

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

7 OCTOBER 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 Marketing (including Bluewave Communications Partnership)
- Council Plan
- Council tax and business rates
- Finance
- Housing benefit
- Performance and service improvement
- Property
- Risk management
- Category management (previously Strategic procurement)

2. Achievements since last report

2.1 Better for Less

2.1.1 The Better for Less programme has seen the creation of internal shared services for customer contact (Cllr Peter Hicks - Portfolio Holder for Community Safety and Customer Contact), administration and category management. The aim of the programme was to protect frontline service delivery whilst delivering efficiency savings.

- 2.1.2 The customer contact service was created to give a single point of contact for the majority of services so our customers didn't bear the responsibility for navigating multiple entry points and hundreds of phone numbers. This has been rolled out across the majority of service areas. Customer satisfaction ratings have been sustained.
- 2.1.3 The other key project has seen the creation of a shared administration service, valuing the critical role that support workers play in ensuring excellent customer service. It has ensured that where services relied on sole administrators there is now greater resilience. Staff feel more valued. Specialist service areas are positive about the support they receive.
- 2.1.4 For customer contact and administration £3.7 million savings have been delivered, with £800,000 remaining from the last two phases of the programme. This represents a saving of over 20% of the spend on those functions – delivered by increasing the efficiency and productivity of our staff through new ways of working.
- 2.1.5 The remaining phase of the programme will look to maximise the impact of digital technology and give our customers increased ability to do business with us on line. A rolling programme of improvements is underway to the council's website. We know we need to ensure our site is easily accessible for the increasing numbers of residents who go online using smart phones and we are developing plans to meet that need.
- 2.1.6 The update on category management is given elsewhere in this report at paragraph 2.7.

2.2 Communications and Marketing (including Bluewave Communications Partnership)

- 2.2.1 In the last 6 months the communications and marketing team have worked on the following priorities:
- Stop the Thames Estuary Airport Campaign which has proved successful
 - Communications support to Children's care improvement including social worker recruitment
 - Fostering recruitment campaign
 - Website review (referenced above)
 - Letting the new print framework
 - Sporting legacy including marketing support for income generation in leisure centres
 - Chatham Big Screen
 - Castle concerts and other events, including ongoing development of the Dickens app
- 2.2.2 In relation to the Bluewave Partnership with East Sussex, it is only in September of this year that both teams have had a head of communications in place at the same time since the departure of the previous joint post holder in April. We will be meeting East Sussex in October to plan the future of the partnership. In the interim we have continued informal collaboration and Medway has been successful in bidding for contract work for Swale in media handling and producing their council newspaper. We are now supporting them to recruit to their new structure. We have worked in partnership with

Canterbury City Council who has taken on selling advertising space in Medway Matters which is proving successful.

2.3 Performance and Service Improvement, including Council Plan

2.3.1 The revised Council Plan was approved by Council in February – accompanied by a slimmed down set of critical success measures which have been well received by Members.

2.3.2 We have refreshed the citizens panel who are contacted quarterly to provide feedback on Council services. The panel now has 2,000 members representative of Medway's population.

2.4 Council Tax, Business Rates and Benefits

2.4.1 Council Tax

- First year of the new Council Tax reduction scheme completed in 2013/14.
- Revised Council Tax reduction scheme came into force with effect from 1 April 2014 allowing for annual uprating in line with state benefits. Total spend as at 31 August is £15 million.
- Despite the major changes in benefits and welfare reform in general since 1 April 2013 the Council has not lost an HB or CTRS appeal case during this time.

2.4.2 Business Rates

- In year Council Tax collection for 2013/14 was 94.9% as opposed to 96.4% in 2012/13 but is within expected parameters following the introduction of the Council Tax reduction scheme whereby all non pension age claimants are now required to pay the first 25% of their liability.
- Approximately 112,500 Council Tax bills issued in March together with Council Tax reduction notification letters where appropriate. Total amount billed £108.8 million.

2.4.3 Housing benefit (and Council Tax Reduction Scheme)

- Review of all discretionary rate relief cases completed in March 2014 in time for annual billing.
- Approximately 6,100 bills sent in March. Each contained application forms for the new retail, long term empty and new build reliefs. Total amount demanded £82.6 million.

2.5 Finance

2.5.1 2013/14 Final Accounts

The statement of accounts has once again received an unqualified audit opinion.

2.5.2 Exchequer and Systems

The financial systems were successfully maintained and upgraded according to the plans agreed and managers are now able to enter their financial forecasts directly into the financial management system, empowering senior

managers to more proactively manage their budgets. The integration between Framework-i, the new Social Services Care Management System, and the Council's main financial system, Integra went live. Although very much in the early stages this has seen a reduction in the number of issues in terms of payments to suppliers or invoices being issued to clients.

