



POLICY AND RESOURCES SCRUTINY COMMITTEE

MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, YSTRAD MYNACH ON TUESDAY, 2ND MARCH 2010 AT 5.15 PM

PRESENT:

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

Councillors:

H.A. Andrews, Mrs A. Blackman, D. Bolter, S. Jenkins, G. Jones, K. Lloyd, D.V. Poole,
K.V. Reynolds, G.D. Simmonds, A.S. Williams, T.J. Williams.

Cabinet Members: Councillor A.J. Pritchard.

Together with:

N. Barnett (Director of Corporate Services), N. Scammell (Head of Corporate Finance),
D. Perkins (Head of Legal Services), A. Morgan (Group Accountant), L. Lucas (Head of
Procurement), J. Jones (Scrutiny and Members' Services Manager), S.M. Kauczok
(Committee Services Officer).

APOLOGIES

Apologies for absence had been received from Councillors J.B. Criddle, D.T. Davies,
J.E. Fussell, Ms L. Hughes, Mrs V. Jenkins, J.M. Wilson.

WELCOME

The Chair welcomed Councillor Graham Simmonds, who had recently been appointed to the
Scrutiny Committee.

1. DECLARATIONS OF INTEREST

There were no declarations of interest received at the beginning or during the course of the
meeting.

2. MINUTES

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

Policy and Resources Scrutiny Committee - 19th January 2010.
Policy and Resources Scrutiny Committee - 15th February 2010.

3. 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.

4. VERBAL REPORT BY THE CABINET MEMBER FOR HUMAN RESOURCES AND CONSTITUTIONAL AFFAIRS

Members received brief details of the number of posts that had been deleted to date in 2009/2010 in each directorate as part of the vacancy management programme i.e.

• Chief Executive's Department	27.3
• Directorate of Education & Leisure	20.65
• Directorate of the Environment	34
• Social Services	57.37

Overall, this amounted to a reduction of 139.32 full-time equivalent posts. Further details of the savings made would be presented to Members at the end of the financial year.

Members were also informed that arrangements had been made for the Local Government Boundary Commission for Wales to make a presentation to a Members' Seminar on Monday, 22nd March 2010.

5. CABINET REPORTS

There had been no requests for any of the Cabinet reports listed under agenda item 5 to be brought forward for discussion at the meeting.

SCRUTINY REPORTS

Consideration was given to the following reports: -

6. WHOLE AUTHORITY BUDGET MONITORING 2009-2010

The report provided information on the position of the whole Authority in respect of budget monitoring for 2009-2010. Consideration had been given to the expenditure and income trends in the first 9 months of the financial year. A projection had then been made of the likely outturn and where significant variations from budget had been identified they were commented upon in the report. Budget monitoring reports for scrutiny committees would be the subject of detailed reports by the appropriate director.

Members were reminded that a provision of 2% had been made in the budget for 2009-2010 in respect of the pay award for the same period. The pay award was subsequently settled at 1% resulting in a saving of £1.1m, which had been transferred to the corporate centre as non-committed.

Officers responded to the various issues raised by Members in relation to the following and/or agreed to provide the information requested as soon as possible following the meeting: -

- Paragraph 3.37: DLO/DSO Trading Accounts.

The Refuse and Cleansing DSO is presently reporting a healthy trading surplus of £488k, which is likely to reduce due to the need to invest in new vehicles and also costs associated with enhanced street cleansing and delivery of food caddies.

A Member asked whether consideration could be given to using some of the surplus to purchase vehicles suitable for rear lane collections.

- Paragraph 3.4: Home to School/College Transport (underspend £209k).

The projection is an underspend of £209k following contract negotiations for the start of the new school year in September. The forecast includes an estimate for additional transport requests to the end of March based on historic information. In addition, the Authority is potentially liable for increasing the number of pupils on a contract/vehicle even if there is free capacity.

- Paragraph 3.3: Retirement/Severance (overspend £230k).

