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COUNCIL EXCELLENCE OVERVIEW AND SCRUTINY COMMITTEE

Thursday, 26 August 2010

Present: Councillor P Gilchrist (Chair)

Councillors A Brighouse B Kenny
J Keeley D McCubbin
P Davies J Stapleton
P Kearney S Williams

Deputies: Councillor C Meaden (In place of A McArdle)

Cabinet Member: Councillor JE Green

In attendance: Councillor S Foulkes

CALL-IN OF CABINET MINUTE 68 (22 JULY 2010) - AREA BASED GRANT

At its meeting held on 22 July 2010, the Cabinet considered the report of the Deputy Chief Executive/Director of Corporate Services in relation to Area Based Grant 2010/11 and Priorities for Future Years.

The report set out (1) the current position on Area Based Grant across the Council; (2) recommendations where the recently announced Government reductions in Area Based Grant for 2010/11 should be made and the implications of these; (3) sought Members views on the allocation of the remaining Area Based Grant for 2010/11; and (4) advised on the approach to be considered for future funding allocations. The Cabinet –

Resolved –

- (1) That Cabinet agrees the ABG reductions in 2010/11 of £3,927,000 as set out below:

Source	Amount
Uncommitted ABG with no or low impact to services (not frontline)	£1,837,000
Uncommitted ABG with medium impact to services (not frontline)	£1,073,000
Working Neighbourhood Fund	£1,017,000
Total	£3,927,000

- (2) That a review of all future ABG funding is undertaken as set out in paragraph 5.2 of this report.

That decision has been called in by the Leader and Deputy Leader of the Labour Group, Councillor S Foulkes and Councillor P Davies on the grounds that –

“The report is misleading and plays down the actual impact of the cuts recommended.

Cutting over half a million pounds, for example, from the School Development Grant, which is used to raise the standards of teaching and learning in schools cannot be said to have no impact on front line services.

Children’s Services last year used £900,000 of uncommitted Area Based Grant to help reduce an overspend of £1.9m, of which £1.7m was due to increased spending on independent residential care for children. Cutting uncommitted grant will remove this flexibility and in so doing will have a direct impact on key frontline services.

There is a clear credibility gap between the priorities it says it is setting out to protect and the reality of what the Cabinet recommendations will mean.

A cut of £1.6m in the Working Neighbourhood Fund, for example, which is higher even than the cut recommended by the government, is in direct conflict with maintaining the Corporate Priorities both of mitigating the impact of the recession and reducing worklessness and of reducing the numbers not in employment, education or training.

Despite the much trumpeted dedication of this administration to consultation of all kinds, with staff, service users and the general public, there has been no consultation on these cuts at all, or any debate about their true impact. The reverse is true, with every effort being made to hide that impact.

It is not made clear that the way in which this report is written, and the recommendations are framed, means that the administration has now added a further £3.9m of additional cuts to be made to close the 2011/12 budget gap, which has already reached £24m and is rising fast, taking the total so far to nearly £28m, and this is before the full impact of the Comprehensive Spending Review is added to it.

The cuts in this year’s grant are fundamentally unnecessary, as recent growth figures have demonstrated, and a result of political dogma from the national Conservative Liberal Democrat coalition which puts ideological commitment to a smaller state above the interests of the nation and is prepared, in so doing, to jeopardise the country’s economic recovery by cutting too sharply too soon in order to achieve its ends over the course of a single parliament”.

33 CHAIR'S OPENING REMARKS

The Chair referred to the witnesses that had been invited to give evidence to the Committee and, having regard to the Call-In Guidelines and the Council’s standing orders, suggested how the call-in would be dealt with in order to ensure that it was determined in a fair and open manner.

34 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST/PARTY WHIP

Members were asked to consider whether they had personal or prejudicial interests in connection with the call-in item and, if so, to declare them and state what they were.

Members were reminded that they should also declare, pursuant to paragraph 18 of the Overview and Scrutiny Procedure Rules, whether they were subject to a party whip in connection with the item to be considered and, if so, to declare it and state the nature of the whipping arrangement.

