



MEETING OF THE RESOURCES DEVELOPMENT AND SCRUTINY PANEL

THURSDAY, 13 JULY 2006 9.30 AM

PANEL MEMBERS PRESENT

Councillor Brailsford
Councillor Conboy
Councillor Mrs Dexter
Councillor Exton
Councillor Joynson

Councillor Kerr
Councillor Kirkman (Chairman)
Councillor Lovelock M.B.E. (Vice-Chairman)
Councillor Moore

OFFICERS

Scrutiny Officer
Chief Executive - note 30 only
Corporate Head of Finance & Resources
Corporate Head of Corporate and Customer
Services - notes 30 & 31 only
Assets and Facilities Manager - note 40 only
Financial Services Manager
Strategic Director – note 41 only
Scrutiny Support Officer

OTHER MEMBERS PRESENT

Councillor Terl Bryant – Resources & Assets
Portfolio Holder

25. MEMBERSHIP

The panel was informed that Councillor G. Taylor was being replaced by Councillor Exton for this meeting only.

26. DECLARATIONS OF INTEREST

The Chairman declared a personal and prejudicial interest in agenda item 15 on the financial aspects of Large Scale Voluntary Transfer by virtue of his membership on the Shadow Housing Board.

Councillor Moore declared a personal interest in agenda item 14 on the Capital Strategy by virtue of his involvement in the Welland Partnership and being a director of Stamford Vision. This interest was not considered prejudicial.

27. ACTION NOTES

Noted.

28. UPDATES FROM LAST MEETING

As all relevant issues were included in the agenda, updates were made throughout the meeting.

29. REPORTS FROM WORKING GROUPS

The Chairman introduced this item by praising the working group's report. It used clear English, was well presented and was exactly what the panel had required. He expressed his thanks to the group and the Scrutiny Support Officer for the report.

Councillor Moore, as lead member of the group, presented the report and explained that the style had intended to reflect one of the key aims of the group – to make council finance understandable. He thanked his colleagues and those officers who had contributed. The group had scrutinised the budget setting process for the 2006/07 budget, interviewed staff, conducted a member survey and obtained desktop research.

The panel discussed each recommendation in turn:

- Recommendation (1): the main issue for members had been time. This recommendation sought to tackle this. The new corporate plan would be appropriate here. The Corporate Head commented that this proposal could result in a five week sterile period. The recommendation was therefore altered. The issue of the Medium Term Financial Strategy (MTFS) also arose: this doesn't get approved until September; if this were earlier it would provide better planning for the budget. Three year budgeting would also help members in planning their involvement in the budget process. Member access to service plans or an outline would provide a background. Each DSP, or individual members, could scrutinise relevant plans with the Resources DSP receiving an overall picture.
- Recommendation (2): this recommendation recognised the fact that service plans should focus on the council's priorities. Members' roles should be to direct this with the understanding that the council cannot do everything it wants to do. The MTFS will help set out the relevant constraints.
- Recommendation (3): members wouldn't be getting involved in service plan gateway reviews all the time. Three stages is the maximum we could expect members to get involved. Members had previously been deterred by the ad hoc arrangement. It was noted that this stage that the recommendations presented a vision, rather than things that could be implemented straight away.
- Recommendation (4): This issue came out as a key defect last time. The Corporate Head commented on how this proposal would fit with the overall consultation timetable, meeting timetables, budget milestones etc. Realistically, all feedback needed to be received by the end of January. This related back to the previous comment that the adoption of the MTFS earlier than September would provide greater flexibility.
- Recommendation (5): information is key. The easier all reports are to understand, the better. Budget book is the key fundamental document and

this should set the tone. This needs to be readable, especially for those members with limited understanding of council finance but provide the detail for those members who require it. Most members are more interested in the activity, rather than the cost and it is difficult to relate the two. Highly important that this relationship is made explicit. This recommendation is paramount to equal opportunities etc. We do not expect members to be experts but they should have facilities for them to get the information they need. The Corporate Head commented that this would take time to get right and she urged members to feed back on areas in reports that they did not like.

