

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

4 FEBRUARY 2014

ATTENDANCE OF THE DEPUTY LEADER AND PORTFOLIO HOLDER FOR FINANCE

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Summary

This report details the areas covered by the Deputy Leader and Portfolio Holder for Finance which fall within the remit of this Committee. These are listed each time a Cabinet Member is invited to attend any of the Overview and Scrutiny Committees to be held to account.

1. Background

1.1 The area within the terms of reference of this Overview and Scrutiny Committee and covered by Councillor Jarrett, the Deputy Leader and Portfolio Holder for Finance, is:

- Better for Less
- Communications and media
- Council Plan
- Council tax and business rates
- Finance
- Housing benefit
- Performance and service improvement
- Property
- Risk management
- Category management (previously Strategic procurement)

2. Achievements for 2013-14

2.1 Better for Less

2.1.1 In 2010 the Council agreed a new organisational model which envisaged all administration and customer contact activity being delivered through shared internal services. This reinforced the 'one council' approach and was designed to improve efficiency and customer service.

2.1.2 By the end of 2013/14 £3.7m savings will have been delivered off the 2010/11 base – exceeding the target of £3.3m for those phases of work, and amounting to a 20% reduction in the addressable spend on customer contact and administration. Customer satisfaction with the council, with customer service and with VFM has been sustained.

2.1.3 We are currently considering the costs and savings of the outstanding phase of work, as well as the potential for increasing the services customers can access online – to meet customer demand and deliver further efficiencies.

2.2 Communications and marketing

2.2.1 Communications and marketing team priorities have been:

- to support recycling and waste collection changes
- Recruitment campaign for adoption
- Thames Estuary Airport media work
- Internal communications for children's social care
- Support to 'Better Start' Big Lottery Fund bid for preventative services for children and young people

2.2.2 We have continued to progress the communications partnership with East Sussex – called 'Bluewave communications partnership' which is on track to go live in April. As preparation for the formal launch of the partnership, the team have been looking at trading opportunities and have been successful in winning a piece of work to audit Swale Borough Council communications activity.

2.3 Council tax, Business Rates and Benefits

2.3.1 Council tax

- The Council has so far issued 210,000 bills to collect the £117.3 million due in Council Tax. This includes the billing of approximately 14,000 council taxpayers for the first time following the replacement of Council Tax Benefit with the local council tax support scheme which restricts the maximum amount of benefit to 75% of the council tax due (except for pensioners).
- As a result of the additional charges being made this year the number of recovery notices issued has increased by 36%.
- Despite criticism of the Council's in-year collection rate, the overall collection rate stands at almost 99% over the fullness of time.
- The Council established a £70,000 discretionary hardship fund for exceptional cases affected by the abolition of Council Tax Benefit and its replacement with the Local Council Tax Reduction Scheme and set a policy for the consideration of claims. The application of that means-tested policy and a rigorous examination by officers of expenditure on what could be considered discretionary items such

as tobacco, alcohol and Sky television packages, the total amount awarded to date is only £7k or 0.006% of the total owed.

- The Council undertook a review of properties that it considered long term empty during the summer. Whilst the amount receivable in council tax for these properties is broadly the same occupied or not (and as a result many council taxpayers fail to notify the Council that they have become occupied), it makes a considerable difference in terms of the Empty Homes Bonus. The outcome of this exercise will raise an additional £3.2m over the next 6 years.
- A further 118,000 initial Council Tax bills are to be issued in March for the 2014/15 financial year.

2.3.2 Business Rates

- The new business rates retention scheme has resulted in £41m of income coming direct from the ratepayers of Medway to the Council as opposed to a grant from the previous annually determined national pooling arrangement. This has created a great deal of uncertainty around funding, particularly in respect of outstanding appeals by ratepayers against their assessments over which the Council has no control. As a result robust monitoring has had to be implemented to highlight any potential in year loss or increase in income.
- A number of amendments to regulations affecting discounts such as the extension of small business rate relief and the introduction of relief for new build properties coupled with discounts for properties occupied after a two year period have complicated arrangements with the Government recompensing the Council by means of s31 grants. The latest information is that the amounts due as compensation in 2013/14 will be paid before April this year but at 90% of the forecast sum, the balance being payable in 2014/15. Councils were promised that 60% was to be paid last year to assist in the cash flow impact.
- The NNDR bills for 2014/15 financial year will be issued in March, but following the Autumn statement the normal annual RPI rise will be limited to 2% (should have been 3.2%) with the Government again recompensing the council for the consequent lost revenue, identified as £546,000 in the Provisional Financial Settlement.

