

FINANCE AND SERVICES SCRUTINY COMMITTEE

11 JULY 2016

PRESENT: Councillor M Rand (Chairman); Councillors B Chapple OBE (Vice-Chairman), J Bloom, J Chilver, A Huxley, S Lambert, M Stamp and M Winn. Councillors C Adams, A Macpherson and H Mordue attended also.

APOLOGIES: Councillors B Everitt, E Sims and M Smith.

1. MINUTES

RESOLVED –

That the Minutes of the meetings held on 17 December 2015 and 18 May 2016 be approved as correct records.

2. LEISURE MANAGEMENT CONTRACT - UPDATE

The Committee received a report updating Members on the business activities of Everyone Active and on the key outcomes and outputs achieved by the Leisure Management Contract in 2015/16. This also highlighted key performance information for that period.

Duncan Jefford (Regional Director, Everyone Active), Mathew Nicholson (Area Contract Manager, Everyone Active), Jodie Morris (Contract Manager, Everyone Active) and James Ewart (General Manager, Swan Pool and Leisure Centre, Everyone Active) attended the meeting to present information and answer questions.

Sports and Leisure Management (SLM) operated under their brand name “Everyone Active” (EA) had commenced the current leisure management contract on 1 April 2013 for 10 years with a mutual option to extend for a further 5 years. The report looked at Year 3 of the current contract.

EA had been formed in 1987 and now managed approximately 150 centres around the UK on behalf of 35 Local Authorities and were a leading organisation in the leisure industry, receiving many accolades and awards over the years.

The current Leisure Management Contract realised betterment to AVDC of circa £620,000 per annum (index linked). £120,000 saving was achieved by no management fee being paid to the leisure centre operator as per the previous contract and £500,000 income was generated by EA paying the Council for the opportunity to manage the centres on AVDC’s behalf. The management fee payable to the Council for the period 2015/16 was £508,800.

AVDC provided a monitoring role as part of the contract arrangements and conducted monthly monitoring by holding Contract performance meetings and inspections.

The regular performance meetings examine a range of performance indicators which include information similar to that contained within Appendix A to the Committee report. The council had undertaken an extensive £2.7m modernisation project of Swan Pool and Leisure Centre between February 2015 and February 2016 which had delivered new and improved facilities and increased levels of customer satisfaction. The project was completed on time and within budget. During the construction programme the centre remained open with only partial temporary closure of parts of the building.

Obviously some inconvenience and disruption to customers was inevitable but this was kept to an absolute minimum.

The Committee considered the report and appendix and in response to questions were informed:-

- (i) that Everyone Active was looking to increase footfall to the leisure centres by 5-10% year on year. Footfall for the current year was up 10% on last year and was on track to exceed 1 million customers. Income from the café at Aqua Vale was also up 10% on the previous year.
- (ii) that in response to feedback, a person had been employed at Aqua Vale at weekends to specifically monitor cleanliness issues.
- (iii) that the recent refurbishment work (2-3 years ago) at Aqua Vale had not included the whole facility. As such, some parts of the centre such as the spectator seating surrounding the swimming would need to be renewed in the next year or so.
- (iv) that the accident rate per 10,000 visits at Aqua Vale was comparable to other similar swim centres, with the Swan Pool being lower than comparable centres. More serious incidents would be subject to Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) reporting.
- (v) that many of the 17 'Other' complaints received on the Swan Pool related to non-standard responses received when the refurbishment works were being carried out.
- (vi) that larger investments in the Centres and when these were earmarked to happen were detailed within the leisure management contract.

RESOLVED –

- (1) That the representatives from Everyone Active be thanked for attending the meeting and answering Members' questions.
- (2) That the key outcomes and outputs achieved by the Leisure Management Contract in 2015/16 be noted.
- (3) That the Partnerships and Projects Manager and the Cabinet Member for Leisure, Communities and Civic Amenities be asked to give consideration to the issues raised at points (i) to (vi) inclusive in the future monitoring of the Leisure Management Contract.

