

COUNCIL EXCELLENCE OVERVIEW AND SCRUTINY COMMITTEE

Thursday, 17 November 2011

Present: Councillor P Gilchrist (Chair)

Councillors A Brighouse P Doughty
RL Abbey J Hale
J Keeley C Jones
D Dodd S Williams

Deputies: Councillors W Clements (In place of A Cox)

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

Members were asked to consider whether they had personal or prejudicial interests in connection with any item(s) on this agenda and, if so, to declare them and state what they were.

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

No such declarations were made.

50 MINUTES

Resolved – That the minutes of the meetings held on 15 and 27 September 2011 be approved.

51 EARLY VOLUNTARY RETIREMENT/VOLUNTARY SEVERANCE AND ORGANISATIONAL CHANGE

Further to minute 29 (15 September 2011), the Director of Law, HR and Asset Management presented a detailed outline of the number of posts which were vacated as a result of the Early Voluntary Retirement/Voluntary Severance (EVR/VS) exercise, together with detail in relation to the number of posts which had subsequently been re-filled. However, the figures reflected that the Council was still in the process of implementing various restructures and not all Departments had as yet completed their remodelling, the costs of which were, in the main, funded by a budget of £2m, subject to approval from the Strategic Change Board.

It had been necessary to retain a number of posts to ensure the continuation of service provision and he explained the use of bumps to facilitate the EVR/VS exercise. In view of the remodelling to be completed, a number of posts were still to be deleted and he indicated that of the posts that had been refilled to date, nearly all had been facilitated by bumps, or filled following Departmental restructures. However, he provided an explanation in relation to a number of Metro posts within the Children's and Young People Department that it had been necessary to fill with new employees.

In total, 104 new posts required to meet essential services changes had been created since the end of the EVR/VS exercise, the costs of which were funded by a £2m budget for re-provision/restructuring (see minute 65 post), although 23 were not linked to the EVR/VS exercise.

Resolved – That the report be noted.

52 **MASTERS IN BUSINESS ADMINISTRATION (MBA) PROGRAMME**

Further to minute 29 (15 September 2011), the Director of Law, HR and Asset Management provided information in relation to the MBA academic qualification programme, delivered by Chester University, which formed part of the Council's suite of learning and development opportunities for senior managers. The Council was committed to building capacity at all levels of the organisation and he commented that leadership development was essential to organisational success, to ensure the Council had the managers and leaders with the right skills, knowledge and ability to meet current and future requirements.

The full cost of the programme was £7,800 per person and he indicated that since its introduction in 2006, 57 people had completed the programme. An additional 9 people had completed two years at a cost of £5600 per place, having left the course for a variety of reasons.

In response to questions from Members, the Director indicated that course attendees were on a range of grades, typically above £45k and they had not been asked to make any financial contribution to the cost of the course. A Member commented that he was aware of employees on lower grades who had been required to upgrade an NVQ at their own expense, which was essential for them to remain in their posts. Furthermore, in the light of comments on leadership made by Anna Klonowski, Members questioned the value to the organisation of the MBA course. A view was also expressed that, having regard to the grade of the officers attending it, that they should be requested to make a financial contribution to it. In response to a further question in relation to the number of managers who had left the Council after having completed the course, the Director proposed to provide the information to Members direct.

On a motion by the Councillor Gilchrist, seconded by Councillor Brighthouse, it was –

Resolved –

- (1) That the report be noted and the officers be thanked for the information provided.**
- (2) That a further more detailed report be presented at the earliest opportunity, upon the issue of senior officer training within the organisation, to include information as to how applications to attend the MBA course are assessed, in relation to the costs and benefits to the Council.**

53 **FINANCIAL MONITORING STATEMENT**

The Deputy Chief Executive/Director of Finance provided a summary of the position of the revenue accounts and General Fund balances as at 30 September 2011, together with the latest update as at 31 October 2011. He set out the key issues contained within the Statement and reported upon the impact of Cabinet decisions

having budgetary implications, which had reduced balances by £2.7m. At this stage of the financial year departments were reporting pressures and he highlighted the volatile areas that had been identified within Adult Social Services, Children and Young People and in other departments. Chief Officers continued to explore options to reduce any potential overspend.

He reported that the projected level of balances at 1 April 2011 when setting the 2011/2012 Budget was £14.1m and of this £7.2m was allocated to fund 'one-off' options and the cost of the EVR/VS Scheme in 2011/2012 leaving a projected balance at 31 March 2012 of £6.9m. He commented upon the impact of the release of Connexions reserve monies and the Government decision to allow the Council to capitalise statutory redundancy costs (see minute 66 post) and indicated that the current predicted balances at 31 March 2012, based upon the latest projections were £9.6m. These would be reduced by any further budgetary allocations or if any pressures turned into overspends within the 2011/2012 financial year.