2.3.3 Housing benefit (and Council Tax Reduction Scheme)

- The welfare reform programme has seen major changes since 1 April including the introduction of Local Council Tax Reduction Scheme, Under Occupation rules in the Social Sector, a total cap on welfare benefits, the Universal Credit and localisation of certain areas of support under the social fund all resulting in a growth of 123.6% in applications for Discretionary Housing Payments.

- Such a large programme of changes has seen major amendments to systems, revision of existing policies and procedures and new decision making processes being developed and implemented.
- Despite all of the above, the number of appeals received have only increased by an average of 4.5 cases a month.
- The Council's Local Council Tax reduction scheme has been reviewed and subjected to public consultation. As a result a revised scheme will be placed before Council in January with minor changes allowing for annual uprating in line with state benefits in future years.

2.4 Finance

2012/13 Final Accounts

- 2.4.1 The 2012/13 accounts were completed and published on time and received an unqualified opinion from the Auditor – a major achievement given the nonsense of international financial reporting statements (IFRS) requirements and the very significant number-crunching effort required. The Auditor's report also gave an unqualified value for money conclusion.

Exchequer Systems

- 2.4.2 December saw the live implementation of the Adult component of the new Social Care System and the successful integration of the payments and billing processes with the Council's finance system so that payments for residential care and bills for client contributions are automatically produced from data keyed in at source to the social care database. This was a major success and relieves the Council from the Auditor's unease at some of the processes to manage billing and payments under the former 'Care Director' system.

2013-14 budget monitoring

- 2.4.3 The £4.4 million forecast overspend against the revenue budget, reported in quarter 2, remains a concern, particularly given that over £3 million of this is attributable to Children's Services issues that are set to be with us for this and succeeding years and for which the MTFP and Draft Budget have made provision. However the organisation as a whole is responding to the challenge that this presents and I remain optimistic that we will balance the budget by the end of the year.
- 2.4.4 The 2013-14 capital programme of £81.6 million was forecast to overspend by £50,000 at quarter 2 which is a tiny variation on a programme covering 132 schemes delivering very real improvements to the services and lives of the residents of Medway and their children. 101 of these 132 schemes in the Cabinet report present a 'happy face', with no 'sad faces' present, indicating that the programme is progressing on time and within budget.

2014-15 Revenue and Capital budget

- 2.4.5 The challenges presented to the public sector and local government in particular are now common currency and the recent report to cabinet on the Provisional Financial Settlement confirmed that these are here for the foreseeable future. In total, by 2015-16, this Council will have lost some 48% of the Government support it enjoyed prior to the Comprehensive Spending Review of 2010. In addition our ability to generate resource locally through Council Tax has been contained by the limits imposed by the Secretary of State. Despite this residents continue to enjoy high quality services that have not been subject to the scale of cuts seen elsewhere. Prudent finances, rigorous attention to value for money, and a drive for effective procurement have enabled the Council to maintain its pools, its libraries and sure start centres.
- 2.4.6 For 2014-15 the MTFP presented a dire scenario of a deficit exceeding £16 million. Two rounds of 'star chamber' reviews of budget by portfolio holders and directorate management teams saw that deficit reduced to £4.8 million in the draft budget with the detail of how that was achieved transparently portrayed. The process continues and cabinet and Council will consider a balanced budget without 'cuts' to frontline services later in February. 2015-16 remains a major challenge and work will have to continue at pace in the new financial year to find the balancing solutions.
- 2.4.7 The provisional settlement did provide greater certainty over capital funding for schools and together with our successful bid for over £10 million of Targeted Basic Need Grant, the Council is now able to plan a programme of work to deliver a significant increase in the number of school places in Medway, both for mainstream pupils and those with special educational needs.

Treasury

- 2.4.8 Cabinet on the 17 December agreed an Audit Committee recommendation that some £23 million be withdrawn from our external fund managers. This followed a report that demonstrated that in the last 10 years the in-house treasury team had out-performed the external fund managers in all but one of those years. Credit is due to the efforts and success of the in-house team in what are presently very difficult times for investors.

2.5 Performance and service improvement, including council plan

- 2.5.1 2013-14 has seen positive progress for Medway Council as it strives to provide good services to the people of Medway, with good outcomes across the Council Plan priorities.

Based on performance up to Quarter 2 over half of our key measures of success (62%) where we have set targets and report on a quarterly basis are achieving target, which is an improvement since the last quarter (48%).