- Recommendation (6): the budget monitoring reports item later in the agenda would provide for greater discussion on this.
- Recommendation (7): Jargon was a real issue and some members were afraid to question meaning. A good exercise would be to give a report to members and ask them to highlight jargon areas. It was noted that the council had improved significantly with its information and with more resources for the financial section, greater strides could be made.
- Recommendation (8): There was a general commonality in training being offered in Grantham but different members did have different training requirements so it was important to address this.

Conclusions:

That the report and recommendations of the Finance Scrutiny Working Group be approved, subject to an amendment to recommendation (1) included below, and that the report be forwarded to the Portfolio Holder for Resources & Assets, with the following recommendations. [Recommendation (5) is accepted by the DSP and forwarded to the portfolio holder for noting.]

- (1) A proposed timetable for the development and publication of draft service plans and desired member involvement in those plans should be put forward to all members with the aim of two to four weeks before the start of the process.***
- (2) That the role of members in attending service plan gateway reviews is to make recommendations on the future of that service with a focus on the council's priorities. It is the officer's role to estimate the financial implications of those recommendations. Members should then consider these financial implications and in light of them, influence the future choices for that service.***
- (3) To structure the process better for members, and to provide efficient use of their time, members should be involved at three distinct stages in the service planning process: at the start of the preparation of service plans, at a mid-point during development of the service plan and towards finalisation of the plans.***

- (4) *There should be at least ten calendar days between members receiving reports and holding a service plan gateway meeting.***
- (5) *The Resources DSP is recommended that when scrutinising the council's budget book and other key documents, it challenges these in terms of its presentation and the ease of which it can be understood by members with little financial knowledge. There should also be an improved level of explanation in the notes to accounts.***
- (6) *From the evidence gathered, the working group identified a clear need for financial information reports to be presented in various informative and alternative formats that can be easily be understood by anyone with little financial awareness.***
- (7) *Reports and presentations produced by officers and members should as far as possible avoid the use of financial technical terms and jargon. When this is unavoidable then any such terms should be clearly defined in non-technical and plain English, either in the main body of the report, or in a separate glossary.***
- (8) *That the Constitution and Accounts committee be recommended that basic understanding of council finance matters be included as an essential training module for all members from May 2007. Optional modules can be provided for higher levels of competency if there is such a demand. Further training in the council's financial affairs should be made available on a regular basis to all members and at variable times, durations and locations.***

The Corporate Head of Finance and Resources be asked to present a report at the meeting of the DSP on 28th September 2006 in response to these recommendations and a potential timetable for the 2008/09 budget planning process based on a council meeting being held in July or August 2007.

30. CURRENT SITUATION OF EMPLOYMENT SPEND

The Chairman explained that this item had been identified under the work programme and so report HR&OD 85 had been circulated in advance of the meeting. This was presented by the Corporate Head of Corporate and Customer Services. He explained the history of how the council had managed its staff budget:

- It had been the practice of the authority to manage staff budgets corporately. This is quite unusual and had advantages and disadvantages.
- Advantages: the council has greater control over its major area of expenditure. There was also comfort in that one person was responsible for managing it. It gives a solid backbone against which to prepare a budget.

- Disadvantages: it took away from individual managers their right to manage their area of work. All management aspects are currently channelled through the Corporate Head. This is very global management and can therefore be very difficult to be involved at a detailed level and therefore to plan ahead effectively. Council is therefore not getting the most benefit from the managers.
- The idea was formed a few years ago to disaggregate staff budgets to managers. There was some initial reluctance because it would give up control and the advantages outlined above. However, it would create a more robust process by developing service plans supported by new accounting software.
- The decision had then been taken that because of certain risks identified in this approach, the management of the staff budget would remain corporate for 2006/07. Now looking to see budget disaggregated to managers for next financial year. This would be a logical time because it will be during the preparation for the next budget.

