MINUTES OF
PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE

Wednesday, 29 October 2014
(6:00 - 9:39 pm)

Present: Cllr Dave Miles (Chair), Cllr Amardeep Singh Jamu (Deputy Chair), Cllr Jeanne Alexander, Cllr Rocky Gill, Cllr Eileen Keller, Cllr Tony Ramsay, Cllr Phil Waker and Cllr John White

Also Present: Dr Ian Fifield; Cllr Dominic Twomey, Cllr Evelyn Carpenter, Cllr Peter Chand, Cllr Josephine Channer, Cllr Edna Fergus, Cllr Chris Hughes, Cllr Jane Jones, Cllr Margaret Mullane, Cllr Linda Reason, Cllr Bill Turner, Cllr Jeff Wade, Cllr Dan Young and Cllr Linda Zanitchkhah

Apologies: Cllr Syed Ahammad;

9. Declaration of Members' Interests

There were no declarations of interest.

10. Minutes (10 September 2014)

The minutes of the meeting held on 10 September 2014 were confirmed as correct.

11. Budget savings proposals for 2015/16 to 2017/18

The Cabinet Member for Finance gave a presentation on the background to the budget, setting out the approach, timetable, the consultation process and next steps.

The Council was facing significant challenges due to the shortfalls in budgets and the reduction in Local Government Funding. Estimated savings of more than £53million were required over the three year period covering 2015/16 to 2017/18. To bridge that budget gap, a range of savings proposals had been developed targeting the next two financial years with additional proposals earmarked for 2017/18. A gap still existed for each year and savings proposals to address this were currently being developed.

Those savings proposals that specifically fell within the remit of the Public Accounts and Audit Select Committee totalled £6.365m and were detailed within the report.

The Lead Member advised those present that PAASC had been asked to review and analyse the options and issues presented in each budget saving and provide comments and recommendations. The Cabinet would consider the feedback from the Select Committee scrutiny and other public consultation forums on 16 December 2014.

The Lead Member advised that other Members of the Council, Trade Union
representatives and members of the public present would be invited to ask questions and contribute to the discussions during the meeting.

The savings proposals relevant to PAASC were then presented and discussed as follows:

(a) Reduce Council Tax exemptions (CEX/SAV/52a) - The proposal would see the removal of the current level of Council Tax discount exemptions provided for houses which were second homes, undergoing repair, unoccupied or unfurnished.

The Committee raised concerns regarding the collection of Council Tax on unoccupied properties and a potential impact on the HRA in relation to properties where the Council was the landlord. It was suggested that unoccupied properties that remain unoccupied for more than a year which currently received a 50% premium, i.e. pay 150% of the Council Tax due, be increased to 200%. In response the Cabinet Member for Finance advised the Committee that in regard to unoccupied properties, the Council would put the charge on the estate and collect payment when it could. With regard to any potential impact on the HRA, the Committee were advised that the Council were looking at more efficient and quicker turnover of properties it was landlord for.

The Committee supported the savings proposal, with a recommendation that the long term unoccupied properties premium be amended to 200% from 150%.

(b) Amend the Council Tax support scheme (CEX/SAV/52b) – It was proposed to reduce the current level of Council Tax support offered to residents not in receipt of the state pension from 85% to 75%. The review of the policy would also consider options around capital thresholds and the ability to backdate applications. This proposal would be subject to a separate and specific consultation exercise.

The Committee raised concerns over potential changes to the backdating of benefit claims and how the Council compared to other Boroughs in London. There were also serious concerns raised about the ongoing effects of the “bedroom tax” and that coupled with the proposed changes to the Council Tax Support Scheme, there was a real danger that sections of the community would be forced into increasingly unmanageable levels of debt.

The Committee were advised that the proposals would mean new claimants would not have benefits backdated further than the date they applied. Furthermore despite the imposition of the bedroom tax and reducing the Council tax support scheme last year collection rates had remained high at around the 70-75% which compared favourably with other Boroughs.

The Cabinet Member for Finance suggested the continued high collection rates were linked to the fact the Council had fully utilised the allocation of central Government funding provided for discretionary support coupled with discretionary housing payments funded through the HRA. The proposal before the committee had assumed a collection rate of 60% building in an element of contingency in order to provide more support to those families in greatest need.

