

Extract of Minutes from Corporate and Communities Overview and Scrutiny Panel Meeting 15 November 2017

204 Budget Scrutiny: Reviewing the 2017/18 Budget Position for Corporate And Communities

As part of the Council's development of the 2018/19 budget, the Corporate and Communities Overview and Scrutiny Panel was asked to review the 2017/18 budget position prior to consideration of the 2018/19 budget at the Panel's January meeting.

Commercial and Change Directorate

The Panel received a presentation from the Senior Finance Manager (Financial Planning and Reporting). In the course of the discussion, the following main points were made:

- With reference to the Public Health Grant it was confirmed that £1.1 million currently appeared in the COaCH budget pending identification of qualifying expenditure across other Directorate budgets. Following negotiation between the Director of Public Health and Service Directors, funds would be transferred to Adult and Children's Services accordingly.
- Further clarification was requested on what was included in Commissioned Expenditure. It was confirmed that this covered multiple contracts and included, for example, IT licences, maintenance of property (Place Partnership Ltd), and legal services.
- It was confirmed that there was a total of 302 fte staff in the COaCH directorate.
- Members were informed that at month 6 the IT Services budget was forecasting an overspend of £1.2m, which included the non-delivery of outstanding savings targets of £900k. This was due in the main to the IT support costs (laptops, licences etc) still being incurred as a consequence of a forecast reduction in headcount across the County Council not being realised as quickly as first estimated. Positive inroads were already being made into this overspend. The DXC contract (formerly HPE) had been reviewed and, as a result, the service had been partially brought in-house. It was a volumetric contract and the fact that the headcount had not reduced as anticipated meant that the contract was costing more than forecast.
- It was confirmed that the Commercial Team

undertook an ongoing review of contracts looking for opportunities to renegotiate contractual clauses and make further savings. The Cabinet Member added that this involved identifying whether contracts were fit for purpose and looking for more effective spend. Concern was expressed that the budget for the Commercial Team itself was forecast to overspend by £324k.

- A question was asked about the figures in relation to headcount and how many people the forecast overspend related to. The Head of Commercial promised to let Members have the figures after the meeting.
- Members were reminded that potential and actual malware attacks had led the Council to invest in new licences. This should be seen as a one-off, in-year cost. It was also confirmed that following the County Council elections in May, the provision of new equipment for new Members had had some impact on the IT budget.
- A further question was asked about the basis on which calculations about headcount were made and what data was used to make these predictions. It was confirmed that the forecast figures were taken from Directorate plans which showed what they were intending to do in relation to numbers of staff.
- Members were reminded that further work would continue on the outturn for the rest of the financial year. For example, recent changes to the DXC contract had not yet been included in the figures.
- As some IT services had recently been brought back in-house, a question was asked about whether the County Council was still a commissioning authority. The Cabinet Member responded by saying that the decision to bring aspects of the IT service back in-house represented the best value for money and the best service delivery. In response to a further question about whether the initial decision to commission the service was flawed, she went on to say that it was the best decision at the time but ongoing monitoring of the contract had revealed the need to change.
- It was suggested that there was scope for further efficiencies in relation to Member IT provision at District and County Councils. The Cabinet Member confirmed that a business case was currently being put together looking at possible options for potential savings.
- In response to a question about whether any

savings would be made in relation to IT services, it was confirmed that this was under continual review and further savings would be identified. Members were reminded that these figures showed the position up to month 6 and since then things had already improved.

- For further clarification, Members were reminded that the savings targets had related to the IT consequences of headcount reduction, ie not salaries but laptops, licences and other IT support.
- A question was asked about whether, when a service was commissioned out, provision was made for additional service requirements which may fall outside the scope of the initial contract. It was suggested that these extras and add-ons often led to additional expense. It was confirmed that contracts always included provision to take extra services which the Council would aim to access at pre-negotiated rates. Some extras could not be predicted, for example, the purchase of licences to protect against specific malware threats.
- In response to a question about how worried the Cabinet Member was about savings targets currently showing as red risk, Members were informed that the management team was committed to reducing red risk and believed that it could and would do this.
- A specific request was made for details of all additional licences bought and the costs involved.
- The Senior Financial Manager was asked about the Council's level of debt and the average interest rate paid. He agreed to confirm both these figures after the meeting. He confirmed that all long term borrowing was at fixed interest rates.
- The Month 6 Forecast Outturn showed good news in relation to pensions back funding and financing transactions (external interest). Pensions back funding had been pre-paid for 3 years and this had had a financial benefit for the County Council. In relation to the positive figures, a question was asked about whether this was good work on the part of officers, or simply that the initial figures were wrong. Members were informed that the decision to pre-pay pension back funding had been made after the budget was set so it had not been possible to include this in the initial figures.
- It was confirmed that the Council was not aware of any significant impact from fraud.
- The Panel was told that, in relation to Financial Services, there were £400k of savings which were

Red Risk which related to a reduction in borrowing costs as a result of the County Council generating Capital Receipts and using those funds to reduce the need to borrow externally. It was expected that these would be fully recovered in 2018/19 based on the predicted profile of Capital Receipts for the next financial year.

