# SPECIAL POLICY AND RESOURCES SCRUTINY COMMITTEE

## MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, YSTRAD MYNACH ON TUESDAY, 24TH SEPTEMBER 2014 AT 5.30 P.M.

PRESENT:

Councillor H.W. David - Chair
Councillor S. Morgan - Vice Chair

Councillors:

C.J. Cuss, J.E. Fussell, C. Hawker, Ms. J.G. Jones, G. Kirby, A. Lewis, C.P. Mann, D. Rees

Cabinet Members:

Mrs. B. Jones (Corporate Services), G. Jones (Housing)

Together with:

N. Scammell (Acting Director of Corporate Services and Section 151 Officer), G. Hardacre (Head of Workforce and Organisation Development), C. Jones (Head of Performance and Property Services), S. Harris (Interim Head of Corporate Finance), J. Jones (Democratic Services Manager) and R. Barrett (Committee Services Officer)

Also present:

G. Enright (Unison Branch Secretary)

### 1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors L. Binding, Miss E. Forehead, D.M. Gray, R. Saralis, Mrs J. Summers and J. Taylor, together with Cabinet Member Mrs. C. Forehead.

### 2. DECLARATIONS OF INTEREST

Councillor Mrs. J. Jones declared an interest in Agenda Item 3 (Mileage Expenses – Options Appraisals on Savings). Details are minuted with the respective item.

Mr G. Hardacre, Head of Workforce and Organisation Development, declared an interest in that he is a member of an organisation referenced in Agenda Item 4 (Property (Building) Rationalisation) but left the meeting before this item was discussed.

**3. CORPORATE SERVICES MEDIUM FINANCIAL PLAN 2015/16 AND 2016/17 – ITEMS FOR CONSIDERATION**

The Chair introduced the evening's proceedings, which sought Members' comments on a number of proposed savings and efficiencies within the Corporate Services Directorate, as part of the Medium Term Financial Plan (MTFP) for 2015/16 and 2016/17. The meeting continued a comprehensive timetable of meetings relating to the budget planning process, with the primary purpose of the meeting being for Members to be advised of, and debate a range of potential cuts/efficiency options.

It was reiterated to Members that they were not being asked to determine cuts to services at this meeting, and they were encouraged to request further information in the event of being unable to reach agreement regarding the savings proposals presented.

**REPORTS OF OFFICERS**

Consideration was given to the following reports.

**4. MILEAGE EXPENSES – OPTIONS APPRAISALS ON SAVINGS**

Councillor Mrs J. Jones declared a personal and prejudicial interest in this item, in that her daughter is employed by the Authority as a Carer and could be affected by these proposals, and therefore left the meeting during discussion of this item.

The Chair introduced the item and it was arranged that Gareth Hardacre, Head of Workforce and Organisational Development, would present the report, followed by a response from Gary Enright, Unison Branch Secretary, on behalf of the collective Trade Unions. Questions and discussion by Members on the proposals would then follow, prior to consideration of the report recommendations.

Mr. Hardacre presented the report, which sought Members' views on the potential budget savings that could be achieved from amending the Council's Expenses Payments for Employees. As part of the 2014/15 budget approved by Council in February 2014 the Casual User Mileage rate was reduced from 55p to 50p per mile. Cabinet had originally proposed a reduction to 45p per mile in line with the approved HMRC rate. However, in light of representations raised by the Trade Unions on behalf of their members a reduction to 50p was considered more appropriate at that time.

The report reconsidered whether it would be appropriate to review this position and bring the mileage rate in line with the HMRC approved arrangements, in light of worsening Medium-Term Financial Plan (MTFP) projections, with three options listed for Members' consideration:-

(a) Preserve the status quo - carry on funding the expenses at the current level of 50p per mile. This would not deliver any contribution to the MTFP savings target;

(b) Amend the mileage rates to the approved HMRC rate with effect from the 1st April 2015. This would deliver a projected ongoing saving of circa £135,000 per annum (excluding Schools and the Housing Revenue Account);

(c) Amend the mileage rates to any other rate that Members may wish to propose.