Resolved – That the Financial Monitoring Statement be noted.

54 **BUDGET PROJECTIONS 2012/2015**

The Deputy Chief Executive/Director of Finance reported upon the projected budgets for 2012-2015, which had been considered by the Cabinet at its meeting held on 3 November 2011 (minute 174 refers). The report set out the assumptions that underpinned the budget projections and provided detail on grant negotiations, other legislative issues, balances, agreed savings and relevant risks. The budget projections set out in an appendix to the Director's report represented the most likely outcome from a wide range of available options and indicated a shortfall of £22.6m in 2012/2013, £30.8m in 2013/2014 and £46.9m in 2014/2015. The Government was consulting on a number of options which would impact on the budget projections. The Director confirmed that he responded to all consultation to try to ensure the best outcome for Wirral.

Resolved – That the budget projections for 2012/2015 be noted and regularly reviewed.

55 **CAPITAL STRATEGY**

The Deputy Chief Executive/Director of Finance presented an annual update of the Capital Strategy, which was agreed by the Cabinet on 13 October 2011 (minute 146 refers). The purpose of the Strategy was to enable the Council to work together with partners and stakeholders to prioritise and effectively deliver capital investment that would contribute to the achievement of the Council's objectives. He commented that the Strategy was key to drawing together the capital requirements emerging from the Investment Strategy and service strategies. Bids for inclusion in the capital programme were prioritised against criteria taking account of the policies identified in the Corporate Plan.

Resolved – That the report be noted.

56 **MEDIUM TERM FINANCIAL STRATEGY**

The Deputy Chief Executive/Director of Finance presented the annual update of the Medium Term Financial Strategy agreed by the Cabinet on 13 October 2011 (minute 145 refers), the aim of which was to give a strategic overview highlighting the significant resource issues and principles as well as potential developments and

related issues to be considered in financial planning and informing future priorities. The Strategy had been refined to reflect recent information from the Government and the revised Corporate Plan agreed in March 2011. The Director highlighted the issues contained within the Strategy and commented that responses from the 'You Choose' budget simulator consultation package would also help inform future priorities and the delivery of services.

Resolved –

- (1) That the Medium Term Financial Strategy be noted.**
- (2) That regular updates of the budget projections be reported to the Cabinet and to this Overview and Scrutiny Committee.**

57 REVENUES, INCOME AND BENEFITS

The Director of Finance provided information on the position regarding Council Tax, National Non Domestic Rate, general debt and cash income collection and the payment of benefits. In response to comments from Members, the Director confirmed that the collection of National Non-Domestic Rates for the period 1 April 2011 to 30 September 2011 was ahead of 2010/2011 as many large firms were paying on time or ahead of schedule. He also provided explanation of the reduced income collection performance in relation to various sources of cash income.

In response to particular concern expressed by Members that schools budgets were being adversely affected as a result of claims for free school meals not being maximised, the Director confirmed that a requirement of the national system was for claimants to complete an application. Officers had been liaising with schools to increase claims for free meals from all who were entitled to them.

Resolved – That the report be noted.

58 PROCUREMENT STRATEGY

The Deputy Chief Executive/Director of Finance provided an update on the Corporate Procurement Strategy, which had been agreed by the Cabinet on 2 June 2011 (minute 8 refers) and re-presented on 13 October 2011 (minute 156 refers) to align resource strategies. He commented that the Strategy was an enabler of the corporate efficiency targets agreed for 2011/2012, which were reflected in the 2011/2012 budget as –

- £2m from the annual procurement efficiency programme
- £0.5m from a review of the top 50 contracts
- £0.2m from a review of administrative support costs

In response to comments from Members in relation to shared services, the Director referred to ongoing consultation with other Councils in the Merseyside Region to promote the adoption of collaborative contracts which increased the potential for savings through aggregation. He proposed to circulate an update to Members direct on work undertaken within the City Region and agreed also to include an update with regard to a programme of training and workshops to improve Member awareness of procurement issues.

Resolved – That the Procurement Strategy be noted.

59 CUSTOMER ACCESS STRATEGY

The Deputy Chief Executive/Director of Finance submitted the Customer Access Strategy (CAS), which had been reviewed and updated and agreed by the Cabinet on 13 October 2011 (minute 159 refers). He reported that the Strategy retained the same focus of reducing service costs whilst improving customer experience and now also included reference to the programme of work to co-locate Libraries and One Stop Shops. Across the Council there was a clear need to find savings and he commented that the CAS was central to meeting that need.

