

**THE MINUTES OF THE MEETING OF THE
RESOURCES SCRUTINY COMMITTEE
HELD ON TUESDAY, 29TH JANUARY, 2008**

Present: Councillor A. Burnip (Chair)
Councillors Mrs M Baird, A. Collinson,
J Haggan, D Maddison, Mrs. J. Maitland,
M Nicholls, R Taylor and Mrs V M Williams

Also Present: Councillor P G Ward

1. **THE MINUTES OF THE LAST MEETING** held on 8th January, 2008, a copy of which had been circulated to each Member, were confirmed.
2. **THE MINUTES OF THE MEETING OF THE EXECUTIVE** held on 15th January, 2008, a copy of which had been circulated to each Member, were submitted.

RESOLVED that the information contained within the Minutes, be noted.

3. **PUBLIC QUESTION AND ANSWER SESSION**

There were no members of the public present.

4. **FEEDBACK FROM SCRUTINY MANAGEMENT BOARD**

The Chair advised that at the last meeting of the Scrutiny Management Board held on 21 January, 2008 the following issues were discussed.

- (i) Evaluation of Overview and Scrutiny in County Durham
- (ii) Joint Overview and Scrutiny Network – Review of Public Transport - Access to Health Services

RESOLVED that the information given, be noted.

5. **SERVICE UNIT PERFORMANCE REPORTING – PERSONNEL SERVICES UNIT**

Consideration was given to the report of the Head of Personnel which gave details of performance and achievements in the Personnel Services Unit during 2007/2008, a copy of which had been circulated to each Member.

With regard to the 2007/2008 Service Plan R Gott highlighted the following achievements.

Members were advised that a revised Management of Change document was adopted in September 2007 and subsequently implemented.

During 2007 the Personnel unit had initiated shared services with Town/Parish Councils. The unit offered personnel and health and safety services for a fixed annual fee which had proved very successful.

The Council had been set a Government challenge to reduce the number of accidents at work by one third over a ten-year period which the Council had adopted as a Local

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Performance Indicator. To date this target had been surpassed and the initial figure of 27½ accidents per 1,000 employees had been reduced to 15.6 in 2006/2007.

In order to reduce costs e- recruitment was introduced. All vacancies were now advertised on the councils website and an application for employment could be downloaded direct from the website.

With regard to apprentice recruitment the authority currently employed 12. For the first time in 2006 the authority employed business administration apprentices, this was repeated in 2007 and there was now 6 apprentices in business administration, which had proved a success.

The authority now paid the vast majority of its employees on a monthly basis in order to minimise payroll costs. The latest exercise carried out in September moved approximately 200 employees onto monthly pay by agreement. There remained only one small group of employees who retained weekly pay.

R Gott explained that the authority continued with its policy of “growing our own” professional staff particularly in the areas of building control, planning and surveying.

The authority had recently received an “Aim Higher” regional award which recognised the authority’s training record with regard to higher education.

The authority had been involved in a lengthy employment tribunal which had taken up a lot of officer time, resources and expenditure. The authority was successful in winning the tribunal and had been awarded a nominal amount towards its costs.

Members were advised that employee turnover was still very low and to date there appeared to have been little disruption due to Local Government reorganisation. Turnover was approximately 5% which was low compared to the average of 8 to 10%.

Reference was made to the authority’s Flexible Retirement Policy, which allowed employees to access their pension benefits early in certain circumstances. The scheme was cost neutral to the Council.

During 2007 East Durham Homes (EDH) had experienced financial difficulties and had carried out a “downsizing” exercise to reduce its workforce. The Personnel unit had assisted EDH with this exercise.

R Gott reported that up to December 2007 the corporate sickness absence rate had increased to 10 days per employee, which was an increase on the previous two years performance. Performance over the previous two years had been 8.7 and 8.5, which had almost achieved top quartile. Details of sickness absence rates were outlined in Appendix 2 and Appendix 3 gave details of sickness data in respect of individual service areas, which showed the average number of days lost to sickness per employee. R Gott explained that the authority had an increased number of employees who had long-term sickness absence, ie employees who were potential candidates for either ill health retirement or dismissal through incapacity. The average number of employees in this category would normally be 3 to 4 and there were currently 8 employees on long-term sickness absence. During December/January many employees had been hit by the Flu bug so it was hoped the situation would improve by the financial year end.

Difficulties being experienced in recruitment could be attributed to LGR and the uncertainty it created.

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Members were advised that due to other priorities there had been slippage on a number of areas of work. The production of a Workforce Plan was no longer relevant due to LGR and had been shelved. The Personnel unit would also be issuing new Statements of Particulars to all employees, which was basically a contract of employment, which set out employee's terms and conditions of service.