Councillor Mrs C Meaden declared her personal interest in the call-in of Cabinet minute 68 by virtue of her daughter's employment in the Children and Young People's Department.

35 **EXPLANATION OF CALL-IN BY LEAD SIGNATORY**

Councillor P Davies referred to the reasons for the call-in set out in the agenda paper and provided a detailed explanation of those reasons. In essence, he did not accept that the cuts proposed by the Cabinet would not have a direct impact on frontline services. He believed them to be unnecessary and that they would be damaging to recovery from recession. He accepted that the savings requirement had been placed on the Council by central government, but indicated that such large in year savings proposed resulted in the unpicking of a democratically agreed Council budget.

Most difficult to accept was the £1.6m cut in the Working Neighbourhoods Fund, which was some £1m in excess of the saving sought by the government. The Fund had been key to recovery from recession by the creation of apprenticeships and addressing worklessness. Feedback from the Small and Medium Enterprise (SME) community suggested that the demand for apprenticeships remained high and that the cut proposed would be particularly damaging in terms of employment opportunities.

He referred also to cuts proposed in the Children and Young People (CYP) budget, particularly the significant cuts in the School Development Grant and Extended Schools Start Up Costs. Further cuts he believed to be unacceptable were in relation to Teenage Pregnancy and Think Family and Youth Opportunity. He commented that all of the cuts referred to would have a direct impact on frontline services.

He expressed further concern that it appeared to have been an officer led exercise and that no consultation had been undertaken to ascertain the views of service users, Headteachers, trades unions or other key stakeholders.

Accordingly, he believed that the decision should be referred back to the Cabinet for reconsideration, having regard to the terms of the call-in notice.

36 **EVIDENCE FROM WITNESSES**

Mr John Piggott (Atlas Fire and Security)

Mr Piggott advised the Committee of the benefit to small businesses, particularly at a time of recession, of the Wirral Apprenticeship Scheme that was funded by the Working Neighbourhood Fund. He commented that at a time when many SME's were going out of business, the Scheme had allowed his business to create jobs for two young people that may not have been possible without the funding being available to remove the risk.

In response to questions from Members, Mr Piggott indicated that the financial benefit of the Apprenticeship Scheme was a critical factor, particularly in a time of recession. He acknowledged that there had been other schemes to help businesses but expressed the view that the Wirral 100 was the bravest and best provision of funding to provide real jobs for disadvantaged people that he had seen in 26 years in business.

Head of Strategic Development – Mr Kevin Adderley

The Head of Strategic Development gave a general outline of the support for businesses within the Working Neighbourhoods Fund and focused specifically on the success of the Apprenticeship Programme. In response to questions from members, he indicated that current apprentices were unaffected by the cut in funding of £1.6m. However, if it was still available, it could fund perhaps an additional 100 apprenticeships. When asked if the creation of jobs could be seen as a front line service, he expressed the view that it was the role of the private sector to create jobs and the role of the public sector was to create the conditions for that to happen. It also helped the Council to achieve its key strategic priority of reducing worklessness.

He referred also to the National Apprenticeship Scheme and reported that it differed from the Wirral scheme in that it did not assist with a wage subsidy to support businesses. In response to further questions, the Head of Strategic Development commented upon the Future Jobs Fund, which was a measure to tackle 18-24 unemployment, by the creation of temporary posts within the public sector to provide valuable work experience during a time of recession. It was due to finish in October 2011 with the last intakes in March 2011.

Director of Children's Services – Mr Howard Cooper

In response to questions from Members, the Director of Children's Services indicated that of the £3.9m cuts in Area Based Grant (ABG) agreed by the Cabinet, £1.5m affected the activities of the Children and Young People's Department (CYP). He confirmed that Chairs of Headteachers groups had been briefed in relation to the reductions in ABG and he was due also to meet with school governors on 28 September 2010. He stated that it had not been possible to consult more extensively, but that it had not been possible to do so, as the savings were required to be made in-year. The Director commented that prior to ABG, many of the grants to local authorities would have been ring fenced and that in Wirral, the ABG funding was passed to those Departments that would previously have received the ring fenced allocation. However, although most of the grant had been allocated to CYP, he commented that, in Wirral, the reduction had not been passed on proportionally.

