



POLICY AND RESOURCES SCRUTINY COMMITTEE

MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, YSTRAD MYNACH ON TUESDAY, 19TH JANUARY 2010 AT 5.15 PM

PRESENT:

Councillor J. Taylor - Chairman
Councillor Mrs. M.E. Sargent - Vice-Chairman

Councillors:

H.A. Andrews, L. Binding, Mrs. A. Blackman, D. Bolter, J.B. Criddle, D.T. Davies, J.E. Fussell, Ms. L. Hughes, S. Jenkins, Mrs. V. Jenkins, G. Jones, K. Lloyd, D.V. Poole, K.V. Reynolds, A.S. Williams, T.J. Williams, J.M. Wilson

For agenda item 7(3) - Treasury Management Advice

Councillors J. Bevan, P.J. Bevan, H. David, A. G. Higgs, Ms J.G. Jones, Mrs. G. Oliver, J.A. Pritchard, D. Rees, L.R. Rees, G.D. Simmonds, Mrs. B.M. Toomer, R. Woodyatt

Also present:

Cabinet Member for Finance, Resources and Sustainability - Councillor C.P. Mann

Together with:

N. Barnett (Director of Corporate Services), P. Evans (Head of Information, Communications, Technology and Property Services), G. Hardacre (Head of Human Resources and Organisational Development), C. Jones (Head of Performance and Policy), L. Lucas (Head of Procurement), D. Perkins (Head of Legal Services), N. Scammell (Head of Corporate Finance), A. Morgan (Group Accountant), J. Jones (Scrutiny and Members' Services Manager), J. Jones (Information Officer), H. Morgan (Senior Committee Services Officer)

APOLOGIES

Apologies for absence were received from Councillors D. Bolter, W. David, Mrs. M.A. Derrett, K. Etheridge, R.W. Gough, Mrs. P. Griffiths, K. James, S. Jenkins, M.G. Parker, Mrs. K. Presley and A.J. Pritchard.

1. DECLARATIONS OF INTEREST

There were no declarations of interest received at the commencement or during the course of the meeting. Following a general enquiry, the Monitoring Officer advised Members that if they had relatives employed by the county borough there was no requirement for them to declare an interest in the item relating to the review of core personnel policies.

2. TREASURY MANAGEMENT ADVICE

As all Members had been invited to consider this report, it was taken as the first item of business.

Before detailing the content of the report the Head of Corporate Finance pointed out that the proposed referendum would not affect the recovery of funds from the Icelandic Banks.

Consideration was then given to the report which advised Members of the position with regard to the release of information from the Authority's Treasury Management Advisors, Sector, in respect of matters relating to Icelandic Banks. With regards to freedom of information requests it was noted that until very recently Sector had refused to allow their information to be released to the public. It has now agreed that the information requested can be released.

The Head of Corporate Finance confirmed that the Wales Audit Office had previously had access to such information when they had undertaken an audit of the Authority's investments on the 9th October 2008. It has confirmed (13th October 2008) that all investments made had complied with Sector's credit worthiness service and the Authority's Treasury Management Strategy. Since that time PricewaterhouseCoopers, the Authority's current External Auditors, have undertaken the same exercise and have concluded full compliance by Officers in respect of these investments.

Details of the relevant information provided by Sector in respect of Icelandic Banks, the sector and credit ratings agencies official definitions to May 2008 and examples of institutions negative outlook as detailed in the appendices to the report were explained.

In concluding the Head of Corporate Finance again pointed out that investments in Icelandic Banks were made in accordance with the Council's Treasury Management Strategy and the Sector Credit Worthiness Service and reminded Members that this has been confirmed by an external audit by Wales Audit Office in October 2008 and by a further audit by PricewaterhouseCoopers in 2009. The financial implications associated with the impairment of the Authority's investments in Icelandic Banks were accounted for in the 2008/09 Statement of Accounts and Council report 30th June 2009. This has been reflected in the audit of the Authority's accounts by PricewaterhouseCoopers and was reported to Audit Committee 23rd September 2009.

Clarification was sought on the definitions used by Sector in respect of the ratings of the Icelandic Banks Landsbanki and Heritable and the Head of Corporate Finance explained the differences between the ratings (A affirmed - negative outlook, F1 affirmed, individual ratings B/C affirmed, support ratings - 1 affirmed and support ratings - 2 affirmed). She advised Members that the uncertainty in the financial markets has led to a review of the Treasury Management Strategy with a view to reducing risk further. This includes a pro-active approach in respect of reducing available cash balances, which need investing, this has involved internally borrowing rather than lending from the Public Works Loan Board and the use of lower risk institutions i.e. the Debt Management Office and other Local Authorities.