2.5.3 2014/15 Budget Monitoring

Once again the first round of budget monitoring presents a pessimistic picture, with a forecast overspend after agreed management action of £4.2 million. The principal reason for this is a predicted overspend of £4.4 million within the Children's Care division, largely as a result of a £1.8 million pressure against the looked after children's placements budget. However, in addition to having to employ agency staff to cover the high level of vacancies within the service, there has also been a need to employ agency staff in excess of the funded establishment in order to support the improvement programme following an inadequate rating in January 2013 and to meet the escalation in caseloads arising from the implementation of more robust processes to safeguard children.

2.5.4 The 2014/15 capital programme of £83.8 million is currently forecasting an £828,000 overspend, representing less than a 1% variation on a programme covering 139 schemes and delivering very real improvements to the lives of the residents of Medway and their children. Furthermore appropriate funding has already been identified from within the wider programme to address this overspend.

2.5.5 2015/16 Revenue and Capital budget

The Medium Term Financial Plan agreed by Cabinet on 30 September identified a funding gap for 2015/16 of £12.2 million, increasing to £27.3 million by 2017/18. Needless to say the budget setting process has commenced in earnest to address this shortfall in funding and I am confident that we shall deliver a balanced budget for Council approval in February 2015.

2.5.6 Treasury

Approximately £23 million of the Council's investment portfolio was managed by an external fund manager Investec. Their performance for 2013/14 was very poor, officers reviewed historical performance and the in-house team outperformed Investec in 9 out of the previous 10 years. All funds were pulled out of Investec. The in-house team has now re-invested the majority of that £23 million at an average interest rate of 2.06% as compared to the 0.26% earned by Investec last year. This decision is earning the Council an additional £350,550 per annum along with a saving in fees in excess of £30k.

2.5.7 Divisional Restructure

The Finance division has successfully implemented its planned restructure, saving around £360,000 per annum, deleting 12 posts and delivering a much leaner management structure. In addition to this the new structure will facilitate service improvements, by strengthening the financial systems team and freeing up the accountants to focus on scrutinising and challenging the

assumptions underpinning budget forecasts. This was achieved without the need to make compulsory redundancies.

2.6 Property

2.6.1 Building and Design Services

(a) Education Capital works:

- Successful completion of the 2011-2014 Primary strategy capital programme on time and to budget.
- Development of the SEN and Targeted Basic Needs programmes with a combined programme value of circa £29 million. To date we have successfully completed/hearing completion of various of these schemes with the remaining programme phased for completion through to 2015/16.

Projects completed to date include:

Greenvale Infants (£290,000) – the expansion of the facility to increase school intake.

Brompton Westbrook Primary (£2.1 million) – the expansion of facility to increase school intake.

New Horizons (£5.1 million) – the remodelling of former Chatham South secondary school to provide a new primary school academy. Phase 1 now complete and school open.

Saxon Way (£250,000) – the provision of modular classroom units to increase school capacity to two form entry (2FE.).

Cuxton Junior - the provision of modular classroom units to increase school capacity to two form entry (2FE.). Phase 1 (modular provision) complete.

Other projects currently in design development include:

Abbey Court (£10.3 million) - demolition of former Temple school and provision of new SEN school to eventually combine the current Strood and Rainham sites onto single site. **Progress:** Planning approval given. Temple School demolition to commence in early October 2014. Phase 1 completion expected between December 2014 and March 2015.

Dane Court (£1,7 million) - Expansion to SEN provision to increase capacity to provide for additional places within Medway. **Progress:** Currently out to tender. Planning application submitted. Target completion September 2015.

Napier Primary (£400,000) - Provision of additional space to increase capacity to three forms of entry (3FE). **Progress:** Contractor appointed, works to start September 14 and complete before end of financial year.

Will Adams Referral Unit (£750,000) - investment to increase school size and intake capacity. **Progress:** Works on site and on programme

for completion before end of financial year. Works to rear playground area delayed due to ecology issues.

Hundred of Hoo Academy (estimated £4 - £5 million) – Creation of an all-through academy. **Progress:** Design development of Phase 1 (£100,000) to accommodate initial additional capacity. Follow through of remaining design development being led by the Williamson Trust.

Rivermead SEN (estimated £1.5 - £4 million) – Expansion onto the current Abbey Court Rainham site (once new Abbey Court Strood facility available). **Progress:** Initial high level feasibility with outline options.

- Schools condition programme 2013/14 –fully complete.
- Schools condition programme 2014/15 over £1.1 million investment programme to maintain and improve school roofs, boilers, fire alarm systems, water treatment, electrical installations, asbestos management and security – programme in progress and on target for completion by end of financial year.

