



MEETING OF THE RESOURCES DEVELOPMENT AND SCRUTINY PANEL

THURSDAY, 28 SEPTEMBER 2006 9.30 AM

PANEL MEMBERS PRESENT

Councillor David Brailsford
Councillor Robert Conboy
Councillor Dorrien Dexter
Councillor Albert Victor Kerr

Councillor John Kirkman (Chairman)
Councillor Reg Lovelock M.B.E. (Vice-Chairman)
Councillor Andrew Roy Moore
Councillor Gerald Taylor

OFFICERS

Scrutiny Officer
Chief Executive
Strategic Director
Training Manager
Corporate Head of Finance & Resources
Finance Manager
Scrutiny Support Officer

OTHER MEMBERS PRESENT

Councillor Teri Bryant

46. APOLOGIES

Apologies for absence had been received from Councillor Joynson.

47. DECLARATIONS OF INTEREST

There were no declarations of interest.

48. ACTION NOTES

The notes from the meeting on 13th July 2006 and the joint meeting on 24th August 2006 were noted, with the addition of Councillor Bryant's apologies for the latter.

49. UPDATES FROM LAST MEETING

- The portfolio holder wished action note 30 to be kept under review.
- There had been no substantial change to the financial aspects of large scale voluntary stock transfer (note 39) and so there had been no written report submitted with the agenda.
- Travel concessions (note 41) was not on the agenda because it fell under the remit of the Engagement DSP. The Corporate Head of Finance &

Resources reported on her recent attendance at the Lincolnshire finance officers meeting, at which this subject was discussed. It was anticipated that regulations would be published in 18 months time so there was nothing formal to work on yet. Early indications were that the new scheme would be administered locally.

- The chairman circulated a new-style leaflet on the statement of accounts, following a recommendation from the finance scrutiny working group (note 29).
- The completion of performance development reviews for staff was getting closer to the target (note 31).
- The Corporate Head of Finance & Resources explained that the mechanism for member approval of virements could be scrutinised by the panel when incorporated in draft into the financial regulations (note 34).

50. FEEDBACK FROM THE EXECUTIVE

The portfolio holder commended the finance staff for their presentation at the recent seminar and for the production of the statement of accounts leaflet. He commented that it was a shame that the event had not been better attended. He also spoke about recent developments relating to his portfolio:

- Officers were working on an action plan to reduce rent arrears (this was available to the panel on request).
- Service managers training guidance on budgeting was available for reading by the panel. This would be useful to members, especially Resources DSP members and Chairmen and Vice-Chairmen, because it explained the process at the user level.
- The appeals procedure for discretionary rate relief award had been dealt with on a case by case basis and scored according to the council's category A priorities. The portfolio holder had found that some small organisations were obtaining 5% rate relief as small businesses, but if they achieved community amateur sports club (CASC) status, they could receive 80%. The portfolio holder emphasised the importance of proactive work to communicate the value of this to small charities, as there was still a significant number of organisations who were only obtaining the 5% reduction (at the council's expense). He would like to speak at all local forums on the matter to better communicate this opportunity. He added that he would ensure that the DSP had official representation on the appeals panel.
- Information on feedback from the Bourne local forum (note 32) would be provided to members on request.

51. INTERNAL AUDIT

The panel welcomed Thembu Pato and Natasha Scarisbrick from PricewaterhouseCoopers, who presented their reports as appended to the agenda. They explained that the operational plan was now in line with the council's financial year and they were on target to complete the plan. They thanked the council's finance team for their cooperation and work in achieving this. Five completed reviews were outlined in the summary of findings. The

“level of assurance” column was a new addition to their reports.

The panel questioned the auditors and council officers on aspects in the report, who explained that:

- The outstanding high risk area for the creditors system had been identified because the introduction of the CEDAR system had halted progress in this area. The panel was assured that this was an IT issue, not a financial one. The issue concerning bank reconciliations was being worked on, and had been related to the way in which the banks engage with the council electronically.
- The risk identified with amendments to pay rates had now been rectified.
- The risk associated with completion of the tender book had been identified by the current finance team and being worked on.
- The auditors had established a monthly surgery at the council offices to allow for whistleblowing but this had been seldom used and so ways to promote this service were being investigated.

Conclusion:

- (1) ***To note and accept the internal audit report.***
- (2) ***To receive an update at the panel meeting on 23rd November 2006 on the finance team's progress with bank reconciliations.***
- (3) ***To ask the internal auditors to provide feedback on progress with their monthly surgery and whistleblowing mechanisms.***

52. CEDAR DEMONSTRATION

The chairman introduced this item by explaining that it had originally been assumed that members would have access to CEDAR, the new financial system, but this was no longer possible because it would require substantial expenditure on licences. It would also have limited effectiveness because a person needed to be using the system on a regular basis to gain confidence and understanding of its applications.