The budget was reduced by £500k during the 2009/2010 budget process based on projected actuals for 2008/2009. Based on current information a projected overspend of £230k has been identified which includes one-off costs associated with redundancy as well as the on-going pension strain commitments.

- Paragraph 3.16: Engineering Division (£369k overspend).

A net overspend of £369k is projected for the Division for 2009/10. The highways infrastructure/roads maintenance budget is projected to be at least £500k overspent. This is a direct consequence of the severe weather conditions. Final costs of the severe weather period have not yet been finalised but costs of materials, NCS staff time, vehicle costs and "bought-in" services from refuse collection and parks services will all contribute to the overspend. Council have agreed to fund these one off costs from General Fund balances.

- Paragraph 3.19: Director's Office (£206k overspend).

An underspend of £6.8k is anticipated on the Director's Office expenditure budget with a corresponding reduction in recharges to Divisions/Services. However there is a £205k efficiency saving presently held at a strategic level and shown under Director's Office, but this will be allocated to service areas by the year end.

- Paragraph 3.30: Performance and Policy (Nil after planned use of reserves).

The saving of £30k from the non-increase in Members' Allowances has not been taken into account in any projections. A report will be presented to Cabinet in due course.

- Paragraph 3.43: Council Tax (£400k surplus).

It is estimated that Council Tax recovery rates will be higher than anticipated in 2009/10 with a surplus of £400k estimated.

Members requested further information in relation to the Council Tax recovery rate and the impact of voids on the loss of rent and Council Tax.

The Scrutiny Committee endorsed the recommendation in the report that Directors review expenditure and income trends in order to ensure annual budgets are achieved.

7. TREASURY MANAGEMENT AND CAPITAL FINANCING PRUDENTIAL INDICATORS MONITORING REPORT - 3RD QUARTER 2009/10

Members received details of Treasury Management activities and Capital Financing, together with the related prudential Indicators for the period 1st December 2009 to 31st January 2010.

The Council no longer holds any long-term investments. The value of the short-term deposits at 31st January 2010 was £78.140m made up of a spread of periods from instant access call accounts to 364 days. The average rate as at 31st January 2010 for these deposits was 0.29%, which is extremely disappointing but not surprising considering that the base rate was still only 0.5% and compares unfavourably with the target rate as detailed in the Annual Strategy 2009/10 report to Council on 26th February 2009, of 1.00%.

On the basis of the current levels of interest rates and available balances it is predicted that the overall rate that will be achieved for 2009/10 will be around 0.66%.

The Council's current risk averse strategy of only placing deposits with the DMO could now be seen as more risky than previously due to the negative rating outlook on the UK government who could lose their AAA status. As a result, and 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 DMO into other institutions based on their credit worthiness. The main areas for consideration would include Money Market Funds, banks meeting the highest practical credit rating (including the Sovereign rating of the country) and multi-lateral development banks (e.g. European Investment Bank – AAA rated).

Due to the payments related to Job Evaluation being delayed, the level of balances was higher than anticipated. However, due to the level of interest rates achieved there was likely to be a shortfall in interest income of approximately £40k.

Officers responded to the various issues raised by Members in relation to the following: -

- Paragraph 4.9: Sector Treasury Services.

Procurement processes have been implemented and tender presentations were due to take place on 4th March 2010 for the contract for the provision of Treasury Management advice.

- Paragraph 4.10: Icelandic Banks.

Members were reminded that the Winding-Up Board of Landsbanki had afforded priority status to local authority deposits. However, this was subject to legal challenge. To date, some £2.9m has been received in respect of Heritable Bank. A further unscheduled dividend was likely to be paid in March 2010 but no details of the sum involved were available at present.

- Paragraph 4.11: CIPFA Treasury Management Code of Practice - Revision.

In addition to the new TM Code, CIPFA has also more recently issued a revision to the Prudential Code. The Welsh Assembly Government is currently consulting on changes to its Investment Guidance. A report on the implications/content of both documents was due to be presented to the next meeting of Council.

- Paragraph 5.1: Capital Financing Requirement.