If a change to the mileage rate were to be implemented, a collective agreement with the Trade Unions to achieve an agreed implementation date would be sought. In the event that this could not be reached, a lead in period of 12 weeks would be required to allow for the contractual notice to be served. Members were directed to Appendix A of the report, which contained an analysis of mileage payments to staff, broken down into pay grades, and detailed the potential savings that could be made via a 5p per mile reduction in payments.

Mr Gary Enright, Unison Branch Secretary, was then invited to respond to the report on behalf of the collective Trade Unions and to highlight their position regarding these proposals.

Mr Enright referred to the three options listed within the report and advised Members that in his opinion and in light of the personnel implications outlined in section 7.2 of the report, Option C – to amend the mileage rates to any other rate that Members may wish to propose – did not appear to make sense. He reiterated that the Trade Unions remained opposed to any changes to employees' terms and conditions that would worsen their current position, with it highly unlikely that the Trade Unions would support the proposal to reduce the mileage rate payments to employees.

Reference was made to Appendix A of the report, which detailed an analysis of breakdown of mileage payments by pay grade, with Mr Enright stating that the figures indicated against Grade 5 and Grade 6 employees were inaccurate and needed to be amended.

Mr. Enright also referenced previous meetings where alternative savings efficiencies to amending the mileage rate had been suggested by the Trade Unions, and clarified these suggestions, which included reducing communication costs, reviewing the use of consultants, ring-fencing of finances and reviewing the Council's fleet of vehicles.

In closing, Mr Enright called for further consultation with staff in regards to the mileage expenses proposals, and requested that consideration of the matter be deferred until 2016/17.

Detailed discussion of the report ensued and Members made reference to the Analysis of Breakdown of Mileage Payments detailed in Appendix A of the report. Officers explained that this analysis was an Equalities Impact Assessment, which identified that certain groups of staff would be affected to varying degrees by the proposed changes (Options B and C) based on their current need to claim expenses. Members queried the data contained within the analysis and commented that it would useful to have the salary scales included for reference. Officers arranged for this information to be provided to Members.

Concerns were raised that the analysis was not a true reflection of the monetary impact on staff, in that some of the staff listed against each pay banding could be employed on a part-time/pro-rata basis and therefore affected to a greater degree. Officers explained that it was essential to maintain consistency across the board in that there could be a possible equalities challenge if different mileage expense rates were applied based on pay grades and/or individual circumstances.

Reference was made to the mileage payments made by neighbouring authorities with concerns expressed that staff working for CCBC could be at a financial disadvantage compared to those employed by other councils. Mr Hardacre confirmed that of the neighbouring authorities, the majority have adopted the HMRC rate of 45p per mile and that Caerphilly is one of only five Welsh Local Authorities that have not adopted this rate to date.

Nicole Scammell, Acting Director of Corporate Services, then responded to the Trade Unions' suggestions regarding savings efficiencies. The process in regards to the use of consultants was detailed, which included an in-depth procurement tendering process, together with consultation with Cabinet. Members were asked that if they were aware of any recurring consultancy costs as part of revenue spending, that this be brought to the attention of Officers in order for this spend to be examined. With regards to a review of the Council's fleet of vehicles, specific suggestions were welcomed as part of the MTFP. Regarding the ringfencing of finances, it was confirmed that reserve funds were retained as a contingency measure in view of the potential impact of the MTFP.

In response, Mr Enright questioned the value of consultants to the Authority, with Members requesting that the situation be clarified with regards to the use of consultants and the circumstances in which they were employed. Mr Enright also suggested a review of recycling arrangements as a savings efficiency and referenced the three-weekly cycle used by some neighbouring authorities. It was confirmed by the Chair that recycling arrangements would be a matter of discussion for the Regeneration and Environment Scrutiny Committee.

Members referenced the MTFP and raised concerns that preserving the status quo in regards to mileage payments could impact elsewhere on the Authority and lead to redundancies. Mr Enright reiterated that he appreciated the need for job protection but that it had previously been agreed that the mileage rate would not drop to 45p per mile until 2016/17, in line with the harmonisation of employee terms and conditions. Members raised concerns that these proposals would particularly impact on lower-paid staff and suggested that the matter be deferred for consideration until 2016/17.