3. GRANTS REVIEW

AVDC had a long history of supporting the voluntary and community sector (VCS) and maintained positive working relationships with organisations providing services to the community. Funding was currently provided through Service Level Agreements to 16 organisations. These organisations had been funded by the Council for many years, and the grants programme was not currently open to new groups to apply.

As the programme had last been reviewed in 2009 and in light of the Council's ongoing budgetary pressures and the recent introduction of the Vale Lottery, a review had been taken of the VCS grants programme.

The Committee received a report that was to be submitted to Cabinet on 12 July 2016, and would be summarised in the Minutes of that meeting, and which sought to revise the Council's VCS grants programme. The review findings had previously been considered by the Council's Informal Grants Panel who had made a number of recommendations to update the current grants programme. These recommendations were detailed in section 6 of the Cabinet report.

The Committee considered the Cabinet report and in response to questioning were informed:-

- (i) that the revised programme would be opened up to new organisations to apply, and this would be communicated widely including on the Council's website.
- (ii) that organisations receiving funding had to provide AVDC with a copy of their business plan and with 6 monthly monitoring information. Unless there were extenuating circumstances, funding was not released until these had been received.
- (iii) that organisations applying for funding were assessed against a number of criteria and a scoring system that included factors such as having a business plan, serving priorities that met with the Council's corporate goals, strong evidence of need, who the beneficiaries were, the intended outcomes of the services provided and the robustness of the organisation, both financially and in their governance. It

Members also commented that they had some concerns about the future sustainability of the Aylesbury Community Centres, and asked Cabinet to ensure that all avenues/options were being explored to support them. The Committee was informed that these Community Centres were largely funded through the Special Expenses fund and, as such, were not subject to the same funding pressures as other services.

RESOLVED –

That Cabinet be asked to take into account the Committee's comments and the issues raised at point (i) to (iii) above in approving the revisions to the Council's voluntary and community sector grants programme.

4. RESILIENCE STRATEGY

AVDC had legal duty requirements under the Civil Contingencies Act 2004 (CCA) including:-

- to promote Business Continuity in the local community of Aylesbury Vale.
- to maintain plans and readiness in the event of a 'Major Incident' being declared and including in its own BC arrangements adequately trained and competent staff.

BC arrangements were used to bridge the gap between the initial service levels and the restoration when a temporary situation was resolved or the Disaster Recovery Plan was implemented.

The Committee received a report that was to be submitted to Cabinet on 12 July 2016, and would be summarised in the Minutes of that meeting, and which set out a Resilience Strategy for the period 2016-2020 that would allow the Council to fulfil its legal duty requirements and to ensure that adequate resilience was in place to deal with disruptive events. The Emergency Planning and Business Continuity Manager would lead development of the action plan, along with the officers and resources set out in the work plan for 2016-17. The majority of this work could be delivered from within existing

resources. Progress would then be monitored through the Resilience Steering Group and a report made annually to the Scrutiny Committee on resilience.

The Committee considered the Cabinet report and in response to questioning were informed:-

- (i) that local Category 1 responders would be putting together a Directory with up-to-date contact details.
- (ii) that the Council and the Thames Valley Local Resilience forum was engaging with the community, e.g. at Buckingham, Ashendon and Waddesdon, to promote Community Resilience.
- (iii) that there was an ongoing need to periodically train and exercise staff with regards the Emergency Plan.

Members also commented that when the annual report on resilience was made to Cabinet that they would also like it to be reported to the Finance and Services Scrutiny Committee. However, where specific issues arose (e.g. flooding) then the scrutiny committees should be proactive to investigate rather than waiting for the annual report.

RESOLVED –

That Cabinet be asked to take into account the Committee's comments and the issues raised at point (i) to (iii) above in approving the Resilience Strategy for 2016-2020.