Members expressed concerns that although there were a number of newspaper articles which had detailed the collapse of the Icelandic banks, investments had continued to be made and a query was raised as to why they had not been subsequent withdrawn when the extent of the problem had been known. The Head of Corporate Finance confirmed that the investments were conducted under the council's Treasury Management Strategy and were subject to strict guidelines, consistent with government advice. When these investments were made, the ratings of both banks complied with specialist credit worthiness ratings in accordance with the councils own Treasury Management Strategy. With regards to the withdrawal of the funds, contractual arrangements provide that both parties have to agree the withdrawal prior to the maturity date. This would not normally be possible where a financial institution was facing

difficulties.

Clarification was also sought on the £25m shortfall and to whether this investment has resulted in this figure coming forward. The Head of Corporate Finance confirmed that the shortfall is due to cuts in the revenue support grant and is not in any way related to the Icelandic monies. She reiterated that Icelandic Banks were accounted for in the 2008/09 Statement of Accounts and detailed in the report presented to Council in June 2009. The money that has been returned to date has been placed in the Debt Management Office. This money is owed to the Authority and has already been accounted for, it is not additional income that can be used to supplement the budget.

Reference was made to comments made by Mr. Bason (Regional Director, Sector Treasury Services) when he has been present at the meeting of Council earlier in the year, particularly in relation to information on the credit ratings matrix that Sector Treasury Services provide to the local authority to analyse and consider prior to determining where the investment should be made. The Head of Corporate Finance confirmed that while the information had been considered, when these investments were made, the ratings of both banks complied with specialist credit worthiness ratings in accordance with the councils own Treasury Management Strategy. Since May 2009 credit default swop facilities have been made available for analysis.

A further point was raised in relation to the reluctance of Sector to release information under the Freedom of Information Act and Members welcomed the change in the original decision and noted that it is now possible to have made available details of correspondence between Sector and the county borough relating to matters concerning the Icelandic Banks.

It was confirmed that regular reports will continue to be presented to the Policy and Resources Scrutiny Committee in order to ensure that Members are kept fully up to date and noted that the uncertainty in the financial markets has led to a review of the Treasury Management Strategy with a view to reducing risk further.

3. MINUTES – 29TH OCTOBER AND 10TH NOVEMBER 2009

RESOLVED that the following minutes be approved as a correct record and signed by the Chairman.

Policy and Resources Scrutiny Committee held on 29th October (minute nos. 1 - 2, on page nos. 1 - 4) and 10th November 2009 (minute nos. 1 - 12, on page nos. 1 - 6).

MATTER ARISING

4. Performance Reports for Corporate Services, Policy and Democratic Services (minute no. 2 dated 29th October 2009)

Clarification was sought as to whether there has been any progress on the development of a manual telephone directory in order that Members are able to contact Officers directly rather than having to go through the Customer Care Line. The Head of Information, Communications, Technology and Property Services indicated that this is in the process of being progressed and would be made available to Members on request.

5. CONSIDERATION OF ANY MATTER REFERRED TO THE SCRUTINY COMMITTEE IN ACCORDANCE WITH THE CALL IN PROCEDURE

There had been no matters referred to the Scrutiny Committee in accordance with the call-in procedure.

It was reported that the call in submitted in relation to the Members Expenses report which had been presented to Cabinet on 8th December 2009 had been rejected on the grounds that Cabinet have the power to decide how the saving should be spent, and that this did not need to go to full council. There has been the correct level of consultation due to the involvement of the Policy and Resources Scrutiny Committee.

Concerns were expressed that Cabinet had not accepted the recommendation from Scrutiny that savings made from the members' allowances and expenses budget for 2009/10 be given to the Mayors Charity, Cancer Research Wales and that the call in requesting that the decision should have been referred to Council for consideration had been deemed invalid. In noting that a further request is to be made proposing that if a scrutiny committee recommend that a specific item should be dealt with by Council this should be the case, it was suggested that this should be raised under item 8 of the agenda (to record any requests for an item to be included on the next available agenda).

6. CABINET REPORTS

None of the Cabinet reports listed on the agenda had been called forward for discussion at the meeting.

7. REPORT OF THE CABINET MEMBER

Councillor C.P. Mann, Cabinet Member for Finance, Resources and Sustainability, referred to the recent periods of inclement weather and commented that the delivery of all frontline services within the borough had been outstanding and wished to place on record his appreciation to staff for their tremendous teamwork and dedication. He paid tribute to those who had been able to attend their workplace and commented on their dedication in ensuring they fulfilled their role in such conditions and enabled key services, including the Customer Care Centre, to be maintained.