Some members of the panel were very concerned because, as they recalled, council had taken the decision that for the 2006/07 financial year staff budgets were to be disaggregated to managers. Upon checking the minutes of the relevant council and cabinet meetings no formal decision was found, although it was noted that this decision had been widely understood by members. Members were concerned that this decision had been reversed without consultation or informing them. The Corporate Head was scrutinised on this, and asked why the risks had not been identified at the time the original decision to disaggregate was taken. The Chairman was particularly concerned that he had not been notified until very recently when the reversal of the decision had been taken several months ago. *[In order to clarify the matter, the Chief Executive was asked to attend the meeting]*. The Corporate Head was then asked about his involvement in the service plan preparation. He explained that he had provided detailed guidance for managers in budgeting for human resources.

The panel expressed its concerns to both Corporate Heads present that there was not sufficient funding for the finance section and that this should have been address some time ago.

The Chief Executive was then asked to clarify the points raised earlier in the meeting. He explained that the risks of disaggregating staff budgets had been identified during the management restructure and following the appointment of the Corporate Head of Finance and Resources. Disaggregation was a process and would be delivered according to management capacity. He added that the previous section 151 officer had not thought it necessary to recruit additional staff. The Use of Resources assessment results had been published after the appointment of the Corporate Head, who was now in a better position to assess the level of service provision required in the finance section. He was satisfied that a robust plan, with provision for contingencies, was in place.

The portfolio holder added that with hindsight, there had been insufficient management capacity to disaggregate staff budgets for 2006/07. However, he

was satisfied that the current section 151 officer was keeping him informed at every stage and that if mistakes had been made in the past, the council should look forward to improvement. He added that any move to disaggregate staff budgets should be done so when appropriate skills were in place.

Members discussed the advantages and disadvantages of disaggregated staff budgets. It was fundamental to a zero-based budgeting approach that service managers, who knew their service best, budgeted for staff. However, the overarching strategic management of an overall management was important.

Conclusion:

To recommend to the Resources & Assets Portfolio Holder that the salaries budget continues to be disaggregated to establish individual service plans, with an overview of aggregated budgets to enable corporate budgeting, subject to suitable controls and training.

To request that any strategic decisions taken by the Strategic Management Team or the Operational Management Team on financial matters be reported to the Chairman of the Resources DSP for dissemination to the panel.

To include on the panel's work programme for the meeting on 28th September 2006: scrutiny of disaggregation of salaries budget.

31. BEST VALUE PERFORMANCE INDICATORS

Amended Best Value Performance Indicators were circulated at the meeting. It was understood that some of the figures circulated with the agenda had been incorrect because of a technical error.

The Corporate Head of Corporate and Customer Services was asked to speak to the panel on the performance indicators for which he was responsible.

- Staff sickness levels were better than target.
- % turnover of leavers was currently of some concern and needed monitoring.
- The low % members attending training was noted.
- % staff performance & development reviews was also low and the panel resolved to support the officer in ensuring these were completed.

He was asked what the turnover figure was without including the housing function. The Corporate Head said he would make this available at a future meeting. The portfolio holder added that he had a spread sheet on member training and that he would provide this to any member on request.

In relation to the performance indicator of NDR collected, the Corporate Head of Finance and Resources explained that a detailed plan was in place to recover debt. It had been found that there had been a lower take up of payment by direct debit in comparison to council tax, so active promotion was required

here.

Conclusion:

That the Resources & Assets Portfolio Holder be requested to support the Corporate Head of Corporate & Customer Services in obtaining Performance Development Review timetables from service managers.