The Financial Management Services Team Leader gave a demonstration to the panel on how the new CEDAR system was used internally. This included: graphical charts of accounts which summarised according to DSPs, service sections and then to specific transactions; an analysis tool for service managers to view transactions under CIPFA headings; and e-procurement integrated into the system, which now allowed commitment accounting from the point of order. The officer explained that it was planned to enable invoices to be scanned to view from the system. Although this was not a high priority at the moment, it would reduce physical storage requirements and an easier method of locating past invoices.

The portfolio holder added that he would soon be making a non-key decision to purchase a collaborative planning model to assist in budget management and budget setting for service managers.

Members of the financial services team would meet with other DSP chairmen and vice-chairmen to discuss their particular reporting needs from the system. This approach was endorsed by the panel.

The panel thought that the CEDAR system was excellent and members of the team were congratulated for their hard work in getting the system working for the council. The team leader was also congratulated for his recent qualification.

Conclusions:

- (1) To welcome the use of the CEDAR system and endorse the approach to allow other DSP chairmen and vice-chairmen to request their specific reporting needs.**
- (2) For members of the Resources DSP to inform the chairman and vice-chairman of any particular requirements for information from the CEDAR system.**

53. BUDGET MONITORING

The Finance Services Manager circulated a revised budget report. A profile against the budget would be included on subsequent reports. This information, relevant to their remit, would also be made available to each DSP.

The panel welcomed the report, as its format met their requirements. The portfolio holder was concerned about the need for manual calculations to produce the final reports. The officer explained that he had no concerns about the integrity of the system and that the only information requiring additional calculations was the profiling of the columns. The portfolio holder added that the reports published for service managers were more detailed than the report submitted to the panel.

The panel discussed monthly charges, mainly depreciation. Although not yet included in the reports for the panel, charges were made monthly on the system but some accounting adjustments were required. Other operational issues were discussed and clarified by the officers.

Conclusion:

To note the report and ask that the observations made throughout discussion be considered by the financial services team.

54. FINANCE SCRUTINY WORKING GROUP RECOMMENDATIONS

The Corporate Head of Finance and Resources presented her responses to the recommendations made by the finance scrutiny working group. The key impact had been the recognition of the need to give as much time for members for preparation, even though it was a tight timescale given the shortage of resources within financial services. There were four remaining vacancies and these were being advertised shortly. Other Lincolnshire authorities had been approached about providing secondments but this had not been possible

because they were experiencing similar shortages.

The panel suggested that to achieve full capacity, temporary staff should be employed. Even though this was costly, and temporary staff did not have specific knowledge of the authority, they could be useful if managed well.

Conclusions:

- (1) Councillor Moore be nominated to assist in the developing of key financial documents. Councillor Gerald Taylor, whilst noting his busy schedule during his chairmanship of the council, be nominated to deputise for Councillor Moore.**
- (2) The Resources DSP expresses its continued concern about the lack of resources for the financial services team and the detrimental effect this may have on the budget process.**
- (3) A special meeting of the Resources DSP be arranged for 15th November 2006 at 9.30a.m. to undertake gateway 2 of the service plans.**

55. FEES AND CHARGES STRATEGY

The Financial Services Manager presented report CHFR17, which set out an initial draft strategy for the authority's fees and charges. He circulated a supplementary note outlining the main areas of income from fees and charges.

The medium term financial strategy (MTFS) had identified a need to set out principles for fees and charges. The draft strategy, which set out a three-year review, put into context the statutory powers to charge for discretionary services, although it was noted that the pending Lyons Inquiry would likely have an impact on councils' charging policies. Under the strategy, managers would be identifying costs, charges and concessions in light of the council's priorities. This was particularly important given the comprehensive spending review in 2007 and the likeliness of a tight grant settlement from central government.

The panel discussed their understanding of various charging policies for council services. Some considered that an overall view had only been applied previously and a more detailed and rigorous approach to continuity for services throughout the district. This was noted, although the officer explained that charges for services in particular areas of the district did need to consider the environment within which it was offered (e.g. competition).

Conclusions:

- (1) To support the draft fees and charges strategy, emphasising that its utilisation should be a rolling programme.**
- (2) If the meeting schedule permits, the Resources DSP scrutinises a further draft of the fees and charges strategy before submission to cabinet.**

The meeting adjourned 12.10p.m. – 12.45p.m.

56. USE OF RESOURCES

The Corporate Head of Finance and Resources presented an issues paper on the forthcoming use of resources assessment. The assessment considered five key lines of enquiry: financial reporting; financial management; financial standing; internal control; and value for money. Although these seemed focussed on finance, they encompassed broader, corporate issues and were key considerations in comprehensive performance assessment and annual audit. A score for each line of enquiry was given from 1(inadequate) to 4 (excellent) and the council could realistically aim to achieve level 3 for the first two lines of enquiry. To get a level 3 overall, however, requires a level 3 score for the value for money element, but various improvements such as time costing and an embedded approach in all scrutiny panels were required for this. Overall level 3 could be achieved for the 2007/08 assessment.