Queries were raised in regards to the Council's fleet of vehicles and the possible use of pool cars/hire cars by staff as an efficiency measure. It was confirmed that this option had previously been examined by Officers but could be looked at again, and Officers confirmed that there was a facility for departments to hire vehicles for the transport of staff for business purposes. Mr Enright queried the use of video conferencing as an alternative to travelling, and it was confirmed that while the Authority utilised this facility, it was not always feasible in that other parties did not always have video-conferencing capabilities.

The Acting Director of Corporate Services reiterated the need to deliver savings against the MTFP and explained that the Authority's financial position would become clearer on 8th October 2014 with the announcement of the budget settlement for 2015/16. Members were advised that with limited savings options available for the next financial year, a number of difficult decisions would have to be made, with the possibility of previous decisions revisited with a view to increasing savings and efficiencies.

It was explained that draft proposals with regards to the MTFP were due to be presented to Cabinet on 29th October 2014 and that therefore it was important to ensure that any agreed savings and efficiencies were implemented as soon as possible in order to facilitate savings in 2015/16. The Chair raised concerns that the Committee were being asked to comment on the options after receiving limited information, and asked Members to bear this in mind when considering the report.

The Chair asked Officers to clarify whether savings from a mileage rate reduction would become apparent immediately or later on in the year, and it was explained that it was unlikely that a decision would be taken on the matter before the Special Cabinet Budget meeting in February 2015, with any changes implemented from April 2015.

Following consideration of the report, Option B was moved and seconded in that mileage rates be amended to the approved HMRC rate with effect from 1st April 2015. By a show of hands and a majority vote, the motion was declared lost.

An amendment to Option A was moved and seconded in that the status quo be maintained with expenses continuing to be funded at 50p per mile, and that this mileage rate be reduced to 45p per mile in 2016/17. By a show of hands and a majority vote, the motion was declared lost.

The Policy and Resources Scrutiny Committee therefore determined that they were unable to make a recommendation on the matter, and requested that their comments made during consideration of the report be noted in detail and forwarded to Cabinet.

## 5. PROPERTY (BUILDING) RATIONALISATION

The Chair made reference to the Community Centres listed for rationalisation within the report and reminded Members that consideration of these particular buildings had taken place at a Special Education for Life Scrutiny Committee on 18th September 2014. In that this matter would be subject to further discussion in the near future, it was agreed by the Committee that the Community Centres contained within the proposals would not be considered at this evening's meeting.

Colin Jones, Head of Performance and Property, presented the report, which proposed the disposal of approximately 50 of the most inefficient council-owned or managed buildings as part of the Council's Land and Buildings Asset Rationalisation Programme.

Members were advised that CCBC owns and maintains approximately 885 corporate and public buildings on 411 sites. As at 31st March 2014 it has a total outstanding building maintenance liability of £48,248,489, of which £1,268,935 is required for Priority 1 repairs. These repairs are classified as "work defined as that of the highest importance and, unless undertaken, may lead to closure of the building or a serious breach of health and safety legislation".

The report explained that the culture of the Authority has traditionally been to keep and maintain its property portfolio and encourage its uses via council services, community uses, leisure provision etc. When situations have arisen by buildings being declared surplus, the Council has often taken advantage of this to dispose of property but it is very much a reactive rather than planned process.

The purpose of the report was therefore to attempt a "kickstart" of change in established culture by challenging the continued retention of buildings that impose the highest liability on the Council and encouraging their disposal. A schedule of candidate properties for consideration for disposal was presented to Members and appended to the report. This approach would be a driver for changes in historical working practices demanded by the poor financial outlook for public services. It was planned that over the coming months, discussions would be held with the various Directorates via the Asset Management Group aimed at securing a first phase list of agreed properties, to be ratified by Scrutiny, whose disposal will meet the draft MTFP targets for 2015/16 and 2016/17.

Detailed discussion of the proposals followed and Members referenced a number of specific sites listed within the report, raising concerns that disposal of these properties could have a detrimental impact on local communities. Queries were raised regarding the inclusion of several of these properties and it was felt that further information was needed with regards to the reasons for their inclusion. Members called for detailed consultation with the public and local ward members who could be affected by the proposals.