He referred to the potential savings to be achieved, in terms of buildings and staff, by the alignment of complementary services. Libraries and One Stop Shops worked with a range of partners including Police, Health, the Department for Work and Pensions (DWP) and he commented that locating services together improved accessibility and offered opportunities for staff development. In response to a question in relation to consultation with regard to the evolving use of libraries and One Stop Shops, the Director confirmed that liaison would continue with Ward Councillors as building rationalisation continued. He indicated that Joint working with other organisations and agencies had resulted in a number of One Stop Shops being presently located within DWP sites and commented that Her Majesty's Revenue and Customs (HMRC) was now located within Birkenhead One Stop Shop, where a face to face service was offered.

Resolved –

- (1) That the updated Customer Access Strategy be noted.**
- (2) That the officers be requested to prepare a standard procedure to ensure that Ward Councillors are updated in relation to changes in the use of libraries and One Stop Shops.**

60 INTERNAL AUDIT REVIEW

Further to minute 116 (Cabinet – 22 September 2011) and in response to the findings of the AKA Report on Corporate Governance, the Deputy Chief Executive/Director of Finance presented an initial report which outlined areas of work that Internal Audit could include in the Annual Plan to strengthen further the corporate governance of the Council. The report had been considered by the Corporate Governance Committee on 26 October 2011 (minute 6 refers), who had agreed that external perspectives of the workload, organisation and structure of Internal Audit should be obtained, the objective being to ensure a fit for purpose Internal Audit service, both in terms of planned work and skills availability, and to ensure that the management of authority responded appropriately to recommendations.

The Director commented also that at its meeting on 16 November 2011 (minute 13 refers), the Corporate Governance Committee had agreed a number of Key Lines of Enquiry, one of which related to the Review of Internal Audit and identified a number of work areas beyond the current Audit Plan that should be included within the workload and structure of Internal Audit. Members welcomed measures that would strengthen the corporate governance of the Council, but expressed some concern that competing demands could impact on the key areas of work within the Audit Plan.

Resolved – That the report be noted.

61 CORPORATE GOVERNANCE

At the request of the Chair, the report of the Chief Executive in relation to Work Programme Progress and Associated Issues, considered by the Corporate Governance Cabinet Committee at its meeting on 16 November 2011, was presented for Members consideration. The report had been prepared in response to the findings of the AKA Report on Corporate Governance, in order for a work programme to be developed to address identified weaknesses in corporate governance. It presented Project Initiation Documents (PIDs) for prioritised areas from the programme previously considered; discussed issues around how external support was to be acquired; and presented an initial summary timeline for the programme. The report also included a number of other issues considered at the previous meeting, including a review of Legal and Committee Services; the creation of a Policy Unit; and the creation of specific budgetary provision.

The Chair also circulated a briefing note for Members' consideration, which included extracts from the Committee's Terms of Reference and from Anna Klonowski's presentation to Members on Corporate Governance. In response to a question from a Member as to how the Committee would be kept informed of the work of the Corporate Governance Committee, the Director of Law, HR and Asset Management indicated that agenda papers and minutes would be available in the normal manner and that he would present an update for Members' information.

Resolved –

- (1) That the report be noted.**
- (2) That the Director of Law, HR and Asset Management be requested to present an update on the work of the Corporate Governance Committee to the next meeting of the Committee.**

62 TREASURY MANAGEMENT - PERFORMANCE MONITORING

The Deputy Chief Executive/Director of Finance presented a review of Treasury Management activities during the second quarter of 2011/2012 and confirmed compliance with treasury limits and prudential indicators. The review had been prepared in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code. At its meeting on 3 November 2011 (minute 176 refers), the Cabinet had accepted the Review and agreed that the Treasury Management Strategy be revised to allow for the continued use of the Natwest Bank, for short term liquidity requirements (overnight and weekends) and business continuity arrangements, despite it no longer meeting the Council's minimum credit criteria.

Resolved – That the report be noted.

