

SCRUTINY REVIEW PANEL 3 – LOCAL EFFECTS OF NATIONAL ISSUES

Thursday, 18th July 2019, Committee Room 5, Perceval House

MINUTES

PRESENT: Councillors Driscoll (Chair), Busuttil (Vice-Chair), Costigan, Donnelly, Martin, Rice, Summers and Young.

Ealing Officers Present:

Harjeet Bains	Scrutiny Review Officer
Ross Brown	Chief Finance Officer
Mwim Chellah	Democratic Services Officer

External:

Paul Honeyben Strategic Lead – Finance and Improvement (London Councils)

1. Apologies for Absence
(Agenda Item 1)

Councillors Busuttil and Rice for lateness.

Substitutions: Councillor Costigan for Councillor Mohan; Councillor Donnelly for Councillor Dhami; and Councillor Rice for Councillor Chohan.

2. Declarations of Interest
(Agenda Item 2)

There were none.

3. Matters to be Considered in Private
(Agenda Item 3)

There were none.

4. Panel Operations 2019 – 2020
(Agenda Item 4)

Harjeet Bains, Scrutiny Review Officer, presented this item.

The Terms of Reference for Scrutiny Review Panel 3 – Local Effects of National Issues were submitted for consideration by the Panel.

It was agreed that the Panel invite appropriate groups/individuals to make presentations at relevant Panel meetings. Furthermore, statutory education co-optees would be invited to any meetings that considered an education matter.

Resolved: That

- (i) accept, with any amendments, its Terms of Reference (Appendix 1 of the Report);
- (ii) refer the agreed Terms of Reference to the Overview and Scrutiny Committee for approval;

- (iii) the Panel's work programme and scope be agreed (Appendix 3 of the Report);
- (iv) no co-opted members be added to the Panel Membership;
- (v) approve the agenda items and actions for the next meeting on 26th September 2019;
- (vi) an updated Work Programme for the Local Effects of National Issues Scrutiny Review Panel be presented at each meeting;
- (vii) the Work Programme be amended throughout the year, so items can be addressed as and when they arise or come to the attention of the Panel;
- (viii) to engage local people and relevant organisations (for example, residents associations; community groups, such as Advice Service; Department for Work and Pensions; foodbanks; homeless shelters; and charities, such as Zacchaeus 2000 Trust, and others) in the Panel's work over the year;
- (ix) the method of engaging and seeking views would depend on the topic involved and the nature of the stakeholder, including some of the following: open event (daytime); marketing/presentational day; survey (current provision); direct consultation; presentation (best practice sites/expert witnesses); site visit; and meeting at specific external locations (for example, schools, youth/community centres, and others).

The Chair advised that the work programme for the year ahead would be further considered after agenda Item 7 had concluded.

5. Financial Pressures Facing the Council (Agenda Item 5)

Ross Brown, Chief Finance Officer, in his role as Ealing Council's Section 151 Officer, was invited to give an introductory presentation on the financial pressures facing Ealing.

He provided the Panel with an overview of the key areas for consideration including:

- Financial context
- Savings and budget reductions
- Cost shunts/underfunded burdens on the Council
- Drivers of current and potential budget pressures
- Actions taken to alleviate pressures
- Contract savings
- Council tax increases
- Fees and charges
- Maximising external funding
- Communication with residents
- Brexit implications for the budget
- Budget for "No Deal Brexit"

The Panel was asked to consider an overview of the financial pressures facing the Council, their impact on the borough and confirm areas for further review accordingly.

Key figures highlighted to the Panel included:

- the Council's revenue budgets were separated into three main blocks: General Fund (GF); Schools budget funded through a Dedicated Schools Grant (DSG); and Housing Revenue Account (HRA);
- a large proportion of the Council's activities were funded from the General Fund which had a net budget of £247.708 million in 2019/2020. However, the Council's gross expenditure was more than £1 billion, including schools and the Housing Revenue Account;
- Ealing had experienced significant, long-term and sustained cuts in funding. The Revenue Support Grant (RSG) (latterly transferred into funding being provided through the retention of Business Rates), and other key funding streams, such as Dedicated Schools Grant (DSG), Public Health Grant and New Homes Bonus (NHB), received from central Government continued to reduce every year;
- Ealing faced with a budget challenge for 2020/2021, and future years covering 2021/2022 to 2022/2023 of over £41 million, needed to be found through savings or new income streams to allow for a balanced budget to be set;
- the reduction in funding was part of a multifaceted challenge faced by Ealing and most other Local Authorities. In addition to funding cuts, there was the imposition of numerous cost shunts/unfunded burdens as central Government had shifted responsibility for services without the necessary budgets to deliver services such as: Council Tax Support (CTS); public health; homelessness and temporary accommodation; local welfare provision funding transferred from DWP to councils in April 2013; costs of supporting unaccompanied asylum children; additional costs from the introduction of National Living Wage and National Insurance Contribution; costs arising from the Care Act 2014; and those previously funded by the Criminal Justice Board.
- a significant proportion of the Council's budget was spent in areas of social care across Adults and Children's Services. Demographic and demand-led pressures in Children and Adults were material challenges for Children's and Adults' budgets. Both experienced great pressure due to the demand-led nature of these services;
- the Council currently supported 350 children with disabilities at a cost of £5.5 million, with the top three, who life limiting conditions, costing £0.5 million each;
- pupils with Education and Health Care Plans (EHCP) had increased from 1,637 in 2015 to 2,276 in 2018. By 2020 the number was expected to be 2,795, and by 2022, 2,957. The projected overspend in the High Needs DSG would be borne by the General Fund. This was predicted to be up to £5 million in 2019/2020;
- Pension Fund – employer contributions into the pension fund could fluctuate depending on the net liability of the fund and an agreed deficit repayment plan;

- overall Business Rates income was falling. From the introduction of the 2017 list, £9.32 million was lost in rateable value (RV), partly due to appeals against RV by affected businesses. An amount of £3.51 million of RV had been removed since the commencement of the list;
- there were predominantly two approaches that could be taken to alleviate the financial pressures experienced: “funding-derived” (such as Council Tax increases, fees and charges, social care precept and maximising external funding); and “controlling rising demand” (such as early intervention models - Brighter Futures for Looked After Children, strength based programmes - Better Lives to stem the increase in care packages, and reduction in waiting list through fewer bed and breakfast costs by increasing appropriate housing supply);
- the proposals to deliver a balanced budget had been driven through the Council’s “Future Ealing” programme, developed in partnership with an external delivery partner. This was to identify options both to deliver priority outcomes in new ways and to identify savings options as part of the 2019/2020 budget process;
- between June and October 2018, the Council had run a series of public engagement activities around the “Transformation programme” that was badged as ‘Talk Future Ealing’. An online engagement forum was launched with information about the Council’s priorities, Future Ealing goals and financial challenges;
- whilst the financial effect of Brexit was not yet fully known, impacts driven through supply chain could affect Council finances, leading to cost/price increases. That would negatively impact operational delivery of capital schemes, as well as on providers delivering services on the Council’s behalf. On 29 January 2019, the Government announced that £56.5 million of funding would be provided to help councils carry out their preparations for exit from the EU and undertake appropriate contingency planning. Ealing’s share is £0.220 million (£220,000) over two years.

The Chief Finance Officer also briefed Members on the Budget Strategy that had been presented to Cabinet on Tuesday, 16th July 2019. Details had not been included in the Report presented to the Panel.

Members were updated on the current financial planning position, for which Cabinet endorsed the savings strategy for 2020/2021. This reflected the savings which would be required over the next three years of the Medium-Term Financial Strategy (MTFS), 2020/2021 to 2022/2023. That represented the first stage in the Council’s annual budget planning process for 2020/2021. This followed the agreement of the MTFS by Council in February 2019. That set out the forecast savings required to balance the budget over the medium term.

This was in the context of declining Government grant support and increased demand pressures, which set out the recommended budget and business planning framework for the period 2020/2021 to 2022/2023.

The Budget Strategy also outlined the Capital Programme 2020/2021 and for the Housing Revenue Account 2020/2021. Given the forecast budget gap of £41.257 million over the three-year MTFs period, there was a requirement to bring forward proposals to close the forecast gap from 2021/2022 onwards.

The Council had made significant investment in service areas as part of the 2019/2020 budget process but continued to face significant budget pressures in future years. These included the continuing prospect of reducing support from central Government over the medium term and an increased demand for services. The MTFs was recommended by Cabinet on 12 February 2019 and approved by Council on 26 February 2019.

The budget process was priority-led, aligning the allocation of resources with the priorities of the Administration. There were three key Administration priorities for Ealing covering the period 2018/2019 to 2021/2022. These were: good, genuinely affordable homes; opportunities and living incomes; and a healthy and great place to live in.