This has been recognised by residents as the recent Tracker Survey Results indicate that:

- Satisfaction with the Council is up
(Very satisfied/satisfied rating: September 2013 – 84%, compared to October 2012 – 79%)
- Residents feel more informed
(Very / Fairly well informed rating: September 2013 67%, compared to October 2012 – 65%)
- Residents perceptions of Value for Money have improved
(Strongly agree/agree rating: September 2013 – 68.3%, compared to October 2012 – 58.7%).

2.5.2 The Council Plan 2013-15 is a key part of the budget and policy framework, which is developed alongside the 2013-14 capital and revenue budget proposals in order to align the council's business planning and budget setting process. This year however, in response to members' feedback, the existing set of indicators are being refreshed for 2014/15 – these are found separately on this agenda.

2.6 Property

2.6.1 Building and Design Services

(a) Completion and development of major elements of Education's capital programme in 2013/14 including:

- Primary Capital Programme (circa £23m school investment programme over 2011 to 2013). Programme successfully signed-off with final accounts completed within the overall budget and all facilities fully operational.
- SEN & Additional places projects (combined programme circa £23m).

Design development completed and works now underway to:

- New Horizons Primary (formally the BORA South site). £5.1m investment for a new Primary School – completion by September 2014.
- Brompton Westbrook. £2.1m investment to increase school capacity. Works to start on site February 2014 and complete by September 2014.
- Greenvale Infants. £290k investment to increase school intake capacity. Works currently on site with completion by early Summer 2014.
- Wainscott Primary. £205k internal refurbishment to existing school. Works fully completed over the 13/14 Christmas break.

Other projects currently in design development include:

- Abbey court. £11.5m investment to combine Strood and Rainham onto single site.
 - Dane court. Circa £1m. Expansion to SEN provision.
 - Saxon way. Circa £250k investment for two classroom modular expansion.
 - Napier Primary. Circa £400k investment to provide additional infants classrooms.
 - Cuxton Junior. Circa £250k investment for additional modular classroom provision.
 - Halling Primary. Provision of classroom extension.
 - Barnsole Infants. Circa £100k investment for new entrance.
 - Will Adams referral Unit. £750k investment to increase school size and intake capacity.
 - Other – Feasibilities being developed on Hoo St Werburgh (extension and internal re-modelling); Danecourt and Bradfields (modular buildings for parent accommodation).
- Schools Condition Programme 2013/14 - £3m investment programme to maintain and improve school roofs, boilers, fire alarm systems, water treatment, electrical installations, asbestos management and security – programme substantially complete.
- (b) Housing Revenue Account (HRA) 2013/14 – Delivery of the capital improvement and ‘Decent Homes’ programmes. Highlights include:
- 100% maintaining ‘Decent Homes’ standard for the fifth consecutive year.
 - Quantifiable savings achieved of over £600k to the Capital programme.
 - Overall investment of over £4m into Medway’s housing stock. Benefits include: 183 new kitchens; 157 new bathrooms; 220 new boilers; 264 new front and rear entrance doors; all communal electrics fully compliant; all sheltered schemes fully fire risk assessment compliant.
- (c) Leading the Corporate property capital programme and property priorities in 2013/14. Current projects include:
- New Community Hub, Strood – Development to relocate to a new and improved facility in the town centre. Investment budget £1m.
 - Community Hubs – Completion of the building and associated works to provide Community Hubs in Gillingham, Chatham & Rochester.
 - Medway Crematorium - Successful completion of the two new chapels and cremators to provide a much enhanced and modernised facility.
 - Beechings Way Recreation Ground, Twydall - Construction of a new pavilion for local residents.
 - 48a Canterbury Street – Investment value of £40k to create three additional classroom spaces at the Gillingham Adult Education Centre.

- Supporting and working in partnership with Medway Norse to enable the successful launch of the joint venture company.
- Commencement of enabling works at Chatham Waterfront following the successful relocation of the shop tenants from the Medway Street development site.