63 LOCAL GOVERNMENT RESOURCE REVIEW - BUSINESS RATES REFORM CONSULTATION RESPONSE

The Deputy Chief Executive/Director of Finance reported that the Local Government Resource Review was launched by the Government on 17 March 2011 and the central issue was the repatriation of business rates, whereby local councils kept their local business taxes with grant dependence scaled back except where it was needed to protect the interest of taxpayers. The intention was to set an initial baseline and local authorities whose business rates income was higher than the baseline would pay the difference to the Government by way of a tariff. Those whose income was

less than the baseline would receive the balance in the form of a top up. He commented that reports to the Cabinet on 14 April 2011 and 22 September 2011 outlined the basic proposals and he indicated that the latest consultation set out the proposed core components for a business rates retention system. In addition, it sets out how Tax Incremental Financing would operate within the system and further outlined how the proposals interacted with wider Government initiatives to promote growth, including the New Homes Bonus.

The Director provided a summary of a further eight technical papers, in addition to the core proposals, to which councils could respond and, which provided further details on the topics covered in the core consultation. He submitted a proposed response to the core consultation but not the technical aspects as they purely informed the overall response that had been agreed by the Cabinet on 13 October 2011 (minute 153 refers).

Resolved – That the response to the core consultation be noted.

64 **LOCALISING SUPPORT FOR COUNCIL TAX IN ENGLAND - CONSULTATION**

The Deputy Chief Executive/Director of Finance presented details of proposals for the replacement of Council Tax Benefit (CTB) which were set out in the Department for Communities and Local Government (DCLG) consultation paper 'Localising Support for Council Tax in England'. In general terms the proposals outlined an intention to give local authorities the power to introduce a scheme that would allow Councils to provide financial support to pay Council Tax using a new form of discount as opposed to having to apply centrally set rules. It was intended to achieve an overall saving of 10% of the current national CTB bill of £4.8 billion; simplify the current complex system of criteria and allowances; establish stronger incentives to local authorities to encourage local people back into work and protect pensioners and other vulnerable groups against any potential reduction in support.

The Director set out the key issues for local authorities and commented that the timescales were of significant concern, with only a 12 to 14 month period to develop a workable and financially viable scheme. He outlined a response to the consultation paper, which had been agreed by the Cabinet on 22 September 2011 (minute 118 refers). In response to a question from a Member in relation to the local authority sharing data collected by the Department for Work and Pensions (DWP), in order to determine the rebate, the Director indicated that the consultation paper cited that the DWP collected all the data that local authorities needed for new claims already. However, most local authorities, including Wirral, could demonstrate that this was not the case and such an assumption around such a key matter, which affected administration, was misleading and needed to be addressed in the legislation.

Resolved –

- (1) That the response to the consultation paper be noted.**
- (2) That further progress reports be presented to future meetings of the Committee.**

65 **ALLOCATION OF RE-PROVISION/RESTRUCTURING COSTS**

The Deputy Chief Executive/Director of Finance reported that of the Efficiency Investment Fund of £2m included within the Council Budget for 2011/2012, which was set aside to meet any re-provision and restructuring costs following the Early

Voluntary Retirement/Voluntary Severance (EVR/VS) Scheme, the Cabinet (minute 151 (13 October 2011) refers) had agreed the transfer of £1,802,000 to Departmental Budgets.

Resolved – That the variations to the approved budget be noted.

66 CAPITALISATION OF STATUTORY REDUNDANCY PAYMENTS

The Deputy Chief Executive/Director of Finance reported that, in recognising that the capitalisation of expenditure normally classified as revenue expenditure provided financial flexibility to Councils in managing one-off unexpected costs and thereby easing the pressure on Council Tax and on services, the Department for Communities and Local Government (DCLG) had given Wirral permission to treat statutory redundancy payments as capital spend, rather than revenue spend, in 2011/2012.

The Director commented that using the Direction to classify the statutory redundancy payment element of the EVR/VS Scheme as capital expenditure would release £3m of the previously identified provision for EVR/VS costs to the General Fund balance. The element related to Schools represented an unmet financial pressure in 2011/2012 the cost of which could now be met from the capital programme.

He commented that in making use of the permission, the Council needed to approve a variation in the Capital Programme for 2011/2012 and he reported that the Cabinet (minute 152 (13 October 2011) refers) had agreed –

- (a) That the DCLG be advised that Wirral will utilise the permission to treat as capital £4m of revenue expenditure in 2011/2012.
- (b) That the Capital Programme be increased for the Finance Department by £3m and for the Children & Young People Department by £1m and this be referred to Council.
- (c) That the release of £3m from the provision for the Early Voluntary Retirement / Voluntary Severance Scheme costs to balances be agreed.

Resolved – That the report be noted.