- The Active Alliance was a savings initiative that had been put forward 2 years ago in anticipation of savings to be achieved through joint working initiatives and partnerships. It was no longer predicted that these could be achieved as this was dependent on work undertaken by other organisations. It was confirmed that the Council would continue to actively work together with partners in health, the fire service and the police to achieve efficiencies through, for example, joint property and joint procurement of services and contracts. It was acknowledged that the Active Alliance project had been overly ambitious in its initial savings proposals.
- A question was asked about the postal licences used by the County Council for return envelopes and postcards. The Head of Commercial agreed that she would look into this and get back to the Panel with further information.

Communities

The Panel received a presentation from the Finance Manager (Children, Families and Communities). In the course of the discussion, the following main points were made:

- It was confirmed that figures for the Hive related only to the County Council's contribution. The Hive was jointly run with the University of Worcester with the Council covering 70% of the running costs and the University 30%. The two parties met regularly to manage priorities and to discuss financial management. There was a PFI contract in place and it was confirmed that this contract ran for 25 years. The management team was always looking for opportunities to make efficiencies, where possible.
- In response to a question about why figures for the Hive were not included with libraries, Members were informed that this was to ensure complete clarity and openness on what was a jointly operated and partly externally funded asset.
- It was confirmed that from 1 April 2018 the

Strategic Music Education service would no longer be run by the County Council and the grant funding would move with the service.

- The overspend in the libraries budget was due to a delay in the DWP moving into the libraries in Redditch and Kidderminster. These moves were expected to be complete by April 2018.
- In response to a question about how DWP would enhance the library environment, Members were informed that a key part of the library savings programme related to property re-modelling. The co-location would make a significant financial contribution and the capital injected would contribute to the creation of an enhanced environment. It was suggested that there was a definite benefit to the community of co-location and it also led to increased footfall in libraries, with people visiting the DWP also potentially becoming library users and enhancing their knowledge of the excellent services provided.
- It was confirmed that the co-location with DWP would not mean fewer books or computers in the two libraries. Members agreed that the extra income generated would be welcome.
- One Member suggested that there was a surplus of community buildings in his local area, which led to facilities undercutting each other in order to attract bookings. It would be important to have cross cutting conversations with parish and district councils and the voluntary sector. Members were reminded that, although the County Council could seek to influence the debate, it was not in a position to direct other partners.
- It was confirmed that take up of the school library service had not decreased as a result of academisation. It was suggested that the decrease could be part of a national trend resulting from changes in school budget priorities. In relation to libraries, although nationally there was a trend of declining visitor numbers, this was not the case in Worcestershire, with an increase of 55,000 in the past year. Libraries were transforming with a focus on maintaining a vibrant visitor experience but at the same time contributing to council objectives.
- In response to a question about the use of reference books in libraries, it was confirmed that the use of online reference services was declining (with the exception of ancestry). It was agreed that statistics in relation to book lending would be provided to Members of the Panel quarterly on a

library by library basis.

After the debate the following actions were agreed:

The Head of Commercial was asked to provide further details of:

- the difference between the headcount predicted at the time of the setting of the DXC contract and the actual figures now;
- additional IT licences that the Council had bought, including the costs involved;
- postal licenses used by the County Council for return envelopes and postcards;
- joint work between Worcestershire's County and District Councils on Member IT (for the January 2018 Panel meeting).

The Senior Finance Manager (Financial Planning and Reporting) was asked to confirm the Council's level of debt and the average interest rate paid.

The Service Improvement Manager – Libraries was asked to provide figures for book lending on a library by library basis, including figures for reference books on a quarterly basis.

As part of the January 2018 budget discussion, in order to be abreast of the latest situation, Members would like to see a presentation of where budgets were overspending in 2017/18, including an explanation of why this was the case.

Members were asked to let the scrutiny team know if they had any further requests for information.