In response to further questions in relation to the impact of cuts on recruitment for front line services, the Director stated that although there had been an impact, a judgement had been made as to how best to manage front line services with regard to a number of factors including the length of time a post had been vacant and whether a failure to recruit to a post would diminish the service or affect the ability to expand it. He had carefully examined the budget to identify where savings could be made and concluded that cuts in uncommitted expenditure would have a more manageable impact.

Deputy Director of Finance – Mr David Taylor-Smith

The Deputy Director of Finance reported that he was attending on behalf of the Director of Finance, who had been unable to attend the meeting. In response to questions, he confirmed that the reductions in ABG were for one year only, but it was not possible to predict what would happen in future years. He confirmed that, at present (Budget Projections 2011/2015 reported to Cabinet on 23 July) the gap between spend and resources for 2011/12 was £23.7m and that although the Council was not constrained to look at ABG only, it was important to note that ABG was now effectively a general grant. In response to a further question, he confirmed that the District Auditor had made no comment in relation to what consultation had been undertaken by the Council.

Deputy Chief Executive/Director of Corporate Services – Mr Jim Wilkie

In response to a question from Members, the Deputy Chief Executive/Director of Corporate Services referred to an instruction from the Cabinet (minute 41 (24 June 2010) refers), which required him to bring forward a report to the Cabinet reviewing all spending that was financed through Area Based Grant funding. and setting out where the funding impacted on staffing. The review was required to assess the spending of ABG funding against criteria including its alignment with corporate plan priorities, the scale of impact and the record of effectiveness in achieving the desired outcomes from such spending. The review was then to form the basis on which spending decisions of ABG would be based both in the future and in the current financial year. He confirmed that the report had been prepared in conjunction with senior officers from various departments and that there had not been input from outside the Council. The timescale for in-year budget reductions to be achieved did not allow for wider consultation and he had received no specific instruction to consult with partner agencies or stakeholders.

He had considered the impact of reductions in ABG on front line services and having regard to the requirement to make in-year savings, he expressed the view that the impact of those savings would have been far greater if they had looked to reduce committed expenditure. Although significant, he expressed the view that the reduction in Working Neighbourhoods Funding of £1.6m, would not prevent the Council from achieving its priorities.

Leader of the Council and Cabinet Member for Finance and Best Value – Councillor J Green

In response to questions from Members as to whether the report presented to the Cabinet in July had been subject to a redraft or alteration, Councillor Green confirmed that it had been considered at a briefing meeting prior to the Cabinet, but that he did not recall any specific changes being made to it. When asked to comment upon the rationale for taking £1.6m out of the Working Neighbourhoods Fund, when the government had sought a saving of only £0.6m, he commented that the further reduction agreed by the Cabinet was in line with the reduction indicated by the government. He had accepted the advice from officers that the funding was currently uncommitted and therefore available to support the ABG reduction. He commented that although the Council would not be able to do all that it wanted to do as a result of the required cuts in ABG, the alternative was to cut committed expenditure, which would have had a far more damaging impact.

In response to further questions, he commented upon the importance of public consultation but, due to the urgency and extraordinary nature of the need to make in-year savings, it had not been possible to undertake a consultation exercise in relation to the current proposals.

37 SUMMING UP BY MOVER OF THE CALL-IN

Councillor P Davies expressed the view that the cuts in ABG would have a significant impact on frontline services provided by the Council. In particular, cuts in CYP would damage the ability of schools to narrow the gap and raise the attainment levels of young people in deprived areas. He indicated that the cut in the Working Neighbourhoods Fund, being far more than that proposed by the government, would have a detrimental effect on employment opportunities and would also impact upon the ability of local businesses to survive and prosper.

He commented that it was regrettable that there had been no consultation with partners or stakeholders and that the package of cuts appeared to have been formulated by officers.