32. FEEDBACK FROM THE EXECUTIVE

The portfolio holder reported on the following:

- Capital programme bid system, which would be covered later in the meeting.
- Disabled grants: there are separate systems for social housing and the private sector and so work was being done to harmonise these.
- There was a high number of people waiting for certain disabled adaptations and so more resources were being allocated to this.
- The Corporate Head of Finance and Resources added that for disabled facility adaptations, work was being done for make sure sufficient funds were available should the housing stock transfer.
- The chairman, vice-chairman of the panel and Councillor Joynson had been appointed to the discretionary rate relief appeals board
- The Bourne Local Forum would be having an item on litter fines with a number of interested parties giving their views and so this should provide early indications on the resources required.

33. ANNUAL EFFICIENCY STATEMENT 2005/06

The panel considered report CHFR13 by the Corporate Head of Finance and Resources, which had been requested following concerns expressed at the last meeting on achievements of savings and the information provided by service managers. This was presented by the Financial Services Manager who highlighted the key points from the report, mainly that that 2005/06 annual efficiency statement declared that £506,895 savings had been made of which £252,660 were cashable. Efficiency savings were embedded in service plans and managers were required to monitor these throughout the year. It was suggested that the panel also monitors this quarterly.

The panel discussed this report with the officers who explained the Egan approach and implications of the internal audit contract. The panel then discussed the whistle blowing mechanisms to internal audit, specifically the impact on resources and the need to monitor this but without jeopardising the anonymity and legitimacy of whistle blowing.

Conclusions:

That the Resources & Assets Portfolio Holder be requested to take back to cabinet the issues raised in the report on the annual efficiency

statement.

To request that PricewaterhouseCoopers includes in their next report to the panel, information on areas of the council where whistle blowing is most prevalent.

34. 2005/06 OUTTURN

The panel considered report CHFR14 by the Corporate Head of Finance and Resources. The chairman commented that this was a step in the right direction to a report style that was easier to understand and he added that all the panel's recommendations from its previous meeting on reserves and balances had been incorporated in the statement at appendix E to the report.

The Corporate Head presented the report, which had been approved by the Constitution & Accounts Committee subject to audit, and explained the major issues to the panel.

- A minor overspend had been identified in comparison with the original budget but an under spend compared with revised budget.
- Work was required to check how sensitive projected outturns were for next year's budget setting process.
- Major variances were found in the overall savings of council tax collection and benefits administration; pension costs; housing improvement programme; separation of tenancy services and housing solutions; and pre ballot costs for stock transfer.
- The stock option appraisal and restructure to create tenancy services had also impacted the council's capital position in that there had been a reduced programme for 2005/06.
- There had been a general trend of underestimation of incomes, particularly planning, and this needed attention during service plan gateway reviews.

The report was discussed by the panel. A few suggestions on presentation were made, although the work put into making the document understandable was commended. The portfolio holder raised the issue of virements and considered that it would be appropriate for member involvement in the sign-off of these. This was discussed and the officers suggested that this could be investigated.

Conclusion:

To recommend that the Community DSP monitors the capital programme on the Housing Revenue Account in light of last year's outturn.

That it be communicated to all members to note during service plan gateway reviews that estimating incomes be rigorously challenged.

Councillor Moore, as lead member of the Finance Scrutiny Working Group, be tasked with discussing further the issues raised in the working

group's report with the Corporate Head of Finance and Resources.

The Corporate Head of Finance and Resources be requested, but not as a matter of priority, to report on a potential mechanism for member approval of virements.

35. BUDGET MONITORING REPORTS

The panel considered report CHFR15 by the Financial Services Manager, who explained that one of the key features of the new ledger system is a new reporting tool. Examples were appended to the report and showed a flavour of the type of information available. Members were asked to consider how they would like budget monitoring reports presented to them. This was discussed. It was also noted that other DSPs would be able to receive this information relevant to their remit and that the Resources DSP would get overall reports.

Conclusion:

That the first budget analysis report with a Year to End Variance % column, the first graphical example and continued use of brackets for income, as presented in report CHFR15, are the most appropriate and useful formats for budget monitoring reports.