Members requested a breakdown on how the 60% rate of collection had been calculated, suggesting that the collection rate could be less than predicted.
The Committee supported the savings proposal on the understanding the consultation with affected residents (as set out in the report) would take place, requested figures of those residents who would be affected by both the “bedroom tax” and the revised Council Tax support proposals be provided and requested Cabinet to consider whether additional funds could be made available to top up the Discretionary Housing Payments scheme.

(c) Review the corporate accommodation strategy (CEX/SAV/45a) – The Council currently utilised a number of separate properties including three major buildings (Town Hall, Civic Centre and Roycraft House). It was proposed to reduce the number of properties utilised including at least one of the major buildings to take effect from 2016/17.

The Committee whilst accepting the need to rationalise council accommodation noted that the projected savings for each of the major buildings were not substantially different and therefore based on the arguments of history, maintaining the democratic process and for the unity of the borough the suggestion was that Roycraft House should be closed, with a sustainable plan for the future of the building put in place. Keeping both Barking Town Hall and Dagenham Civic Centre would allow Members of the Council to engage with all residents across the Borough. There was civic pride amongst residents for retaining the Civic Centre seeing its iconic status which was reflected in comments received from the public in the recent survey that had been organised by the local MP. The Committee also suggested that other properties currently utilised by the Council within the Borough could be reduced.

In response to the points raised by the Committee, the Cabinet Member for Finance advised that other properties used by the Council were already being considered as part of other budget saving proposals. With regard to the major buildings, efficiency savings were being worked out for each premises.

Other Members raised a number of issues as follows:

- Concerns in relation to the Equality Impact Assessment (EIA) information provided as part of the report and felt that contrary to what was stated a number of individuals from vulnerable groups would be adversely affected by any proposals to close either Barking Town Hall or Dagenham Civic Centre.

- A suggestion that once the business case had been worked up including the details of any resultant redundancy proposals then it be brought forward to PAASC for review. The Lead Member agreed to the request subject to available time in the work programme.

- The results of the residents survey to be brought before the Lead Member

The Committee supported the proposal and recommends the closure of Roycraft House, with a sustainable plan for the future of the building put in place.

(d) Elevate Overheads (CEX/SAV/55) – The Council currently contributed £625k annually to the cost of operating Elevate as a standalone business and Agilisys contribute a similar value as the managing partner. It was proposed that the
Council ceased its contribution in return for a lower reporting and governance requirement plus agreeing to enact the three year extension in the Elevate contract to 2020 and other changes to the contract as detailed. Agilisys would then be responsible for the delivery of a streamline Elevate from within their contribution.

The Committee raised concerns in relation to changes such as the extension of the contract to 2020 and the removal of the 40 day break clause. The Committee were also concerned that the Council may lose its current level of control in Elevate if the proposals were to go ahead, a point echoed by other members who expressed reservations about the extent to which Agilisys through the joint venture had delivered against targets to date. In response, the Cabinet Member for Finance advised that negotiations were still taking place and no change in control would take place.

The committee in questioning whether any the staff savings within the budget proposal affected the Council client team were informed that those savings formed part of the separate management savings already approved by Cabinet for implementation.

**The Committee supported the proposal on the understanding more scrutiny would take place on the extended contract before it was agreed.**

(e) Withdrawal of the Benefits Direct Services at One Stop Shops (CEX/SAV/58) – The Council currently offered an enhanced face to face benefits service through the two One Stop Shops. The proposal was to cease this enhanced service but to increase the number of benefits staff operating in the back office.

The Committee raised concerns regarding access for vulnerable residents, in particular the elderly and those with disabilities. Other members again questioned the validity of the EIA suggesting that any reduction in face to face contact would inevitably impact significantly more on the vulnerable sections of the community. The Committee were aware there could potentially be further major changes to the benefits system following the General Election in 2015 and in those circumstances:

**The Committee supported the proposal in principle but are recommending that implementation should be deferred for up to four months to await the outcome of the General Election in May 2015.**

The Cabinet Member for Finance stated that any loss of saving brought about by deferring its implementation in 2015/16 would require identifying additional savings elsewhere.

