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CORPORATE RESOURCES & IMPROVEMENT OVERVIEW & SCRUTINY COMMITTEE - TUESDAY, 19 JANUARY 2016

MINUTES OF A MEETING OF THE CORPORATE RESOURCES & IMPROVEMENT OVERVIEW & SCRUTINY COMMITTEE HELD IN COMMITTEE ROOMS 2/3, CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON TUESDAY, 19 JANUARY 2016 AT 2.00 PM

Present

Councillor M Reeves – Chairperson

G Davies	GW Davies MBE	E Dodd	CA Green
EM Hughes	RC Jones	DRW Lewis	JR McCarthy
CL Reeves	JC Spanswick		

Officers:

Kym Barker	Scrutiny Officer
Andrew Rees	Senior Democratic Services Officer - Committees
Ness Young	Corporate Director - Resources & Section 151 Officer

181. APOLOGIES FOR ABSENCE

None.

182. DECLARATIONS OF INTEREST

None.

183. APPROVAL OF MINUTES

RESOLVED: That the minutes of the Corporate Resources & Improvement Overview and Scrutiny Committee of 10 December 2015 be approved as a true and accurate record subject to Councillor E Dodd's apologies being recorded in Minute No. 174.

184. FORWARD WORK PROGRAMME UPDATE

The Scrutiny Officer presented a report which detailed the items to be considered at the next meeting of the Committee to be held on 5 February 2016 and sought confirmation of the information and invitees required for the subsequent meeting to be held on 22 March 2016.

Conclusions:

- (1) Noted the topics to be considered at its meeting on 5 February 2016 and the invitees to attend to attend the meeting;
- (2) Determined the invitees to be invited to attend the meeting on 22 March 2016;
- (3) That the Chairperson of the Audit Committee be invited to attend future meetings of the Committee.

185. MEDIUM TERM FINANCIAL STRATEGY 2016-17 TO 2019-20

The Scrutiny Officer introduced a report, the purpose of which was to present the draft Medium Term Financial Strategy (MTFS) 2016-17 to 2019-20, which includes a financial forecast for 2016-20 and a detailed draft revenue budget for 2016-17.

The Corporate Director Resources informed the Committee that the draft MTFS had been considered by Cabinet on 12 January 2016 and had agreed that it be submitted for consultation. The draft MTFS reflected the UK Government, Welsh Government and local government settlements based on the Council's settlement being -2.5% which compared favourably to the provisional settlement of -4.5%. The budget reduction requirement was now £36.9m over the life of the MTFS, compared to £49m previously forecast. The Corporate Director Resources highlighted the position on grant transfers into the revenue settlement for 2016-17, however the full picture on specific grants was not yet clear, but the draft settlement did include information on a number of changes to the level of grants at an all Wales level which impact on the Council's resources. The Corporate Director Resources informed the Committee that the draft 2016-17 draft budget assumed a Council Tax increase of 3.9% based on an appropriate balance between the needs of the Council and its citizens. The draft local government capital settlement for 2016-17 provided the Council with £6.293m capital funding for 2016-17, which is £5k more than 2015-16. The Corporate Director Resources informed the Committee of the comparison of budget against projected outturn at 30 September 2015, which at the half year stage showed an overall under spend of £1.3m.

The Corporate Director Resources highlighted the MTFS principles which would drive the budget and spending decisions over the four year period. Principle 12 has been expanded to include provision for a MTFS Budget Reduction Contingency Reserve to enable the Council to manage delays or unforeseen obstacles to the delivery of significant MTFS budget reduction proposals. She stated that it was prudent to set aside a specific reserve to provide a buffer or a safeguard against budget reductions with a Red risk status not being delivered to plan. An earmarked reserve will be established at year end from any corporate under spends at a level to be determined annually. This will provide additional capacity for discretionary use by the Chief Financial Officer, in consultation with CMB and Cabinet to manage inescapable problems.