R Gott outlined areas of work the unit was involved in regarding LGR. Each of the Councils had their own policies and procedures and it was a huge exercise to try and harmonise the terms and conditions across the board. With regard to recruitment all of the Councils had agreed to keep positions open for staff who might be displaced to avoid possible compulsory redundancies, this was being achieved through acting up arrangements, secondments and the placing of job adverts in a common "job spot". It was hoped there would be full Trade Union involvement in the shape of a Trade Union Forum at both regional and local level, which would allow people to have their say. It was pointed out that the Tripartite working arrangements currently in place at Easington were an example of best practice and would hopefully be adopted by the new Council.

The Chair asked if employees were generally happy to remain with the Council leading up to LGR. R Gott advised that the Leader and the Chief Executive had provided staff with as much information as possible. Most staff were aware that they would be transferred under TUPE arrangements which did give them some reassurance, most concerns stemmed from possible relocation and where people would be sitting come 1 April 2009.

Councillor M Nicholls referred to sickness absence levels amongst manual workers and the opportunities they had to leave the authority. R Gott advised that where manual workers with poor health were unable to carry out their normal duties alternative suitable employment was sought. Where this could not be achieved employees were offered the option to take ill health retirement but each case had to be considered on its merits.

Councillor A Collinson referred to the Tripartite working arrangements at the Council and asked if neighbouring Councils operated similar arrangements. R Gott advised that he was not aware of any other Council that operated similar arrangements. Industrial relations were so good at Easington that the new Council would be recommended to adopt similar working practices. Councillor P Ward, Executive Member for Resources pointed out that the Tripartite working arrangements in place at Easington were unique.

Councillor Mrs J Maitland asked what would happen to the authority's apprentices following LGR. R Gott advised that the authority had given the apprentices a three-year commitment which would be honoured and transferred over to the new Council.

Councillor Mrs J Maitland queried why only part of the court costs had been awarded in relation to the employment tribunal. R Gott advised that each party had to fund their own costs but the Tribunal could award costs in certain circumstances. The Tribunal recognised that the employee had behaved badly and had decided to award costs against her.

RESOLVED that the information given, be noted.

6. BUDGET FRAMEWORK 2008/2009 AND THE MEDIUM TERM OUTLOOK – 2008/2009 to 2010/2011

Consideration was given to the report of the Director of Finance and Corporate Services which gave details of the background and approach to the Council's budgets for 2008/9 and the Medium Term Financial Forecasts for the period 2008/9 to 2010/11. In addition the report outlined details of the council tax and rent proposals for 2008/9, a copy of which had been circulated to each Member.

Members were advised that Council approved the key proposals in December 2007 when the Medium Term Financial Plan was reviewed. Following a review of priorities approval was granted to bring forward resources ahead of the 2008/9 budget setting process in order to complete various programmes and to sustain services and improvements in the medium term.

There were no proposals to use reserves to finance mainstream services for either the General Fund or the Housing Revenue Account (HRA) in 2008/9. The base budgets were financed from ongoing income streams.

In terms of the budget framework the key issues were outlined and were in accordance with the revised Medium Term Plan. The 2008/9 budget would be the final prepared by the Council with service and operational budgets from 2009/10 becoming the responsibility of the new Council. However the approach had not changed and priorities contained in the Medium Term Financial Plan would still be delivered.

The Council's base budget at the end of November showed a surplus of just over £700k. The main elements contributing to the surplus were increased investment returns of £400k and democratic service savings of over £110k. The remainder was due to reduced salary and wages costs on vacant posts across the Council.

The indications for 2008/9 were that the Council would be able to set balanced base budgets for both the General Fund and HRA.

In the local government finance settlement the Council received £170k (1.4% increase) in additional grant for 2008/9 which amounted to £12.182m.

Within the proposals the Council had the option to agree a 2.5% increase in Council tax for 2008/9. If formalised it would be the third consecutive year the increase had been held at this level, which was well below the current level of inflation.

Requests for additional resources totalled £406k of which £196k would impact in future years, details of which were outlined in Appendix 1 to the report

Approvals agreed in December amounted to £984k for 2008/9. In addition further reserves of £847k would be used to complete the 3-year programme of initiatives agreed in 2005 when £1.5m of reserves were released. Specific reserves would be used to pump prime and maintain service improvements.

Efficiencies of around £350k had been realised to support the 2008/9 budget with a further £169k being released into the collection fund as a result of improved Council tax returns and a further reduction of £500k in the bad debts provision due to effective debt management. The £500k was of a one off nature and shared between the precepting authorities, the Council's share was around £100k.

The Capital Programme was reaching finalisation and would be subject to a separate report. The authority had been notified that the HRA major repairs allowance would be

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around £5.4m with housing supported borrowing of around £1m, however a smaller Capital Programme in comparison to previous years was anticipated as capital receipts slowed down.