(f) B&D Direct – Customer Services Channel Shift (CEX/SAV/56) – The proposal sought to reduce over a full three year period the capacity within the One Stop Shops and Contact Centre by encouraging customers to access services online, requiring significantly less resources. This would be enabled through investment in and promotion of the services available through the Council’s website and interactive voice response systems (IVR). In the medium term, the ambition was to have services accessed through community led hubs across the Borough.
Doubts were expressed about the capacity of large sections of the community to move towards interacting digitally with the Council to any large extent and whether the level of investment required to achieve the change was worthy of the savings being projected.

The Cabinet Member for Finance, in acknowledging the concerns, explained that the financial profile of the saving proposal had been deliberately staggered with less savings next year to recognise the extent of public channel shift.

The Committee, in supporting the principal of channel shift, wished to see more services made available through ‘My Account’, the Council’s online system for residents and businesses.

The Committee supported the proposal.

(h) Automation of inbound email/post processing (CEX/SAV/60) – Through the introduction of the Agilisys Automate tool, a significant proportion of the incoming correspondence for the Revenues & Benefits service could be handled electronically reducing the required level of staffing. This would require investment in the systems and policy changes to ensure a greater proportion of correspondence comes in electronically.

The Committee supported the proposal and requested that a rigorous examination of the figures provided be undertaken of this and the other budget proposals involving Elevate.

(i) Charging for discretionary face to face contact services (CEX/SAV/71) – Under the other proposals mentioned earlier in the meeting, the Council would be investing in its online and automated options for customer contact. As part of promoting the shift to those channels, which would be free, it was proposed to introduce a charge for any customer service contact, either face to face or via the telephone, that could be accessed via a free channel. The intention of these proposals was not to make a profit on the transaction but to ensure that there was full cost recovery for offering the service.

The Committee were dismayed with the proposal before them and expressed their concerns regarding the charging for contact with the Council through face to face or via the telephone.

The Committee did not support the proposal.

(j) Introduction of a premium rate number to the Contact Centre for discretionary service calls (CEX/SAV/57) – This proposal was included as part of CEX/SAV/71.

The Committee did not support the proposal.

(k) Relocation of Barking Contact Centre to a lower cost area (CEX/SAV/59) – A further option that existed for the Contact Centre was to relocate it to an area with lower wage costs. Under contracts with other local authorities, Agilisys had processing centres based elsewhere which could provide the service to Barking and Dagenham.
The Committee were concerned that there would be a significant number of redundancies brought about by the proposals meaning the loss of local jobs with no guarantee of the new jobs paying the London living wage which this Council was committed to. Notwithstanding that the budget saving was not proposed for implementation until 2017/18.

The Committee did not support the proposal.

(l) ICT technologies, service management and infrastructure (CEX/SAV/63a, CEX/SAV/63b, CEX/SAV/63c) – The Committee had before them a set of three proposals which sought to maximise the opportunities of new technologies and developments building on existing investment plus the Council’s desire for more flexible working. This would see a shift from locally hosted to Cloud solutions and a rationalisation of applications used as well as an increase in off the shelf rather than heavily customised packages. There would also be an increase in self service and the ability to resolve issues through online support. The three proposals would require investment to similar levels of that to maintain the existing solutions as the Council’s data centre would require upgrading/eventual replacement.

The Committee were concerned that the proposals were too ambitious to be delivered and that a self service approach to ICT would place considerable pressure on an already stretched workforce. Furthermore it was felt that more financial information was required before informed scrutiny of the proposals could be undertaken. Questions were raised about the level of savings the proposals would generate although the Cabinet Member for Finance assured the committee that the savings which amount collectively to £4.6m were guaranteed and not negotiable with Agilisys. Despite those assurances,

The Committee did not support the three proposals.

(m) Accountancy service (CEX/SAV/30a) – The proposal reduced the accountancy teams by 8-10 posts and would be achieved by improvements in the financial systems and greater compliance with the Council’s financial rules which was reducing the work within the team. There would need to be a greater emphasis on managers accessing financial information themselves and for the accountancy staff to concentrate on the higher risk budgets across the Council.

The Committee considered that the key risk to the proposal would be financial capacity but received reassurance from the Chief Finance Officer.