He also referred to the ongoing budget process and proposals to hold a Seminar for all Members on 3rd February 2010.

REPORTS OF OFFICERS

Consideration was given to the following reports.

8. REVIEW OF CORE PERSONNEL PROCEDURES

The Monitoring Officer reminded Members that there was no requirement for them to declare an interest if they had relatives employed by the county borough.

The Head of Human Resources and Organisational Development detailed the content of the report which proposed revisions to the existing disciplinary, grievance and managing sickness absence procedures. He referred to the extensive consultation that has been undertaken with the Trade Unions and more recently to specific issues that had been raised by Unison since the preparation of the report. To enable Members to see the main differences between the old and proposed procedures a detailed analysis of each of the procedures was incorporated within the report and the proposed draft procedures were attached as appendices.

It was reported that the new procedures are very different from the procedures currently in place and the revisions have taken into account recent changes in legislation, operational practices and issues that have been raised and the lessons learnt from the Employment

Tribunal cases which have been filed against the Council. The new procedures on discipline and grievance have been developed around the new ACAS Code of Practice, which future Employment Tribunals will utilise to decide on the outcomes of decisions and practices adopted.

Members were pleased to note that the revised procedures have been simplified in comparison to the procedures currently in place and they provide notes of guidance for Officers when using the procedures. Concerns were however expressed in relation to the sickness absence levels and as to how these changes would affect the statistics. They were advised that once approval has been obtained an implementation plan will be developed to ensure that the procedures become effective to enable both short term and long-term sickness absence to be managed in a more robust and consistent way. It was accepted that a more structured approach to the management of sickness absence should also reduce the sickness absence levels amongst employees, which will also result in a more effective use of resources.

Detailed discussion ensued on the content of the report with specific reference being made to proposals to discontinue the use of the RAF factor and introduce new trigger points relating to the number of spells or a set number of days within a prescribed period or particular patterns of absence. Concerns were expressed at the proposal to use three days for this purpose and the Head of Human Resources and Operational Development explained how this would work in practice and pointed out that even though the trigger points are within specified periods of time, a Manager does not have to wait until the end of that period to take action if the trigger point is reached.

Further queries were also raised in relation to the provision/exchange of information protocol and the requirement for a signed witness statement, the proposal to withdraw the verbal warning from the formal procedure as a sanction (the first sanction being a written warning), and the proposed revised procedure for suspension, with the Head of Human Resources and Organisation Development determining whether suspension is still the most appropriate course. It was suggested that this course of action be amended to include a nominated Director. Queries were also raised on the failure of an employee to attend a disciplinary hearing and proposals to reserve the right to carry out the investigation and progress the disciplinary process in their absence, the long term sickness absence procedures and phased returns to work, the withholding of an increment (which will not occur until a full investigation into the employee's job performance has taken place), collective grievances, representation (a clause that the trade Union had asked to be included) and the appeals process. With regards to the latter, it was noted that a report on the future role of the Appeals Committee is to be presented to Cabinet and Council for consideration.

The Head of Human Resources and Operational Development explained how these changes would work in practice and detailed the proposed training which would be undertaken to ensure that the revised procedures are managed in a meaningful and consistent way.

It was clarified that although any new policies would relate to school based staff, it would be for the individual governing bodies to determine whether the policies (or a modification of the policies) should be adopted for teachers.

In view of the comments made by the Members during the course of the debate and those expressed by the Trade Union since the preparation of the report, it was agreed that a further report be prepared detailing the concerns raised and be presented to a Special meeting of the Policy and Resource Committee prior to the report being presented to Cabinet for consideration.

9. UPDATE ON SINGLE STATUS

Members were advised that the job evaluation exercise is now nearing completion with the significant milestone of implementing a new Pay and Grading Structure from the 1st of April 2009. It was recognised that whilst there will be an ongoing requirement to evaluate posts in the future the process is now nearing completion. Members were reminded that the Council adopted a strategy of dealing with the equal pay claims (which is also a requirement within the Single Status agreement) at the same time as the introduction of the new pay and grading structure. This caused complexities with managing the overlap between the new pay and grading structures and the historic equal pay claims.

Council agreed to fund the project by utilising reserves set aside for this purpose. Based on the financial modelling of the data available it was estimated that the payments made to staff in compensation payments would amount to £20m. Whilst the process is not yet complete, this estimate still remains valid. Until the outcome of all the appeals are known, and the outcome of the acceptance of compensation payments is complete a detailed analysis cannot be established. Once the true financial picture has been ascertained a further report would be presented to outline the position.

Members noted the report and that updates would be presented once details of the final position is available.