2.6.2 Valuation and Asset Management

The provision of cost effective Valuation and Property transaction services is essential in delivering value for money across a range of Council services and initiatives and for bringing forward the Council's regeneration agenda. Recent achievements of the service include:

- Completion of the property agreements enabling the successful outsourcing of the linked service centres.
- Realisation of capital receipts in excess of £1m from the sale of surplus property assets.
- Generating external income for the provision of a Kent-wide strategic asset management service for Kent Fire & Rescue Services.
- Renewing the lease of Northbank House, thus securing a valuable training facility and £125,000 per annum in rent.
- Completing 7 Academy leases.
- Securing premises and planning consent for the new Community Hub in Strood.
- Completing over 120 asset valuations.
- Continuing to search for and evaluate new premises to replace existing premises as part of the transformation project and to deliver the Property Strategy and for new requirements.
- Maintaining 100% letting of our Council shops.
- Agreeing terms with Network Rail to enable the relocation and construction of the new Railway Station in central Rochester.
- Successful completion of lease negotiations at Rochester Airport – creating a new future for the facility, improving public access, safeguarding its heritage and releasing land for new jobs.
- Agreement of terms for the sale of the Council's former park and ride site at Horsted to Kent Fire & Rescue Services to enable the development of a much needed new fire station.

2.6.3 Energy and Sustainability

The Council is committed to reducing its carbon footprint and reducing its energy costs through a combination of energy savings initiatives and property rationalisation. Initiatives in 2013/14 include:

- Brook Multi-Storey Car Park - The LED retrofit lighting scheme has been completed, halving the running costs and saving over £38,000 each year.
- Solar Photovoltaic Panels - Initiating and successfully seeking agreement to their installation at Gun Wharf and the Medway Tunnel Control Building. The schemes will generate on site

electricity for the facilities and generate income for the Council from the feed-in tariff.

- Half-hourly metering – The roll out of smart metering technology to 57 sites enables the Council to monitor its energy consumption more carefully. Weekly reports are being issued to site managers to help identify opportunities to reduce unnecessary consumption and expenditure.
- Gun Wharf Lighting – A programme of lighting replacement has been undertaken in the car park and grounds to improve the number and quality of lamps for pedestrians. Within Gun Wharf the lighting in the canteen and corridors has been upgraded to improve illumination and reduce costs. In other areas, motion sensors have been fitted to turn off lights when areas are unoccupied.
- Street lighting – Working with colleagues in Highways, officers have secured over £300,000 of investment in energy efficient street lighting reducing both electricity and maintenance costs.
- Lordswood Library – Energy costs have been reduced through the installation of LED lighting.

2.7 Risk management

- 2.7.1 The Strategic Risk Management Group meets quarterly, is chaired by Director of RCC and has representatives from all directorates
- 2.7.2 The Risk Management Strategy, which underpins all aspects of Council work, is reviewed annually.
- 2.7.3 The Corporate Risk Register is reviewed every six months and service risks are monitored as part of the service planning and AD quarterly reporting processes.
- 2.7.4 Internal Audit Opinion continues to be ‘Satisfactory’ in terms of effective risk management.

2.8 Category management

- 2.8.1 The category management team is responsible for supporting services (client departments) to deliver value for money and efficiencies from their third party spend. The council spends £230 million per year through third party contracts.
- 2.8.2 Efficiencies are not always related to procurements. They can include demand management, renegotiating contracts or identifying alternative vehicles for contract delivery such as a joint venture company.
- 2.8.3 This Overview and Scrutiny Committee received a report about the category management approach and the team on 5 December 2013. The report focused on how the team had delivered against the objectives identified in the business case for creating the team.
- 2.8.4 With the oversight of Procurement Board, chaired by the Portfolio Holder for Finance, the team has been effective in delivering efficiencies in a wide variety of procurements since April 2013, which

are in excess of £1.8 million. These efficiencies are from revenue, capital and grant funding.

2.8.5 Procurement successes include:

- £1.9 million annualised savings in the homecare procurement using a price envelopes, a case study is available on the council website;
- Effective use of demand management by the HR team to reduce the rates paid to temp agencies
- Creation of a joint venture company Medway Norse for facilities management services using the *Teckal* Exemption;
- Savings in excess of 60% in chlamydia screening through the use of e-auction, case study available on the council website; and
- The recent procurement of SEN transport for three schools which yielded results through service redesign and the use of a variance envelope of 25% to manage the fluctuations in demand which can make budget forecasting difficult.

2.8.6 The council has updated its Procurement Strategy. The strategy's overriding outcomes are to deliver best value for taxpayers and benefits for the local community and economy. The key features of the strategy are:

- Creation of apprenticeships in contracts with a value in excess of £1 million
- 40% of the £230 million spend with SMEs in Medway
- Pre-tender dialogue with potential suppliers and generally improving communication through Meet the Buyer events
- Introduction of e-tendering

2.8.7 The team is now planning for delivery in 2014/15. The key objective for the team for 2014/15 and 2015/16 is to work with service departments to develop and achieve savings plans that will deliver savings over two years in the region of £5 to 10 million.

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