices attached to the report which provided further detail on the budget, the proposed savings, an equality analysis and the assessment of significant risks for the Council and reflected the requirement for the working balances to remain at £6m.

The Chairman invited the Trade Union Representatives to ask questions and respond to the budget presentation.

Unison asked for the reduction in the pay bill as a result of the year-on-year redundancies to be taken into account in the budget. It was acknowledged that this had been and would be the case.

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In response to a question from Unison regarding the spending of the New Homes Bonus Grant, Mr Thompson confirmed that initially the Grant had been earmarked for new homes but out of necessity the funding had subsequently been moved to support the revenue budget. He confirmed that the funding formula was based on the national Council Tax level and confirmed the expectation that, should the funding continue, there could be an increase in the grant following the Queens Park redevelopment and Foxhall project although this was not guaranteed.

Responding to questions regarding the ringfencing of the Public Health Grant, Mr Jack confirmed the expectation that it would continue to be ringfenced in the future but this would be determined by the Department of Health.

Unison questioned the pay rise level of 2.2% and the funding to support this and Mr Thompson confirmed that this reflected the pay rise for a two-year period and had been factored into the Medium Term Financial Plan. Mr Redmond reported that the 2.2% level equated to £1.7m.

Unison asked that their concerns be noted in regard to the enhanced voluntary redundancies only being offered to at risk staff and Mrs McKeogh confirmed that note had previously been taken of Unison's concerns and that further work would be undertaken with the Trade Unions in relation to the scope of voluntary redundancies. Unison requested a breakdown of the number and cost of voluntary redundancies for the previous year.

In relation to questions from Unison regarding the measures taken in relation to the economic downturn, the ongoing work with Lancashire County Council regarding debt restructuring was outlined as were the plans to continue to minimise long-term borrowing.

Responding to questions from Unison regarding the option of applying for a Capitalisation Directive for future staff termination costs, Mr Jack confirmed that the preferred and most viable option would be to build up reserves to meet the redundancy costs.

Unison asked for the plans to achieve the working balance target of £6m to be outlined and Mr Thompson reported that continuing progress was being made in this regard and that it was expected that by the end of the financial year the working balances would be close to the target. Unison questioned the need for high levels of working balances taking into account the reduction in the Council's services and Mr Jack confirmed that it was ever more important that there were sufficient reserves with the challenges ahead and stated that future reductions in the gross budget would be taken into account.

Unison expressed concerns at the lack of specific information on the equality analysis within the budget and Mr Thompson confirmed that each service area would have a specific equality impact assessment.

Mr Thompson agreed to provide information on the organisations that had benefited from voluntary sector grants.

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Unison asked about plans for the costs associated with the Assessment and Rehabilitation Centre's staff terms and conditions as they understood that as part of the consultation period this proposal was going to be removed and replaced with an alternative Adult Social Care saving.

Unison raised concerns regarding the impact of Academies and it was confirmed that savings would have to be made due to the significant reduction in school funding received as a result of the conversions to Academies. It was confirmed that specific figures relating to the reduction in funding could be provided if required.

In response to a question regarding outstanding Business Rate appeals, it was confirmed that the Valuation Office currently had approximately £50m of appeals and that the Valuation Office had a target for resolving 95% of appeals by the end of July.

Unison requested further clarity on the Statutory Intervention in Schools and it was confirmed that this was under review and that more information could be provided if required.

Unison questioned the nursery provision provided by the Council and it was confirmed that a review would be undertaken which would consider all options in relation to nursery provision.

Unison requested a further breakdown in the budget gap for 2015/16 as detailed in paragraph 7.1 of the report.

Unison requested the opportunity to provide further written questions on the budget at a later date.

The Chairman thanked the representatives for attending the meeting and provided assurances that their comments would be passed to the Executive for consideration.

The Committee agreed:

1. To note the outcome of the consultation with representatives of the Trade Unions.
2. To request that the observations from this meeting be forwarded to the Executive for consideration at its meeting on 23rd February 2015.

Chairman

(The meeting ended 10.45 am)

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Any queries regarding these minutes, please contact:

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