36. MEDIUM TERM FINANCIAL STRATEGY AND BUDGET PREPARATION 2006/7 TO 2010/11

Report CHFR16 was presented to the panel by the Corporate Head of Finance and Resources. This included report CHFR12 presented to cabinet, which had approved the recommendations and added: *To task officers to keep the impacts of the Comprehensive Spending Review and any other specific grants under review.*

The Medium Term Financial Strategy (MTFS) would set the framework for future budget setting by looking ahead 2-3 years, supported by a financial strategy for 2006/07 to 2010/11 to be considered by cabinet in August 2006. The issues affecting the MTFS were identified in the report and these were explained by the Corporate Head and discussed by the panel. The following points were raised.

- There was a risk in that performance related grants were not guaranteed and needed to be kept under review.
- The panel did support the ring-fencing of such grants.
- Financial aspects of travel concessions should be monitored for if the scheme becomes national.
- Lincolnshire is in its last phase of its Local Area Agreement and the Local Strategic Partnership would soon be making decisions on how to resources the strategy for Lincolnshire and the council must take an active approach to engagement in this.

Conclusion:

That the Resources & Assets Portfolio Holder be requested to take back to cabinet the concerns of the Resources DSP in relation to the need to keep under review the council's scale of charges and areas of specific grants relating to performance.

That the Resources & Assets Portfolio Holder be advised that the Resources DSP does not view ring fenced grants and funding, as part of the council's overall strategy, as the best way forward, and that, subject to the results of the Comprehensive Spending Review, the panel supports the move to a three year spending plan.

That the Resources DSP be kept fully informed at all time with progress with the financial aspects of the Lincolnshire Local Area Agreement.

37. ACTION PLAN FOR USE OF RESOURCES

The Corporate Head of Finance and Resources explained that work was starting on the Use of Resources assessment and areas to build in the action plan. A first draft would be taken to cabinet soon. The Value for Money review was due in September and the panel would be kept informed on this.

The officer was questioned on how resources were redistributed following changes to the council's priorities e.g. Street Scene from category A to B. She explained that capacity building reserves were available but council approval was required for amendments to the budget. When asked if it would be appropriate for the council to reallocate funds at the same time as changing priorities, the officer explained that the detailed work involved may not have been completed at this time. It was noted that the new corporate plan would help refine this process.

38. CAPITAL STRATEGY

The Corporate Head of Finance and Resources reported to members on the development of a new capital strategy. A detailed report on this would be submitted to a future meeting of the panel. The current strategy had been circulated to the panel as a background paper.

The new capital strategy would need to be fit for purpose and complementary to the asset management plan. Members could speak to the relevant officers about any presentation ideas they might have for the strategy. The Financial Services Manager explained that a more robust scoring mechanism for capital projects was being developed and the Lincolnshire approach was being reviewed.

The panel discussed this with the officers. It was suggested that the panel reviewed progress with the capital programme on a six-monthly basis with interim reports if necessary. The officers clarified that the council was on target for this year's capital schemes.

Conclusion:

That a detailed report on the capital strategy be submitted at the meeting of the DSP on 28th September 2006 and that members forward any comments to the Corporate Head of Finance & Resources before then.

The Resources DSP includes on its work programme a six monthly review of the capital programme.

39. LARGE SCALE VOLUNTARY STOCK TRANSFER - FINANCIAL ASPECTS

Having declared a personal and prejudicial interest, the Chairman left the meeting for this item. The Vice-Chairman took the chair.

The Corporate Head of Finance and Resources explained that cabinet had made its recommendations to council on the draft tenancy agreement and these were being considered shortly. Since the last meeting of the panel, there had been a minor change in the calculation of government levy but overall, the figures had not changed. A time recording system had been demonstrated to relevant officers and they were looking to progress with this.

The Corporate Head offered to keep the panel informed and submit a written report should there be any significant financial changes.

Conclusion:

To continue to receive verbal updates on the financial position of large scale voluntary stock transfer but to request that a written report be submitted to the panel should any significant changes to the current situation arise.