67 STRATEGIC CHANGE PROGRAMME UPDATE

Further to minute 32 (15 September 2011), the Deputy Chief Executive/Director of Finance presented an update on the Council's Strategic Change Programme, following the Strategic Change Programme Board (SCPB) meeting held on 18 October 2011. The Board had agreed that there was a need to review the Programme in the light of the Council's corporate governance issues and challenging budgetary position. He reported upon the removal of a number of projects and presented the current position of the programme for 2011/2012 and for 2012/2013 in appendices to his report.

The Change Programme had been identified as an area for review in the Comprehensive Work Programme to achieve improvements in corporate governance and the next step was to determine the role of the change programme going forward to deliver projects that would fundamentally alter the way in which Wirral operated as a Council within the financial context.

Resolved – That the progress and content of the Strategic Change Programme be noted.

68 BACK OFFICE EFFICIENCIES AND IMPROVEMENTS

Further to minute 35 (15 September 2011), the Deputy Chief Executive/Director of Finance provided details of the savings from back office services, which had been included within agreed budgets over the last three financial years and the benefits realised from the insurance Fund and Treasury Management activities. Although there was no specific definition of what constituted “back office” services they could be seen as money spent on the Council’s administrative and support functions and over the last three years, financial savings had been achieved through –

- the Early Voluntary Retirement/Voluntary Severance (EVR/VS) Scheme
- reductions and restructurings in management and administration staff
- better use of technology and rationalisation of IT services
- enhanced procurement arrangements
- office rationalisation and reduced running costs

He set out the savings by department and service area and commented that although comparisons of the level of savings were complicated, back office efficiencies had contributed almost £8m towards a total departmental expenditure reduction of £23m between 2009/2010 and 2011/2012.

Resolved – That the report be noted.

69 OFFICE RATIONALISATION AND AGILE WORKING

Further to minute 33 (15 September 2011), the Director of Law, HR and Asset Management presented an update of progress with the office rationalisation project and agile working, which formed part of the Committee’s work programme for 2011/2012.

The sale of Westminster House to Wirral Partnership Homes had been completed on 28 October 2011, with a capital receipt of £1.025m and he reported that detailed arrangements were now being made for the relocation of staff from The Old Courthouse building, with a view to its disposal. A series of other smaller staff moves was continuing and the Director indicated that the second phase of the rationalisation project had identified Liscard Municipal Offices and Bebington Town Hall and Annexe for vacation and closure. Discussions had started with affected services upon options for the relocation of staff and further updates would be presented in due course.

In response to specific questions that had been asked by Members, the Director provided an update in relation to agile working and suggested that a seminar for Members could be structured around IT issues to allow a better understanding of the potential benefits and limitations in this area.

Resolved –

(1) That the report be noted.

(2) That the Director of Law, HR and Asset Management be requested to liaise with group spokespersons to agree a date for a seminar on agile working.

70 **2011/2012 SECOND QUARTER PERFORMANCE AND FINANCIAL REVIEW**

The Deputy Chief Executive/Director of Finance provided Members with an overview of performance, resource and risk monitoring in relation to the Council's Corporate Plan for the period July to September 2011. For each element of the Plan, he set out what had worked well during the monitoring period and highlighted performance against indicators, resource implications and future challenges and risks. The projected general fund balance at 31 March 2012 was £7.3m and he provided also a summary of the capital programme, which had reduced by £12m since quarter 1, mainly as a result of the re-profiling of a number of CYP capital schemes with expenditure to take place in later years.

In response to comments from the Chair with regard to the presentation of information being shown as percentages without actual figures being provided, the Director agreed that future monitoring reports would include the information requested. It had however been included within the presentation to the Cabinet, which would be placed in the Council's web library.

Resolved – That the report be noted.

71 **FORWARD PLAN**

The Director of Law, HR and Asset Management reported that the Forward Plan for the period November 2011 to February 2012 had been published on the Council's intranet/website. Members had been invited to review the Plan prior to the meeting in order for the Council Excellence Overview and Scrutiny Committee to consider, having regard to its work programme, whether scrutiny should take place of any items contained within the Plan and, if so, how it could be done within relevant timescales and resources.

Resolved – That the Forward Plan be noted.

72 **REVIEW OF SCRUTINY WORK PROGRAMME**

The Committee considered its work programme and the Chair sought the views of Members as to whether any additional topics should be added to it. Views were expressed that the Committee should consider only those reports that it was required to, and those which had been requested as part of the agreed work programme.

Resolved –

- (1) That the Chair and spokespersons be requested to consider how best to ensure the work programme is succinct.**
 - (2) That the officers be requested to provide the Chair and spokespersons with an early indication of what reports they propose to present to the next meeting of the Committee.**
-