Members commented on the need for a strategic approach to the principles of property rationalisation in order to determine a shortlist of potential properties. Comments were made regarding a need to invest potential savings against some of the properties listed in order to improve their efficiency. A query was received regarding the revenue savings and cost avoidance savings listed against the properties and Officers confirmed that the list centred around the running costs of the buildings as an indicative measure of efficiency.

Following detailed consideration of the proposals, Members unanimously accepted the principle of the report as a means of property rationalisation and recommended that the 20 most deliverable properties be considered initially within the financial years 2014/15 and 2015/16. A further report will be presented after consultation with Directorates and any local members directly affected by the potential loss of those 20 properties

## 6. HELP FOR PENSIONERS WITH THEIR COUNCIL TAX

Stephen Harris, Interim Head of Corporate Finance, presented the report, which set out further options for Members to consider in relation to the 'Help for Pensioners with their Council Tax' Scheme.

Members were reminded that a report was originally presented to the Policy and Resources Scrutiny Committee on 17th June 2014 to consider this matter, with the options presented to Members as follows:-

(a) Carry on funding the scheme at 2013/14 levels i.e. £246,000;

(b) Withdraw the scheme completely with effect from 1st April 2015 onwards and achieve a saving of £246,000 per annum;

(c) Award 50% of the current level of grant from 1st April 2015 onwards and achieve a saving of £123,000 per annum;

(d) Award 50% of the current level of grant for the 2015/16 financial year and then withdraw the scheme completely with effect from 1st April 2016. This would achieve a saving of £123,000 in 2015/16, with a further £123,000 per annum being realised from April 2016 onwards.

The current scheme is targeted at those aged 60 plus and there are 2811 qualifying accounts.

Following consideration of the options presented at that meeting, Members had requested details of some additional options targeting the financial support at those aged 65 and above, those aged 70 and above and finally, those of pensionable age.

Information relating to these additional options was presented to Members as follows:-

(a) Target funding at those aged 65 plus – this would encompass 2584 qualifying accounts, at a cost of £228,000 and achieve a saving of £18,000;

(b) Target funding at those aged 70 plus – this would encompass 1918 qualifying accounts, at a cost of £169,000 and achieve a saving of £77,000;

(c) Target funding at those of pensionable age – this would encompass 2781 qualifying accounts, at a cost of £245,000 and achieve a saving of £1,000.

Consideration of the report ensued and Members raised concerns that amendments to the scheme could have an impact on those individuals struggling financially. A query was raised in regards to introducing means testing criteria and Officers confirmed that this discretionary service already achieved a high level of uptake and that such assessments could potentially result in increased eligibility numbers.

A query was raised regarding the difference between age 65 and pensionable age and Officers confirmed that there was a minor difference in that some individuals achieved pensionable age at 65, and others at 66, depending on their year of birth. Members called for the need to keep pensioners informed of any developments in regards to the future of this service.

Following consideration of the proposals, Members unanimously endorsed Option D of the report – award 50% of the current level of grant for the 2015/16 financial year and then withdraw the scheme completely with effect from 1st April 2016.

## 7. INVESTMENT STRATEGY

Stephen Harris presented the report, which outlined a range of options for Members to consider in relation to the Council's investment strategy.

It was explained that the Council currently deposits surplus cash balances with the Debt Management Office (DMO) and other local authorities (including police and fire authorities) for periods up to three months. In line with the Council's approved Treasury Management Strategy (TM Strategy) there is no restriction in terms of the value of investments that can be placed with the DMO but only £5m can be deposited with a local authority. Furthermore, the Council can only place deposits for a maximum period of 3 months with each counterparty.

The TM Strategy is reviewed annually and is approved by full Council as part of the budget setting process. Historically the Council has deposited funds with national and international banks and building societies, but since the financial crisis of 2008 the Council had reverted to a risk adverse strategy.

Following Member requests for further information on the investment options available, the Council's treasury management advisors, Arlingclose, prepared three models for Members to consider in relation to the current approach to investments. These scenarios are based on investment returns of £1m (Model 1), £500,000 (Model 2) and £655,000 (Model 3) and were outlined to Members.