He believed that minute 68 should be referred back to the Cabinet for further consideration and that the Council should protest to the government about the need to make in-year budget cuts. He commented also that before any budget reductions were finalised, any proposed cuts in ABG should be referred to the ongoing public consultation meetings for consideration.

38 SUMMING UP BY CABINET MEMBER

Councillor J Green referred to the previous use of uncommitted expenditure to control overspend in CYP and commented that there had been a reduced impact on CYP than there would have been if cuts in ABG had been proportionate to the grant allocation, as had been the case in a number of local authorities.

There remained £2.7m in the Working Neighbourhoods Fund, which would enable significant projects to be undertaken to benefit local businesses including the provision of super fast broadband. He indicated that the current apprenticeship scheme would be unaffected by proposed cuts in expenditure.

He commented that it was unfortunate that time constraints had not allowed consultation to be undertaken in relation to the proposed in-year cuts in expenditure. However, he stated that the impact would have been more significant if the Cabinet in June had not instructed officers to undertake a review of ABG spending as a matter of priority. He noted that the decision taken in June (minute 41 (24 June 2010) refers) had not been called in and he thanked the officers for their sound advice and for the work undertaken within very tight timescales.

39 ADJOURNMENT

At 7.20pm, the Committee stood adjourned for 15 minutes.

COMMITTEE DECISION

It was moved by Councillor P Davies and seconded by Councillor B Kenny –

“(1) That this Committee agrees to refer minute 68 back to the Cabinet for further consideration on the grounds that the £3.9m of cuts proposed will directly impact on front line services and make it more difficult for this Council to achieve its Corporate Priorities.

(2) That the Committee asks that Cabinet registers its grave concern with the government about requiring this Council to make large-scale and damaging in-year cuts when the Council’s budget for 2010/2011 has already been democratically agreed.

(3) That given this Conservative-Liberal Democrat Administration’s publicly declared priority for public consultation around the future of Council services and spending priorities, this Committee asks Cabinet to include these proposed cuts as part of the upcoming consultation with residents and key stakeholders and that no final decision is taken until the results of this consultation are known.”

It was moved as an amendment by Councillor P Gilchrist and seconded by Councillor J Keeley –

“(1) That this Overview and Scrutiny Committee endorses the Cabinet decision having considered the process which was began on 24 June 2010 with minute 41, the detail contained in the report of 22 July 2010 which clearly set out the levels of uncommitted grant and commentaries on the use of the Fund.

(2) That the Committee recognises the difficulties that the Council faced in meeting a change in the level of Area Based Grant in mid year.

(3) That the Committee recognises advice of officers was taken on the level of vacancies and on difficulty in recruitment and understands that ABG has been used in the past as a grant to balance the budget.

(4) That the Committee appreciates that there are substantial funds remaining in the Working Neighbourhoods Fund that can still be utilised to achieve the Council’s key objectives.

(5) That the Committee notes that the full cut in ABG was not passed on to CYPD, taking £1.5m of uncommitted money rather than £2.6m.”

The amendment was put and carried (6:4)

Resolved (6:4) (Councillors P Davies, B Kenny, J Stapleton and C Meaden voting against) –

(1) That this Overview and Scrutiny Committee endorses the Cabinet decision having considered the process which was began on 24 June 2010 with minute 41, the detail contained in the report of 22 July 2010 which clearly set out the levels of uncommitted grant and commentaries on the use of the Fund.

- (2) That the Committee recognises the difficulties that the Council faced in meeting a change in the level of Area Based Grant in mid year.**
 - (3) That the Committee recognises advice of officers was taken on the level of vacancies and on difficulty in recruitment and understands that ABG has been used in the past as a grant to balance the budget.**
 - (4) That the Committee appreciates that there are substantial funds remaining in the Working Neighbourhoods Fund that can still be utilised to achieve the Council's key objectives.**
 - (5) That the Committee notes that the full cut in ABG was not passed on to CYPD, taking £1.5m of uncommitted money rather than £2.6m.**
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