These were supported by nine priority areas which had been agreed with local partners in health, education, policing, employment, housing, local businesses and voluntary and community organisations via the Future Ealing programme. The nine ways to make the borough better were:

- 1) a growing economy creating jobs and opportunities for Ealing residents to reduce poverty and increase incomes;
- 2) children and young people fulfilling their potential;
- 3) children and young people growing up safe from harm;
- 4) residents being physically and mentally healthy, active and independent;
- 5) Ealing having an increasing supply of quality and affordable housing;
- 6) crime being reduced and residents feeling safe;
- 7) the borough having the smallest environmental footprint possible;
- 8) Ealing being a clean borough and a high-quality place where people wanted to live; and
- 9) Ealing being a strong community that promoted diversity, with inequality and discrimination reduced.

Members were invited to ask questions and make comments about the financial situation in the borough.

Questions and Comments

Councillor Donnelly noted two challenging angles to the Council's financial situation. One was the effect of cost-cutting measures that had been implemented, and the other was the uncertainty over the UK's imminent withdrawal from the European Union (Brexit). Therefore, it was difficult to project the financial strategy with certainty in the medium term, for instance how business rates would be impacted.

The Chief Finance Officer echoed the concerns over Brexit. However, it was envisaged that once that phase had passed, it would make planning easier. The Council had developed detailed models on various scenarios on demand pressures. It was prudent to take a medium-term approach until there was clarity over the macro-economic indicators in the country. That would also translate into how funding for local authorities was actualised from central Government.

Councillor Summers was concerned about “demand management”, particularly for children with special education needs (SEN). Citing a visit he had made to St Ann’s School two years ago, it was expected that more children with SEN would have to be budgeted for in future. What would happen if they reached adulthood? He also queried about Ealing’s obligations to the Lee Valley Regional Park Authority (LVRPA).

It was advised that the Council’s obligations to SEN children extended into adulthood and that funding shares would be between the local authority and central Government. Furthermore, the LVRPA was a statutory body and the park was established by an Act of Parliament. It was in part funded by a levy (not a precept) on Council tax bills in Essex, Greater London boroughs and Hertfordshire. However, it was expected that Ealing’s share of the funding to the park would decline over the years.

Councillor Costigan was equally concerned about Ealing’s financial commitment to Lee Valley Park, particularly when “only five people from the borough visited the park” in the previous year. Furthermore, had Ealing learned lessons from local authorities that had had financial difficulties, and how to avoid falling into a similar situation? There was need for central Government to provide more funding for certain activities. How did Ealing collaborate with other local authorities in London? She queried what the amount received from central Government for Brexit preparedness would be spent on. Ealing would receive £220,000 over two years. However, that seemed a “small amount” for such a significant national issue.

It was advised that Ealing had a multifaceted approach and reviewed the financial position regularly, at the Strategic Leadership Team (SLT) monthly meetings. The Council had also considered practices at local authorities that had had financial difficulties to prevent similar occurrences in Ealing. Furthermore, Ealing was a member of several local government lobbies, such as London Councils, Society of London Treasurers and Chief Executives’ Group, which advanced the position of local authorities.

Moreover, the grant from central Government on Brexit would be used on resilience to manage the different scenarios that may arise from Brexit. All councils had been allocated £220,000 over a two-year period to help with preparing for Brexit. Ealing Council had not yet committed resources, beyond a modest investment of under £1 000 in equipment, to provide the assisted digital service. However, the following framework and approach was proposed to ensure that the Council was able to maximise the use of this resource: tap into additional funds where available (for example, the Food Standards Agency); record activity to support one off/new burdens bids to Government; and prioritise the use of the £220,000 that had been allocated for activity, once channels had been exhausted.

A “No Deal Brexit” continued to pose significant risk to services at Ealing. In that regard, a Brexit specific risk register was being developed to mitigate risks.

Councillor Martin asked about the impact on Council Tax as a result of “large turn overs in accommodation”. The trend was that young residents who paid Council Tax were moving out to places where they could afford to rent or purchase their own property, leaving elderly residents who paid less in Council Tax. How did that affect Ealing’s revenue?

It was advised that the change in demographics had had an impact on the Council's finances, including Council Tax. Moreover, other areas were also affected, such as social and health care, if new residents required them.

Councillor Rice stated that residents often approached Councillors for assistance with issues concerning the Council. She had been in communication with some of her constituents, who had "significant apprehension and anxiety" around the affordability of suitable accommodation, including the associated costs with right to buy schemes.

The Chair thanked the Chief Finance Officer for the detailed presentation.

Resolved: That

- (i) the report giving an overview of Financial pressures facing the Council be received by the Panel.