Model 1 has an average investment duration of 3 years, with a return of 1.36% (£1.02m). £20.3m is available within a day's notice, £8.5m is invested for 1 year, whilst £46m is invested for longer than 1 year. This portfolio would represent liquidity risk as there is not enough cash available to cover the short-term period (3 months to 1 year) and it was advised that Officers did not therefore recommend this option. The use of corporate bonds and floating rate notes (in addition to the covered bond) would require an amendment to the TM Strategy.

Model 2 is similar to the scenario in Appendix 1 and has an average duration of 188 days and yields a return of 0.67% (£500,000). £17m is available within a day's notice, £21.8m within 2 months and £9m is invested longer than 1 year. The remaining £27m is invested between 3 and 12 months. This portfolio would suit the Council's cashflow profiling. An amendment to the TM Strategy would be required for the use of covered bonds and the duration of some of the proposed investments.

Model 3 has an average duration of 421 days and yields a return of 0.88% (£655k). £16.8m is available within a day's notice, £5m within 2 months and £24m is invested longer than 1 year (with £2m at 5yrs with a local authority). The remaining £29m is invested between 3 and 12 months. This portfolio would also suit the Council's cashflow profiling. The use of corporate bonds (in addition to covered bonds) would require an amendment to the TM Strategy.

Detailed discussion of the report followed and Members referenced comparative data provided at the Medium Term Financial Plan Members' Seminar on 15th July 2014, with it being confirmed by Officers that the risks of each scenario were still respectively lower than for other benchmarked authorities.

Members discussed the potential of Model 1 and queried the action required in order for it to become a viable option, with Officers reiterating the concerns in regards to the liquidity risk detailed. It was explained that the Council had a reputation for prompt payment of supplier invoices and it was essential to ensure that there were sufficient funds available for such purposes. Members also discussed the use of covered bonds and corporate bonds detailed within the report.

Following consideration of the report, Members requested that Model 1 be reviewed with a view to removing the liquidity risks contained within this option. It was requested that a further report containing this additional information be presented at a future meeting of the Policy and Resources Scrutiny Committee.

## 8. OTHER PROPOSED SAVINGS - CORPORATE SERVICES AND MISCELLANEOUS FINANCE

Stephen Harris presented the report, which provided details of a range of 2015/16 savings proposals within the Directorate of Corporate Services and Miscellaneous Finance to support the Authority's Medium Term Financial Plan.

It was explained that Heads of Service within the Directorate of Corporate Services have reviewed budgets in detail to identify a range of savings options to support the MTFP. The savings proposals presented in this report relate specifically to the 2015/16 financial year and have been categorised into five areas: Vacancy Management, Contract/Service Rationalisation, Property Costs, Budget Realignment, and Other, with identified savings totalling £2,508,000. Each of these areas was outlined and the potential savings within each area detailed.

With regards to Vacancy Management, a number of vacant posts within the Corporate Services Directorate were outlined, with deletion of these posts bringing about a saving of £188,000. In addition to this, 2015/16 savings of £89,000 were due to be realised from the full-year impact of a review of the Development Team within IT Services that was agreed as part of the approved package of savings for 2014/15.

Members were informed that a review of a number of budget headings, involving Contract/Service Rationalisation, had identified savings totalling £205,000, and a review of property budgets and reductions in Property Costs had identified savings of £175,000. A detailed review of budgets had been undertaken to identify areas where actual expenditure is consistently lower than the budgeted level, with this Budget Realignment bringing about savings of £698,000.

A number of savings had also been identified in other budgets, including the reduction of the Fire Service Levy, revenue budget savings from the Welsh Housing Quality Standard Debt Charges, and savings made in relation to subscription charges. The identified savings for these areas totalled £1,242,000.

During the ensuing discussion, Members referenced several of the identified savings and Officers responded to general queries. It was confirmed that the Authority were withdrawing from the Welsh Purchasing Consortium because they already received a similar service from the National Procurement Service.

Following consideration of the report, Members unanimously endorsed the range of savings proposals for 2015/16 outlined within the report.

The meeting closed at 7.48 pm.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 11th November 2014, they were signed by the Chair.

__________________________

CHAIR