The Committee supported the proposal.

(n) Investment income – increase risk appetite (CEX/SAV/29) – The Council’s Treasury Management Strategy (TMS) set out a relatively high level of credit criteria for the placing of cash deposits with counter parties. There was scope to reduce these criteria to increase the rate of return on those deposits albeit with an increase in the risk of default on repayment.

The Committee raised concerns over the risk element of the proposal but were advised that the deposits would be placed with banks only, and would be segmented between different banks. In response to further questions, the Committee were advised that the proposal was for general rate fund cash deposits
only and not monies held on behalf of staff in the Pension Fund.

The Committee supported the proposal.

(o) Discretionary business rate relief (CEX/SAV/53) – The Local Government Finance Act 1998 required local authorities to grant mandatory rate relief on business rates to registered charities and registered Community Amateur Sports Clubs (CASCs). This covered 80% of the business rates bill and local authorities also had the power to grant discretionary rate relief to cover some or all of the remaining 20% due. The existing policy would be amended so that it was only awarded to community organisations eligible for mandatory rate relief.

The Committee supported the proposal.

(p) Reduce the size of the HR Business Partner Team (CEX/SAV22a) – The reorganisation of the existing business partner team involves reduced staffing numbers and the deletion of the current manager role. This would reduce capacity to support organisational change and advise on significant employee relations issues.

The Committee raised some concerns in regard to capacity issues which were addressed by the Divisional Director for HR and OD.

The Committee supported the proposal.

(q) Stop Employee Relations Team (CEX/SAV/22) – The proposal considered alternative methods of delivering the employee relations function through greater self service and telephone support.

The Committee raised some concerns in regard to capacity issues which were addressed by the Divisional Director for HR and OD.

The Committee supported the proposal.

(r) Reduce spend of Trade Union representatives (CEX/SAV/23) – This item was withdrawn.

(s) Reduce Democratic Services Structure (CEX/SAV09) - The proposal involved a reduction in the staffing establishment in Democratic Services of four posts. The saving option may be reduced following a review of support to the Cabinet.

The Committee considered each of the posts put forward for deletion and expressed the view that, due to the growing demands and expectations on the scrutiny service and the limited officer support currently available, the post of Scrutiny Officer should be retained. Councillor Mullane expressed concern that the role of Political Assistant was recommended in the recent Peer Review and suggested to the Lead Member that if an appointment to a similar role was proposed in the future, a report on the matter be presented to PAASC for consideration prior to a decision being taken. With regard to the role of the Political Assistant, despite the findings and recommendations in the Peer Review, the Committee questioned the need to fill a similar role in light of the current political and financial climate. On that basis,
The Committee supported the proposal with the exception of the Scrutiny Officer role being retained.

(t) Reduce Member Training (CEX/SAV/12a) – The proposal was to delete the dedicated post that coordinated and supported Members training and in so doing would reduce the amount of targeted training and development that elected Members could expect to receive to the extent Democratic Services would only be able to meet the statutory training needs of Members, with no development opportunities. With that in mind officers were exploring an alternative approach to achieving the saving through taking 0.5 of the post to increase capacity elsewhere in the service together with savings being provided from the Legal Services traded budget.

The Committee were concerned with the original proposals and in linking this to the previous budget saving would be prepared to support the alternative approach to achieving the saving which would allow for the retention of the post combining member training with additional support to scrutiny.

The Committee support the alternative approach to achieve the saving with the specific recommendation that the role of Member Training and Scrutiny Officer be combined.

(u) Streamlining Building Cleaning (ES009A) – Staff and managers across the Council would work to adopt new standards that would allow for staffing reductions. This was consistent with more modern working arrangements that are being introduced to promote hot-desking and shared space meeting rooms. By staff taking more responsibility for the hygiene of locations at which they work and by consolidating waste collection arrangements the Council would be able to reduce the frequency of office cleaning and time taken to deliver waste collection from bins.

The Committee supported the proposal.

The Lead Member thanked the Committee, Cabinet Members, Members, Officers and the public for their contributions to the budget discussions.

12. Housing Management IT system and Oracle R12 update

Agreed that due to time constraints both matters be deferred to the next meeting of PAASC.