The Chairman returned to the meeting.

40. COUNCIL ASSETS (ASSET MANAGEMENT PLAN)

The Assets & Facilities Manager provided an update on the asset management plan and explained the council's property listing (which was a summary of council assets) distributed as a background paper. The final draft of the asset management plan was being considered at the next private cabinet briefing and had included comments from the panel. This could come back to the panel at its September meeting. The officer had researched the possibility of a peer review but it was unlikely that this would happen until after September.

The officer explained that more information about each property listing was available on the database, should members be interested. There was some concern expressed by members that this list was not the same as that held by legal services. The officer explained that work was underway to ensure linking up of the information. During discussion with the panel, the following points were raised.

- It was a labour intensive, ongoing process keeping the property databases up to date and ownership of this task was required.
- An officer working group was working on identifying areas of land that would be included in stock transfer although detailed work would not start until the outcome of the tenant ballot.
- Further information from the property listing database on a ward basis was available for members. This would help the portfolio holder's suggestion that members should be vigilant about any small areas of council land.
- This information can be available on a CD or large printouts.
- The Property Performance Management Group monitored the property listing.
- The officer invited members to view the electronic database in use.

Conclusion:

To request the Resources & Assets Portfolio Holder to report the issues raised by the panel to the Property Performance Management Group.

41. TRAVEL CONCESSIONS

Report MA1 by the management accountant was presented by the Strategic director. The director explained to the panel the generation factor:

- The government introduced a half fare scheme last year to encourage more bus travel.
- For every £1 spent by a customer, the council would pay 50pence but because there are more people that go on the bus as a result of the half fare, the bus companies would therefore be better off but this goes against legislation. This is the generation factor.
- The council therefore looks at how much travel has increased and then negotiates this.
- The director was confident that there was sufficient evidence to come to accurate conclusions on this.

At the recent local government conference, a question was put to the minister on changes in behaviour of groups that bus operators could use to maximise income, but there was no experience of this in the district. A question was also put on what the government is going to do with the new scheme in 2008. There was an indication that there was going to be review of the whole operation of bus travel.

The panel discussed various financial issues raised in the report. The director explained that the travel vouchers scheme, predominantly the most popular, were significantly beneficial for certain categories of customers, especially for those without local bus routes. It was noted that the closure of cash offices at council area offices had not resulted in the anticipated problems for taxi operators redeeming travel vouchers.

The panel was concerned that there be adequate financial planning for any potential impact of government's changes to travel concessions. This required a scrutiny exercise. The portfolio holder commented that at the last Bourne Local Area Assembly, none of the 60, or so, people present were prepared to recommend that additional funding be given to travel concessions.

During discussion, one member commented that the fare should be printed on concessionary bus tickets to better communicate to users how much this cost the council. The director agreed to look into this.

Conclusion:

To include on the panel's work programme for the meeting on 28th September 2006: update on travel concessions service and the Lincolnshire scheme; decision to be taken on when to scrutinise the future of the travel concessions service.

42. BEST VALUE PERFORMANCE INDICATORS - % OF INVOICES PAID ON TIME

Report HR&OD by the Corporate Head of Corporate and Customer Services on behalf of the Operational Management Team, was discussed by the panel and accepted.

Conclusion:

To accept the report of the Operational Management Team.

43. WORK PROGRAMME

The work programme together with anticipated items from the next forward plan and issues raised throughout the meeting were noted.

44. REPRESENTATIVES ON OUTSIDE BODIES

The Chairman reported that he had given a number of documents from the Black Sluice Internal Drainage Board documents to the Scrutiny Support Officer, for members to read at their discretion. He added that the Board was going to have to carry out internal audit. This was the same as the Upper Witham Drainage report, as reported by Councillor Kerr, which was also moving to a separate office. Councillor Joynson reported on the Welland Drainage Board, which was currently reviewing its management structure.

45. CLOSE OF MEETING

The meeting closed at 3.30p.m.