The housing revenue subsidy settlement was not finalised however the settlement was positive and would allow the HRA budget to balance without using reserves. Within the budget a rent increase of 4.5% would be proposed to ensure the Council maximised subsidy and was in accordance with the rent restructuring formula.

A key priority for the Council and East Durham Homes was to eradicate the deficit in the current year and give the Company financial sustainability in the medium to longer term. It was expected that the deficit could be eradicated by using the HRA surplus emerging in the current year. In terms of the future financial sustainability the Council had the option to increase the management fee by around £1.4m for 2008/9 which if agreed would be the basis upon which a 5-year financial plan could be developed.

It was explained that the grant settlement was in accordance with the comprehensive spending review proposals and was fixed for 3 years. The headline increase for 2008/9 was 1%, with increases of 0.5% for each of the following 2 years. As the local government restructuring proposals were effective from April 2009 then grant for 2009/10 and 2010/11 would be transferred to the new Council.

For 2008/9 the Council's grant increased by £170k, from £12.011m to £12.181m equating to 1.4%. Around £50k or 0.4% of this related to a formula adjustment. There had been no change to the grant system based on 4 blocks of cash.

With regard to concessionary fares a special grant of £1.471m had been allocated to the Durham Districts to implement the new national scheme from April 2008. Negotiations with the Bus Companies were not finalised but it was expected that a scheme would be agreed with grant pooled as in 2006.

The Government had again set a target for local government to achieve a further 3% per annum efficiency gains over the period of the comprehensive spending review 2007. All gains were required to be cashable.

The Government had taken account of the reductions in the grant settlement over the next 3 years recognising Councils would need to make efficiencies if they were to improve services and meet cost pressures. Any cashable efficiency made over and above target could be carried forward.

Within the budget proposals cost pressures of around £1m had been addressed, details of which were outlined.

Appendix 1 to the report detailed areas for additional resources. Requests totalled £406k of which £210k was of a one-off nature. The difference of £196k would impact on the base budget for future years but was fully resourced. The request to extend the green waste recycling service would be the subject of a separate report.

As in previous years it was proposed to utilise reserves to improve services, deliver programmed initiatives and address capacity pressures. Reserves would be utilised for issues of a one-off nature in accordance with the Medium Term Financial Strategy.

Appendix 2 to the report detailed initiatives agreed in December 2007 and Appendix 3 set out details of the overall reserves to be utilised in 2008/9 budgets.

The proposals at this stage excluded potential revenue contributions, which may be necessary to finance the Capital Programme. In addition should further revenue

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initiatives be approved then the financial implications would be fed into the budget report to be considered in February.

It was proposed to increase council tax by 2.5% in line with the Medium Term Financial Plan. If agreed the increase equated to an increase of £4.33 per annum on a Band D property and £2.88 on a Band A.

If accepted the increase in 2008/9 would be the fifth consecutive year of low increases. The approach was consistent with the strategy and gave taxpayers year on year stability whilst at the same time increasing the council tax base. In 2007/8 the District's council tax was the lowest in County Durham and this was likely to be the case in 2008/9.

The estimated increased costs of financing the base budget were well in excess of £1.2m, details of which were outlined in the report: -

Although 2008/9 would be the Council's final budget resources were committed up until 2010/11. As the plan was fully resourced it was assumed the new Council would honour the commitments.

If the proposals on the General Fund were agreed the 2008/9 budget would be balanced and the Medium Term Financial Plan would reflect commitments for years 2009/10 and 2010/11.

In relation to the Capital Programme the Director of Finance and Corporate Services outlined the main issues.

The position on the HRA was progressing and key issues were outlined to Members.

The Government was currently issuing ministerial orders, which were likely to require those authorities being abolished to seek approval where reserves were used for 2008/9 budgets. As the proposals included the use of reserves it was likely the authority would be affected by the orders and therefore at this stage it was assumed that approval would be granted.

Councillor M Nicholls referred to the sale of Council property and the decrease in the number of capital receipts received. T Bell advised that this could relate to either property or land. The number of RTB's submitted had slowed down which resulted in a decrease in the number of capital receipts received but an increase in rental income as more people rented.

Councillor Mrs J Maitland referred to the increase in miscellaneous income and queried what this related to. T Bell advised that this was made up of various charges such as planning fees, licences and court costs.

Councillor Mrs J Maitland asked if the Council received income from its Green Waste collections. T Bell advised that the Council received credits based on the amount of green waste it collected.

Councillor A Collinson queried that situation in relation to new civic premises. T Bell advised that finance had been allocated for a feasibility study but because of LGR this had now been put back into reserves and new civic premises would be a question for the new Council to consider.

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RESOLVED that the information given, be noted and the proposals be submitted to Executive and Full Council.

CERTIFIED TRUE RECORD

DATE.....

CHAIR.....

JT/PH com/resources/080102
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