6. Presentation from London Councils

(Agenda Item 6)

The Chair invited Paul Honeyben, Strategic Lead-Finance and Improvement (London Councils), to address the Panel. A PowerPoint presentation was made, and slides were distributed prior to the meeting. The following points were highlighted:

- the decade of austerity (2010–2020) had resulted in real change in local government funding against public spending. Overall, resources had declined by about 30% while total spending had increased. Ealing's forecast budget gap was £41 million by 2022/2023;
- disproportionate population growth had driven increases in demand across London, however, that was less so in Ealing;
- demographic changes, specifically an aging population, had put pressures on Adult Social Care, with the £400 million in grants from central Government remaining unconfirmed. Ealing's share was £15 million;
- other central Government cost shunts and unfunded/underfunded burdens had added around £1 billion of financial pressure across London boroughs; and
- in the long term, an aging population would be one of Ealing's biggest challenges. A long-term sustainable funding solution for adult social care was required.

The Chair thanked Mr Honeyben for his attendance and informative presentation.

Members were invited ask questions and make comments on the presentation.

Questions and Comments

Councillor Summers queried whether Conservative- and Liberal Democrat-run Councils were also part of the London Councils' group. Moreover, would economies of scale be attained if libraries in neighbouring boroughs were merged? Furthermore, when was the Fair Funding Review going to be implemented? In view of a possible

general election in future, particularly if uncertainties over Brexit persisted, would that delay the implementation of the Fair Funding Review?

Councillor Martin was equally concerned about delays in updating the Fair Funding Review.

The Chair queried whether there was consensus between County Councils and Borough Councils on funding for various sectors. Did they “speak with one voice”?

It was advised that Conservative and Liberal Democrat-run Councils were also members of London Councils. Furthermore, shared services were still being experimented to determine if economies of scale could be achieved using that model.

Moreover, the Fair Funding Review was the central Government funding model for local authorities based on an assessment of its relative needs and resources. It was the overarching methodology that determined how much funding every authority would receive each year. It was introduced over ten years ago. However, it had not been updated since funding baselines were set at the start of the 50 per cent business rates retention scheme in 2013/2014.

The methodology was very complex. It involved 15 relative need formulas and several tailored distributions for services previously supported by specific grants. These formulas involved over 120 indicators of “need”, reflecting factors previously identified as driving the costs of service delivery. It was widely agreed across the sector that the formulae were overly complex, lacked transparency and were now out of date (they had not been updated for a long time).

Nonetheless, it was anticipated that the Fair Funding Review would soon be updated. The new needs formulae and funding baselines could be in place by the start of the new 75% business rates retention scheme, from April 2020. On the other hand, it was challenging to achieve consensus between County Councils and Borough Councils. The former were homogeneous, so they tended to be more united than the latter.

Councillor Rice was concerned that working-age people were moving out of the borough, due to the high cost of living and accommodation, leaving older residents.

It was advised that two key factors that attracted younger residents to an area were jobs and houses. With improvement transport links to the capital, people could opt to leave London boroughs and commute to work.

Councillor Costigan hypothesised a fiscal model as a “new vision for local government funding in the UK”. This propounded the devolution of taxes where a portion of Sales Tax/VAT generated in a borough would be retained by the local authority. This would augment Council Tax. It was imperative that local authorities worked with the Mayor of London on that.

It was advised that the London Finance Commission 2017 showed that London was heavily reliant on financial transfers from central Government when compared with other international comparator cities. Therefore, it was recommended that London local authorities should have access to a greater range of taxes. That would include control over the full suite of property taxes as well as Business Rates, Council Tax and Stamp Duty. In addition, a proportion of national taxes, such as income tax and VAT, would be retained locally. However, control over tax rates, allowances and thresholds

would remain with the Treasury. A share of the yield would support devolved service responsibilities and infrastructure investment. That would entail granting permissive powers to raise alternative taxes and levies such as Apprenticeship Levy; Air Passenger Duty; and explore a tourism levy, health-related levies and a community levy. In that way local authorities in London would raise and spend taxes and be accountable for the decisions they made. Thus, they would design better taxes and provide better services.

Councillor Donnelly cautioned about a “demographic time-bomb” arising from Brexit. The departure of EU nationals would reduce the workforce in certain key sectors.

It was advised that forecasts by various independent professional organisations showed that the impact of Brexit on various sectors would probably be known a couple of years after the UK exited the bloc.