The Corporate Director Resources reported that the MTFS planning assumptions for 2017-20 are based on an annual reduction in Aggregate External Finance (AEF) of -3.2% and an assumed increase in council tax of 3.9% for 2017-18, 4.2% for 2018-19 and 4.5% for 2019-20 and the AEF figure of -1.2% based on the published Provisional Settlement. The Corporate Director Resources highlighted the potential net budget reductions requirement based on the best scenario, most likely scenario and worst scenario for 2016-17, 2017-18, 2018-19 and 2019-20. She stated that the draft settlement was better than forecast but there continued to be uncertainty around the economy and the prospect of interest rate increases. The Corporate Director Resources informed the Committee that the financial forecast was predicated on £36.549m savings being met from Directorate and Corporate budgets over the period 2016-17, 2017-18, 2018-19 and 2019-20. Budget reduction proposals of £17.4m had already been identified over the period of the MTFS, including the full £7.495m required for 2016-17.

The Corporate Director Resources informed the Committee of the impact of pay, prices and demographics and unavoidable pressures on the revenue budget. Budget reduction proposals of £7.495m had been identified from service and corporate budgets to achieve a balanced budget. Corporate budgets include funding for the council tax reduction scheme, the costs of financing capital expenditure, precepts and levies, centrally held pay and prices provisions, insurance budgets, discretionary rate relief, provision for redundancy related costs and the carbon reduction commitment. Generally income from fees and charges would be increased by CPI of +0.1% plus 1% subject to rounding, or in line with statutory or service requirements. It was proposed that the general fund be maintained at no less than £7m on 2016-17 with the Council's earmarked reserves being

kept under review and the forecast may change in the final MTFs report to Council in March 2016.

The Corporate Director Resources informed the Committee that the development of the proposed capital programme had involved a review of the Council's capital investment requirements for 2016-2025 compared to available capital receipts. The Capital Financing Strategy is underpinned by the Council's Treasury Management Strategy.

The Committee referred to the settlement being better than anticipated and questioned whether some of the budget reductions proposals which would have been made in 2016-17 would be pursued in 2017-18. The Corporate Director Resources confirmed that the settlement announced by the Chancellor which led to a better settlement for local government was better than anticipated. She stated that officers had reviewed the deliverability of the budget and considered effects of the proposed council tax increase. Budget reductions of £7m had been identified and proposals were still under consideration and the improved settlement would allow reductions to be better paced. She also stated that a list of budget pressures had been identified but these were subject to change in the Final Budget, For example, the provision of a secure service to the inmates of Parc Prison located in the County Borough had been taken out as this would be funded by the Welsh Government. The Fire Authority's precept had now been received which would affect the budget.

The Committee questioned the reason for including provision for a Budget Reduction Contingency Reserve in Principle 12 of the MTFs. The Corporate Director Resources informed the Committee that provision had been made to reflect the fact that the delivery of some budget reduction proposals would be dependent on factors outside the Council's control, such as the MREC procurement which creates a risk to the Council.

The Committee requested clarification of the terminology used to describe the living wage. The Corporate Director Resources informed the Committee that the term living wage had been introduced by the UK Government and it could impact on contracts with third parties. She stated that she would clarify the difference between the terms living wage and minimum wage, however employers would be required to pay employees a minimum of £9.00 per hour from 2020.

The Committee requested clarification of the income generation opportunities under consideration. The Corporate Director Resources informed the Committee that one of the income generation opportunities under consideration was for the Built Environment Team to be able undertake work for other public bodies. A commercialisation programme would be commenced on charging and creating opportunities by doing more commercial activities.

The Committee referred to the budget consultation process undertaken and questioned whether officers had taken notice of the suggestions made by participants in developing the budget reduction proposals of £7.5 m. The Corporate Director Resources informed the Committee that the budget consultation responses had been broadly supportive of the budget reduction proposals consulted on and that the Draft Budget reflected the responses received.

The Committee questioned the reasons for the low sum of money identified for Collaboration and Service Transformation and whether collaboration is working as it should be. The Corporate Director Resources informed the Committee that new collaboration opportunities were being considered in light of proposals for local government mergers and added that collaboration arrangements take time to establish. As such they would only ever be part of the solution to austerity. She stated that the

highest budget reduction proposals related to Making Best Use of Resources as pay costs accounted for approximately 70% of the Council's expenditure. The Cabinet Member Resources informed the Committee that for collaboration to take place it required willing partners. The Committee considered that procurement activity should take place on an all Wales basis and that the Welsh Government should compel local authorities to buy in procurement on a national basis. The Corporate Director Resources informed the Committee that collaboration was taking place in procurement with the establishment of the National Procurement Service and the implementation of the Welsh Community Care Information System was another example of national procurement. More use of national framework contracts is being made and that this Council is making the most of opportunities of procurement services. The Cabinet Member Resources informed the Committee that the Council had a commitment to procure locally where possible to support the local economy.