The panel discussed the value for money element, particularly the role of all scrutiny members. It was considered that the DSPs needed encouraging to address value for money aspects of services they scrutinised.

The chairman then explained that he had taken up the corporate head on her offer to provide a brief explanation of the section 151 officer's responsibilities. The corporate head explained that the role of the section 151 officer was historically laid out in statute and case law and the title referred to the section of legislation codifying the role. Using CIPFA guidance, the role, which stood in its own right, encompassed:

- Duty to the employer (council)
- Duty to officers
- A broader, fiduciary duty to tax payers in terms of value for money and utilising resources
- Duty in relation to lawful expenditure and a balanced budget.
- To manage the finance team
- Appropriate managed resources and closure of accounts.
- Provide advice to the council on the financial position during decision-making.
- Key point of liaison with auditors
- Fraud prevention.

Conclusion:

The Resources DSP supports the view that the self assessment for Use of Resources be submitted to the external auditor with the aim of achieving a level 3 score for financial reporting key lines of inquiry 1.1 and 1.2 for the current assessment period. In addition, the DSP supports the aim of achieving a level 3 overall for 2007/08 assessment.

57. MEDIUM TERM FINANCIAL STRATEGY

The panel referred to report CHFR15 on the medium term financial strategy, which had been considered at the last full council meeting. This was a 'living'

document and the panel would therefore continue to keep it under review, along with associated documents such as the fees and charges strategy and treasury management.

Conclusion

To continue to keep the medium term financial strategy and associated documents under review.

58. STAFF STATISTICS – SCRUTINY OF DISAGREGGATION OF SALARIES BUDGET

Following a request from the last meeting of the panel, the Training Manager responded to questions from the panel about the disaggregation of staff budgets. She provided current staff statistics and explained that:

- Implementation of the new CEDAR system had had a time impact but the management restructure had made responsibility for budgets clearer.
- As part of the originally concept for the restructure, business support officers would be appointed to assist corporate heads but it was not yet clear how these roles would function. This infrastructure needed to be in place before disaggregation of staff budgets could take place.
- It was hoped that all service managers would be in place soon. Training on processes and budget monitoring skills was required before disaggregation, which was anticipated March/April 2007. Training therefore needed to be established in January.
- Control mechanisms also needed to be in place.
- There would be fewer budget heads than in previous years.
- Communication was ongoing with services managers to ensure that budgets were met.

The Corporate Head of Finance and Resources explained that internal control mechanisms and contract procedure rules formed part of the policy framework which reflected the disaggregation. These were being considered by council in October. Further policies such as financial regulations and delegations would follow.

The Strategic Director explained that resources for business support officers would come from existing resources within the relevant service(s). Each corporate head would liaise with their support officer about the information they required. The panel expressed concern that sufficient resources should be available for this and that business support should take a corporate approach to prevent the emergence of silos. The panel asked that information be provided on how corporate heads would be provided with all the required resources to ensure the smooth implementation of business support officers.

Conclusions:

(1) Staff statistic information to include a column for actual establishment and to be submitted to every ordinary meeting of the Resources DSP

for the time being.

(2) ***The Resources DSP scrutinise disaggregation of staff budgets when the new management structure is established.***

59. BEST VALUE PERFORMANCE INDICATORS

The panel considered the performance indicators up to July 2006 and officers responded to their concerns as follows:

- BVPI15 did show as being below target but because the figure had been rounded to the nearest whole number, it impacted the result. This should be shown to two decimal places to better reflect the situation.
- BVPI8 was now higher in August although there was no specific reason for it falling in July.
- Although current results were disappointing, SK116 was improving and had reached 20% in August. Line managers were now required to complete performance development reviews (PDRs) by the end of September so considerable work was being done to achieve in service areas that posed particular problems. Staff were also required to add their own comments.
- The operational and strategic management teams were looking at how to improve completion and timeliness of PDRs. A current issue was the funding of training and development needs identified through the PDRs, possibly through a corporate learning pot.
- There was a discrepancy between the target staff statistic and the figure identified in the budget book.

The panel discussed whether it should receive all performance indicators from time to time, as they all had some financial implications. It was considered, however, that this was not necessary because other DSPs would take finance into account and the Resources DSP did not want to become a general scrutiny committee.