(b) Housing Revenue Account (HRA) 2013/14

Programme completed with 99% outturn costs ensuring that 100% maintaining 'Decent Homes' standard was maintained for fifth consecutive year and the extensive fire risk works programme have significantly improved the integrity of the HRA stock.

(c) Housing Revenue Account (HRA) 2014/15

Overall investment of over £4.5 million into Medway's housing stock to provide 150 new bathrooms, 150 new boilers, 150 new kitchens, 150 new doors in addition to capital works to provide new roof coverings to 30 houses and the roof covering replacement to the Cornish Manor block of flats. Programme also includes phase 2 of the extensive fire risk works (circa £1 million investment). To date on programme and within budget.

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:

- 99% of the section's clients rate the overall service provided as good or very good.
- Completion of property disposals to the value of over £551,000 since 4 February 2014, exchanging contracts on sales to the value of £2,350,000 and it is anticipated that over £3.5 million will be generated in capital receipts in 2014/15.
- Budget savings of over £66k in 2013/14
- Generating external income from the provision of a Kent-wide strategic asset management service for Kent Fire & Rescue Services.
- Completing 10 Academy leases.

- Less than 3% of our commercial properties have been void for over 6 months.
- Completing the lease of new Community Hub in Strood.
- Agreeing terms for a lease of a building in order to replace Riverside 1 which will avoid a £1 million maintenance cost.
- 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.
- Securing premises for CASH and the Stop Smoking service.
- Maintaining over 95% letting of Council owned shops.
- Granting leases to Network Rail to enable the relocation and construction of the new Railway Station in central Rochester.
- Successful completion of new leases at Rochester Airport.
- Completion of 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.
- Completion of a new lease of premises at Broadside Chatham Maritime to enable the relocation of the 3 integrated children's teams from unsuitable accommodation, which will result in a reduction in required maintenance of £1 million, reducing running costs and providing a better service.
- Securing consent to install the Big Screen at Chatham Waterfront and to carry out environmental improvements on the Riverside walk.

2.7 Category Management

- 2.7.1 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 up to £230 million per year through third party contracts.
- 2.7.2 With the oversight of Procurement Board, chaired by the Portfolio Holder for Finance, the team has been effective in delivering £3.5 million of annualised savings during the financial year 2013/14. This represented a 17% reduction in spend from general fund, capital, Housing Revenue Account and Public Health budgets.
- 2.7.3 Procurement successes include:
- £250k annualised savings will be achieved through the tendering and price capping on the agency staffing framework.
 - A minimum £170,000 annualised savings and further potential of £100k in savings will be achieved from the re-tendering of the HRA Repairs & Maintenance contract.
 - The transfer of Robert Bean Lodge & Nelson Court to the independent sector will achieve revenue savings of £400,000 in year one and a recurring £1.2 million from September 2014.
 - Using the Social Value Act to require the supplier of the corporate communications printing contract to use local SMEs for 25% of their sub-contracted spend.
 - Potential income generation £360,000 will be delivered through the installation of solar panelling at corporate sites

2.7.4 This Overview and Scrutiny Committee received a report about the Category Management Procurement Strategy on 3 July 2014. The report focused on how the team had delivered against the four themes (better services, better outcomes, intelligent spending, reducing red tape & improving the local economy).

2.7.5 Key measures of success included:

- Creation of 37 apprenticeship posts (requirement of suppliers through contracts in excess of £1 million in value)
- Introduction of the Kent Business Portal and electronic tendering system for all the Councils quotation/tender requirements (87% of suppliers responded positively to the introduction of the software & revised processes)
- Engagement with the local Chamber of Commerce & Federation of Small Businesses in developing our procurement approach (for example the endorsement of our 'How to do Business Guide')
- 42% of the third party spend by the Council is with SME's with a target set of 50%
- Pre-procurement dialogue – the team have run numerous 'meet the buyer' and category specific events during the last year to ensure we secure the input and expertise of our suppliers to develop our services

2.7.6 The Category Management team has achieved national recognition in the past 12 months at both the Excellence in Public Procurement Awards (called the GO Awards) where they were highly commended for our Homecare contract. More recently we were short listed at the Chartered Institute of Purchasing and Supply "Supply Management Awards" for the Homecare procurement and for the Most Improved Start-Up Procurement Organisation where we were in competition with Jaguar, Marks & Spencer, the Department for International Development and Britvic amongst others.

2.7.7 The team is currently working with service departments to deliver a new set of strategic sourcing plans to support budget reduction planning for 2015/16 identified through the 2013/14 spend analysis exercise.

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