The Committee requested examples of income generation from other public sector bodies. The Corporate Director Resources informed the Committee that the Council was looking at providing computer audit services to other public sector bodies. She stated that opportunities were also being sought for corporate services such as property and built environment to provide services to other public bodies. She also stated that steps were being taken to make more services available online. She also informed the Committee that the re-structuring of Directorates would continue and was fundamental to how the Council will manage as a smaller organisation.

On earmarked reserves, the Committee requested clarification of the term Directorate Issues. The Corporate Director Resources informed the Committee that these were reserves that were created at year end in response to requests from to meet foreseen budget pressures the following year.

The Committee requested clarification of how the Major Claims Reserve of approximately £10m, Service Reconfiguration of approximately £6m and Change Management of approximately £2m had been calculated. The Corporate Director Resources informed the Committee that the Major Claims Reserve covered the risk of a number of potential claims against the Council, including the provision towards the Council's pension deficit. She stated that the funding for Service Reconfiguration reserve provided funds to meet the costs associated with developing new service models and the Council's redundancy and early retirement costs. The Change Fund reserve provided funds to support the delivery of budget reduction proposals in the MTFS. She informed the Committee that earmarked reserves were reviewed periodically during the financial year. At the same time new risks and pressures were identified and if necessary money set aside to manage these, for example a need to make an investment in order to fund the digital transformation programme had been identified for which a business case was being developed.

The Committee questioned the provision made in the general fund and Usable Earmarked Reserves for a Car Parking Strategy. The Corporate Director Resources clarified that this related to provide for the loss of car parking income during the re-development of the Rhiw and for changes to be made at Porthcawl.

The Committee questioned the risk of reducing the number of Internal Audit hours commissioned from the joint service. The Corporate Director Resources clarified that the Internal Audit Service had been able to reduce the number of internal audit and had also made an under spend. The Internal Audit Service is also looking at selling its computer audit services to other local authorities. She informed the Committee that the Internal Audit programme is focused on what it needed to do. The Committee referred to the concerns identified by the Audit Committee of difficulties experienced in recruiting auditors which could affect the deliverability of the audit programme. The Corporate

Director Resources informed the Committee that she regularly met the Head of Internal Auditor to discuss the deliverability of the audit programme where there was an opportunity to those concerns.

The Committee expressed concerns at the proposal to reduce the number of ICT staff. The Corporate Director Resources informed the Committee of the need for investment to be made in the ICT service to support the digital transformation programme. She stated that there is a need to review the operation of the Helpdesk to reduce the demand on its services. In response to a question from the Committee on the amount of savings that would be derived from bringing the finance system back in-house; the Corporate Director Resources stated that it was estimated at £250k.

The Committee requested an update on leasing Raven's Court. The Corporate Director Resources informed the Committee that negotiations are continuing to lease Raven's Court to a third party. The business case was predicated on staff vacating Raven's Court to be re-located to the Civic Offices, where staff would work in agile manner to a desk ratio of 3:2. Around 200-300 staff remained in Raven's Court. It was planned to commence work to the roof of the Civic Offices in May 2016.

The Committee requested an update on the budget reduction proposal to put Council Tax and aspects of benefits online. The Corporate Director Resources informed the Committee that 2 options were being considered both of which involved engaging an external partner and a report would be brought to a future meeting of Cabinet. The programme was about changing the operating model of the Council using digital technology to facilitate this. It would enable the Council to reduce in size while allowing for service improvement. Digital opportunities were being looked at throughout each Directorate.

The Committee referred to the budget reduction proposal which related to the reduction of CCTV services operations and questioned whether steps were being taken to recover the costs of the operation. The Corporate Director Resources explained that the CCTV service is a collaboration with the Vale of Glamorgan Council and that the Police and Crime Commissioner is looking at CCTV provision across South Wales. She stated that the CCTV service is staff intensive and ways are being looked at to work with the police at making best use of the service. Opportunities were also being taken to allow out of hours calls to be dealt with by the CCTV service.