10. SUSPENSION OF RULES OF PROCEDURE NO. 9

At 8.00 pm, and in accordance with Rule of Procedure No. 9, it was agreed by the majority of Members present that the meeting continue to sit beyond 8.00 pm

11. TREASURY MANAGEMENT AND CAPITAL FINANCING PRUDENTIAL INDICATORS MONITORING REPORT - 2ND QUARTER 2009/10

Members were presented with details of treasury management activities and capital financing, together with the related prudential indicators for the period 1st August to 30th November 2009. Details of a table which identified the weekly credit list for 15th January 2010 and identified Institution benchmarking and Sovereign benchmarking were circulated and explained.

In noting that the Council no longer holds any long-term investments, the Head of Corporate Finance reported that in the light of the emphasis of the new CIPFA Treasury Management Code of Practice on managing risk, and in particular the need for diversification to spread the risks, there is a need to consider changes to the strategy which would involve moving a substantial part of the deposits held in the debt management office into other institutions based on their creditworthiness. The main areas for consideration would include Money Market Funds Banks meeting the highest practical credit rating and multi-lateral development banks.

With regards to Sector Treasury Services it was noted the Sector's Letter of Engagement includes an extension clause for an optional period of two years. Further investigation into the actual contract awarded by Caerphilly indicates that an extension was not included. Procurement processes are being implemented in order to have the new service in place from 1st April 2010 and details of the proposed specification as highlighted in the appendix to the report were outlined. In addition to the new Treasury Management Code of Practice, CIPFA has also more recently issued a revision to the Prudential Code. It is also understood that Welsh Assembly Government is due to consult on changes to its Investment Guidance in the near future. Officers will report on the implications/content of both documents at a later date.

It was also pointed out that the current contract for banking services, with Co-operative Bank plc, commenced in April of 2005 for a five-year period and as a result, the contract was due to be re-tendered to take effect from April of this year. However, due to the continued volatility in the financial sector, particularly banking services, proceeding with tendering for this service may have a detrimental impact on the number of potential tenderers applying for the Authority's business. As such, it is felt more prudent to extend the current arrangement for a further period of one year, to give the market time to stabilise prior to tendering the new service. A formal report will be presented in due course requesting that standing orders be suspended to progress with the one-years contract extension.

Members noted the content of the report and that further reports on the issues highlighted would be presented to future meetings.

12. ARRANGEMENTS FOR EXCHANGE OF INFORMATION BETWEEN PUBLIC SECTOR BODIES INVOLVING CCBC

Consideration was given to the report which provided information on the existing arrangements for the exchange of information between the county borough and other public sector bodies (in particular the exchange of personal data) and detailed how the exchange of personal data can be improved to ensure the Council complies with its legal obligations, in particular under the Data Protection Act 1998.

Members considered the Council's obligation to protect personal data, other arrangements for sharing personal data, including the information sharing protocol, operational protocol/guidance, data sharing without protocols in place and sharing information with data processors and noted the proposed course of action to be taken (as outlined in paragraph 4.16 of the report) in order to achieve this requirement.

13. REQUESTS FOR REPORTS TO BE INCLUDED ON THE NEXT AVAILABLE AGENDA

In noting the discussions earlier in the meeting whereby concerns had been expressed that Cabinet had not agreed with a recommendation from the scrutiny committee that an item should be referred directly to Council for consideration, a request was received for a report to be presented which details the protocol required to enable a scrutiny committee to refer a matter to full Council and as to whether there is a requirement to amend the constitution in order to achieve this. It was pointed out that certain functions sit with the Executive and certain function sit with Council and this would have an affect as to where the specific issue should be determined. This information would also be incorporated in the subsequent report.

14. INFORMATION ITEMS

The Committee noted the following items for information, full details of which were included within the Officers reports.

1. Summary of Members Attendance - Quarter 2 - 15th August - 14th November 2009;
2. Provision of Keys for Access to Public Toilets and Public Rights of Way;
3. Budget Monitoring 2009/10 - Performance and Policy;
4. Budget Monitoring 2009/10 - Corporate Service and Miscellaneous Finance;
5. SME and Voluntary Sector Development;
6. Caerphilly Local Service Board Minutes - 20th October 2009;
7. Corporate Health and Safety Committee Minutes - 11th November 2009;
8. Community Council Liaison Sub - Committee Minutes - 18th November 2009;
9. Pension/Compensation Committee Minutes - 9th December 2009.

The meeting closed at 8.40 pm.

Approved as a correct record and subject to any amendments agreed and recorded in the minutes of the meeting held on 2nd March 2010, they were signed by the Chairman.

CHAIRMAN