Resolved: That

- (i) the presentation from London Councils on an overview of Financial pressures facing the Council be received by the Panel; and
- (ii) the Panel invite London Councils to future meetings if required.

7. Demonstration: Simulator in the Digital Marketplace (Agenda Item 7)

The Chair proposed the Simulator (an online tool) to engage people in complex decisions, particularly making difficult trade-offs. It had been used by Liverpool City Council to provide residents with an opportunity to comment on the budget, for deliberative prioritisation. That was in view of the central Government only allowing councils to increase council tax above a certain threshold, unless a majority of residents voted for a higher amount in a referendum.

In Liverpool, residents were asked to state if they would be in favour of an additional council tax rise of 6% (totalling 10% overall) if it were ringfenced for adults and children’s services.

The Chair hypothesised various financial models for Ealing using the Simulator.

The perceived benefits of using the Simulator were to:

- 1) have constructive conversations with citizens – Ealing Council needed to talk with citizens about policy challenges, and the tool would make that easier;
- 2) generates ideas which are valuable and actionable – residents could suggest ideas and comments, leading to discussions that refined and rated ideas, with the most popular prioritised;
- 3) be an easy and rewarding experience for residents to use, as well as provide an intuitive and engaging process to contribute insightful ideas for the borough; and
- 4) be a simple-to-administer administrative dashboard, considering participant management and moderation, as well as customisable demographics.

The Chair acknowledged that there were other engagement tools available on the market.

Members were invited to ask questions and make comments on the presentation.

Questions and Comments

Councillor Costigan was concerned that the Simulator would be perceived by residents as having “a vote” on the budget. However, if their sentiments were not adopted, residents would consider it a “public relations stunt”. If the purpose of the Simulator was to communicate the complexities of making budgetary decisions, and not changing the budget, it was imperative to make that clear. Whilst it was a good idea, it could lead to false expectations among respondents.

Councillor Donnelly shared Councillor Costigan’s concerns. Whilst it was “legitimate to engage with residents, it would be unhelpful if it ended up a mere computer game.”

Councillor Martin asked what the feedback was from Liverpool City Council where the Simulator had been experimented. It could work better if it was a choice between various items. However, when other sectors, such as children and adult social care were “ring-fenced”, it could prove difficult to vary the budget.

Councillor Rice surmised that the Simulator would get residents to appreciate the significance of financial statistics and figures involved in running the Council.

The Chair envisaged that the Simulator would enable better communication between the local authority and residents. However, other methods would also be proposed.

Resolved: That

- (i) the presentation on the Simulator be received by the Panel; and
- (ii) the Panel propose other methods that could improve communication between the Council and residents.

8. Panel Operations 2019 – 2020

(Agenda Item 4 continued.)

The Chair returned to Item 4 of the agenda, and asked that Members consider the Panel’s Work Programme and Scope for the year.

The Panel agreed that the co-option of any external members would not be beneficial to the Panel and that each meeting would individually see relevant speakers and experts invited where required.

Councillor Martin referred to the consideration visit to a foodbank in Hanwell, as well as a Job Centre “in situ”. It would be useful for DWP experts to explain changes in benefits. The Panel would also benefit from soliciting the views of people who were on Universal Credit and how that compared with the previous system.

Councillor Costigan echoed Councillor Martin’s comments and considered having a case study approach between Universal Credit and the previous scheme. Residents from areas where Universal Credit was fully rolled out could be invited to share experiences. Had it led to an increase in accessing foodbanks and/or homelessness?

Councillor Summers was minded to explore the impact of Universal Credit on children. It would be desirable to invite organisations that dealt with those issues.

It was advised that Ealing Advice Services, and other action groups, could be invited to provide input on the effect of Universal Credit on children/families.

Councillor Rice suggested that Panel members could also benefit from inviting Adult Services to future meetings to advise on issues contained in the Panel's programme.

The Chair advised that the proposed site visits to a foodbank and DWP be undertaken before the next Panel meeting, if possible. Dates would be circulated in due course.

Resolved: That

- (i) the Panel's work programme and scope be agreed;
- (ii) no co-opted members be added to the Panel Membership;
- (iii) outreach visits to a foodbank and DWP be arranged for Panel Members;
and
- (iv) relevant organisations and residents to be identified and invited to future meetings when required.

The Chair then drew the meeting to a close, thanking all in attendance for their participation.

9. Date of Next Meeting

(Agenda Item 8)

The next meeting of the Panel was scheduled for Thursday, 26th September 2019.

The meeting ended at 9:20 pm.

COUNCILLOR PAUL DRISCOLL (CHAIR)