The strategic director spoke to the panel about the performance management culture. She was working with services managers to identify a set of meaningful local indicators. Managers needed to understand the benefit of these and be able to take quick corrective action. Member input came at the service plan gateway review stage and so members should ensure that service plans provided clear and focussed performance indicators

Conclusions:

- (1) ***If BVPI 8, relating to payment of invoices, falls below target in September or later, the Resources DSP to receive a written report outlining the reasons for the decline in performance.***
- (2) ***The Resources & Assets portfolio holder be recommended to investigate finances available for supporting the outcomes of staff performance development reviews.***
- (3) ***The Training Manager to investigate the discrepancy in staff statistic targets.***

60. DRAFT CORPORATE PLAN

The Strategic Director presented the a draft of the council's first corporate plan. This would be presented to cabinet on 9th October 2006. She explained that a staff group, represented a number of services and levels, had worked on the plan, having taken into account a large number of plans produced by other authorities. The plan was targeted at staff and other stakeholders, to provide an overview of the council and what it does. This set the tone for service plans and then performance development reviews (PDRs). The preparation of the plan took into account the recommendations from the finance scrutiny working group about publishing documents in formats that can be easily understood. This document therefore formed part of a suite of documents such as priority action plans, risk management, use of resources, organisational development plan, which would provide further details for those people interested. Work was being done on how many copies to print, although it would be available electronically, and it would be printed on recycled paper.

The panel considered that this was an excellent document. It was attractive in style and had a suitable tone.

Conclusion:

To support the document and congratulate everyone involved in its production. Resources DSP members to email any suggestions for content to the Strategic Director.

61. SKDC PENSIONS POLICY

The Chief Executive was invited to provide an update on the proposed new pensions policy.

- The last council meeting terminated the local scheme (rule 70), and this may be subject to challenged through the unions. Advice was pending from the QC on outstanding cases. This scheme had come from regulations that dealt with early retirements and they had to be made in the interests of efficiency. There was no requirement for a policy, but that each case had to be considered. There was a comprehensive pro forma to ensure the views of various officers were taken into account during this process.
- Rule 85 had followed on from this scheme, which required other elements to be considered. This was when early retirement could be requested when a persons age and their length of service came to 85 years. The government had decided that this contravened their forthcoming legislation on age discrimination. This had also been challenged by unions.
- The previous policy of the council had been that rule 85 would always be applied but it was to be proposed to the next council that this should be kept only if it was in the council's best interests to do so.
- Other elements to be considered by council was the calculation of compensation for redundancies for people over the age of 50, which included age and length of service. This could be considered discriminatory, although government had used exemptions for this in relation to the

statutory element of the compensation payment. Consultation with unions showed that there would be no objection to the council continuing its current policy. The chief executive would therefore be proposing that the council moves to the statutory formula but with a multiplier to allow up to 66 weeks pay and an opportunity to pay up to 104 weeks for compassionate reasons.

- Indications were that unions would be very concerned if redundancy pay was capped at the statutory minimum, he would therefore propose that there be no cap.

The Chief Executive answered a number of questions for clarification from the panel. He concluded by stressing the importance to provide good working relations to attract people to work for the council and in the overall interests of the council, he considered his proposals to offer a good and fair deal.

62. ORGANISATION RESTRUCTURING OF STAFF

The chairman reported that since the last panel meeting and its discussion on disaggregation of the staff budget, it became apparent that members were unaware of staffing situations and the complexities of the restructuring exercise. A number of the Political groups had received briefings from the Chief Executive, who had welcomed the suggestion that a small group of councillors (one from each group) form to liaise with the Chief Executive on staffing matters and to pass information back to their groups. There would be no substitutes and so the group required members who would be committed.

For information, the strategic director provided an update on the situation with the restructure. The third strategic director had been appointed and interviews for the remaining corporate heads would be completed shortly and service managers also appointed. It was anticipated that all should be in place by January 2007.

Conclusions:

- (1) The resources DSP to set up a stand alone group of one member from each Political group to liaise with the chief executive on staffing matters. The group would have no powers but would report back to their groups and report to the Resources DSP on progress and effectiveness of the group whenever necessary,***
- (2) The chairmen of the Resources DSP to write to leaders of groups to ask for nominations to the liaison group.***
- (3) When the management restructure is complete, the Resources DSP to scrutinise the costs of the exercise.***

63. WORK PROGRAMME

Noted – with updates.

64. REPRESENTATIVES ON OUTSIDE BODIES

Councillor Kerr reported on his attendance at a meeting of the Upper Witham

Drainage Board in September. The board had found new premises and would relocate there in the new year. There were various projects ongoing by the board and an engineer to the board had expressed his concern that certain flooding areas had not been identified on maps published by the Environment Agency.

Councillor Lovelock reported on his attendance at the Lincolnshire Local Government Association, which had considered the cancelled merger of police authorities, Lincolnshire Enterprise and decriminalisation of car parking.

Councillor Gerald Taylor reported on his attendance at the Crime and Disorder Reduction Partnership, which had considered planning, affordable housing and had welcomed the new East Midlands chairman.

65. CLOSE OF MEETING

The meeting closed at 3.09p.m.