The Committee questioned the reason for the costs of the Resources Directorate Service Level Agreement with schools not being recovered. The Corporate Director Resources explained that an imbalance in recovery had been identified with Service Level Agreements and a project was therefore identifying ways to address this including consideration of an indexation method in the recovery of costs. She stated that the Built Environment Team provided health and safety services to schools.

The Committee requested that proposal CS1 relating to voluntary sector funding should not be included in the list of budget reduction proposals. The Corporate Director Resources informed the Committee that the funding of the CAB and BAVO was in its final year and there was a need for the voluntary sector to be self-reliant and to not receive core funding from the Council. In the future the aim was to increase the arrangements between the Council and the voluntary sector for the provision of specific services.

The Committee questioned the impact of reducing insurance premiums. The Corporate Director Resources informed the Committee that as a consequence of the Council having reduced its estate and having less buildings and the transfer of buildings to the

Awen Cultural Trust there had been a reduction in insurance premiums. The reduction in insurance premiums would not have an effect on employees and the public.

Conclusions

The Committee noted the report, which provided Members with the draft Medium Term Financial Strategy 2016-17, including a financial forecast for 2016-20 and a detailed draft revenue budget for 2016-17.

- Members noted recent changes to the requirement for savings and asked for clarification regarding any changes or omissions to proposals as a result of this. The Officer responded that the situation is still difficult but that changes to the savings requirement had provided a breathing space and the opportunity for a more considered and more sustainable approach.
- Members noted the response to the budget consultation and asked whether some smaller budget items which impact on the public may be looked at again in the light of the changes to savings requirements. The Officer responded that there had been some adjustment for some services as a result of feedback from the consultation and that there were still a few things to be decided between the draft and final budget and time to reflect on the consultation responses.
- Members asked for clarification on the changes to Principle 12 and the reference to the Budget Reduction Contingency Reserve. The Officer responded that this reserve was in place to bridge the gap where some projects under the remit of individual directorates may provide a risk, for example, if they take longer than expected.
- Members asked for examples of income generation opportunities. The Officer gave some examples, such as Built Environment bidding for contracts and providing advice on estates management and the Authority pursuing attainment of the General Power of Competence.
- Members asked for examples of what is covered by the Usable Earmarked Reserves listed in the report. The Officer responded that these reserves covered, for example, Major Claims Reserve – equalities and old claims against the Authority, Change Management - digital transformation and Car Parking Strategy - lost income while the Rhiw work is taking place.
- Members raised concerns regarding the potential risk in reducing the number of audit hours. The Officer responded that the service had delivered the necessary hours and come in underspent and that Chief Internal Auditor and the Corporate Director – Resources meet regularly to monitor the situation and ensure that the work programme is delivered.
- Members expressed concern that the reduction of ICT service staff would impact on the ability to achieve other proposals, for example bringing ICT systems back in-house. The Officer confirmed that in-house systems can be managed by existing staff and that digital transformation would enable ICT provision to be reviewed to identify where demand could be reduced, for example where the ICT helpdesk staff are currently required to deal with issues which could be dealt with easily without their input, such as password resetting.
- Members raised concerns regarding the comparatively small amount of savings to be gained from the proposal to reduce CCTV services operations compared to the high risk and queried whether costs could be reduced by seeking opportunities to work collaboratively with other interested parties. The Officer responded that options for collaborative working and funding are currently being explored.
- Members raised concerns regarding the Corporate/Council Wide proposal to rationalise and reduce voluntary sector funding.

- Member raised concerns regarding the Corporate/Council Wide proposal to reduce insurance premiums. The Officer responded this was possible as the Authority had transferred some services to Trusts and confirmed that employees and the public were not at risk.

Further Information requested

- The Committee requested further information to clarify the situation regarding the implementation of the living wage in April 2016, to include information on the distinction between living and minimum wage, the staff that this applies to, whether the amount paid is dependent on age, the costs to the council and whether this cost is likely to become a pressure.
- The Committee requested further information on CCTV services operations, to include information on who is using it, who can access it, what is being identified using CCTV and the potential for working collaboratively with other interested agencies as an opportunity for income generation.

186. **URGENT ITEMS**

There were no urgent items.

The meeting closed at 4.21 pm

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