The capital financing requirement measures the Authority's underlying need to borrow for a capital purpose. In the financial year to date the Authority has been operating within the approved limits.

The Scrutiny Committee noted the report.

8. BUDGET MONITORING 2009/10 - PERFORMANCE AND POLICY

The report projected the anticipated final outturn for the Performance and Policy Division based upon expenditure and income trends for the first nine months of the year.

The original budget for Performance & Policy anticipated the use of some £208k from reserves in order to deal with budget constraints facing the service area. The current projection indicates a reduction in that requirement to some £113k after taking account of the transfer to the Election Reserve referred to in paragraph 4.5. Procedures are being implemented to provide a balanced budget in 2010/11.

The underspend of £24k on Committee Services relates mainly to salary savings due to the retirement of the Committee Services Manager. The anticipated overspend on Members Services relates to the payment of pension costs arising from early retirements.

The savings of £13k relate to the fact that Members who have more than one Special Responsibility only receive an allowance for one of the positions. The saving in respect of the 0% increase in Members allowances of £30,000 has been ring-fenced and is not included in the forecast underspend.

Electoral services are currently projected to underspend £78k. This relates partly to the provision included in the base budget of some £53k to equalise the cost of elections together with salary savings (£5k), underspends on Supplies & Services (£10k) and additional income (£7k). Any balance remaining at the year-end relating to the provision of £53k will be transferred to the earmarked reserve that specifically exists for this purpose.

The underspend of £22k in Performance Management relates to salary savings due to the secondment of staff. The underspend of £42k on the Policy Unit relates to salary savings arising from early retirement.

The Scrutiny Committee noted the report.

9. BUDGET MONITORING 2009/10 - CORPORATE SERVICES AND MISCELLANEOUS FINANCE

The report projected the anticipated final outturn for these services based upon expenditure and income trends for the first nine months of the year.

After a planned use of Corporate Service reserves for one-off expenditure, spend is forecast to be below the budget for 2009/10. Reasons for variances to budget are outlined below: -

The anticipated overspend of £100K in Legal Services, relates to the budget constraints on the service area due to a reduction in Land Charges income. This overspend has been managed down to £100k by the redeployment of staff who previously worked in the Land Charges Section. It is intended to use corporate service reserves to fund these one off costs.

The anticipated overspend of £95K in Corporate Finance is due to one off costs associated with the early release of one member of staff under the 85 year rule and the implementation of a new Sundry Debtor system. There was a requirement to replace the Sundry Debtors system after 10 years as the software provider had given notice that they would not be supporting the system in the future.

Within the anticipated underspend of £171K on Information, Communications, Technology and Property Services, some £67k relates to Corporate Property and arises largely due to energy savings, as a result of new contract prices from October on corporate buildings, NNDR refunds of prior year payments and staff savings as a result of vacancy management.

The anticipated underspend of £50K in Procurement Services relates to delays in appointing staff.

A £212k underspend is projected in relation to Capital Financing. This has arisen, in part, from the level of balances being higher than anticipated, due to delays in the making of Equal Pay and Job Evaluation payments, giving rise to investment income being higher than projected. Other contributory factors include reductions in statutory provisions for principal repayments, following the closure and audit of the 2008/09 accounts.

The Scrutiny Committee noted the report.

10. INFORMATION ITEMS

The following items were reported and noted: -

1. Write Off Debts 2009/10.
2. Discretionary Rate Relief Applications.
3. Summary of Members Attendance - Quarter 3 - 15th November 2009 - 14th February 2010.
4. Pensions/Compensation Committee - 1st and 15th February 2010.
5. Corporate Health and Safety Committee - 10th February 2010.

11. REQUESTS FOR REPORTS

Councillor Gerald Jones requested a report on the Council's Service Level Agreement (to include details of costs) with VALREC.

The meeting closed at 6.15 pm.

Approved as a correct record and subject to any amendments agreed and recorded in the minutes of the meeting held on 20th April 2010, there were signed by the Chairman.

CHAIRMAN