5. AYLESBURY VALE BROADBAND (AVB) - DIRECTORS

In April 2015 the Council had approved the business case for the formation of Aylesbury Vale Broadband (AVB) to roll out super fast broadband to villages in Aylesbury Vale. The first stage had been a pilot in North Marston and Granborough which had resulted in further funding of £500,000 to continue the expansion to other villages.

The company was structured with the majority shareholder (95%) AVDC and 5% with Ironic Thought, who had the lead in managing the project. The shareholder agreement stated that no dividends were to be paid to any of the shareholders. The only time the shares could be realised was upon the sale of the company. However, the remuneration terms of Directors was a Reserved Matter unless approved under the Business Plan (which it wasn't) which was why the matter was now being considered by scrutiny and Cabinet.

AVB currently had 4 Directors (3 appointed by AVDC with the other being from Ironic Thought).

For the past 12 months Ironic Thought had been responsible for the founding, network roll out and day-to-day running of AVB on a consultancy basis. This had been on an agreed part-time basis but the workload had continued to increase over time.

The Committee received a report that was to be submitted to Cabinet on 12 July 2016, and would be summarised in the Minutes of that meeting, and which sought approval for the permanent appointment and remuneration terms for the Managing Director for AVB. The option to continue with the consultancy fee arrangement had been considered by the Board and on balance it had been felt that the salary option provided greater certainty over the longer term and the need to grow and manage the business.

The Committee considered the Cabinet report and in response to questioning were informed that the terms and conditions of persons employed by AVB would be completely separate to those of AVDC employees.

Members also raised a few questions about the operation of AVB (e.g. why the next phase of the rollout would be to Swanbourne & Oving), and was informed that a more in-depth level of scrutiny of AVB was being undertaken by the Economy and Business Development Scrutiny Committee.

RESOLVED –

That the Scrutiny Committee was supportive of the permanent appointment and remuneration terms for the Managing Director for Aylesbury Vale Broadband, as detailed in the Cabinet report.

6. NOVAE CONSULTING UPDATE

In April 2015 the Council had approved the setting up of a trading company (subsequently registered as Novae Consulting Ltd) to deliver consultancy services to businesses on a commercial basis in accordance with the business case.

Novae's initial business case had been based on selling consultancy services to assist businesses with over 250 staff to meet their legal requirement to audit their energy / transport sustainability. However, experience had shown that not all companies had taken on this requirement by the deadline.

The Committee received a report that was to be submitted to Cabinet on 12 July 2016, and would be summarised in the Minutes of that meeting, and which had reviewed the future options of keeping Novae running as a separate company for consultancy services, or to transfer the consultancy work to the Incgen brand, which was in turn a part of the Vale Commerce Limited. However, any change to the status of an AVDC company was a reserved matter under the Shareholder Agreement and, as such, required Cabinet approval.

Cabinet on 12 July 2016 would be recommended to:-

- (1) At the end of the first trading year for Novae (31 July 2016), make the company dormant for one year and route all future consultancy work offered to businesses using AVDC staff through Vale Commerce Ltd under the Incgen brand.
- (2) Undertake a further review of the requirement to keep the Novae Consulting Ltd company registered at Companies House before the end of the second accounting year.

The Committee considered the Cabinet report and –

RESOLVED –

That the Scrutiny Committee was supportive of the proposed way forward for Novae Consulting Ltd, as detailed in the Cabinet report.

7. FINANCIAL REGULATIONS

It was a requirement of the Council's policy framework to periodically review the Financial Regulations governing the financial control of the organisation. Financial Regulations represent the overarching policy document for financial control in the

councils and this was supported by a larger, more detailed, set of Financial Procedure rules which set out day to day responsibilities of officers.

The Committee received a report that was to be submitted to Cabinet on 12 July 2016, and would be summarised in the Minutes of that meeting, and which explained how the regulations had been updated in accordance with best practice. Whilst only the regulations form part of the policy framework of the council they are both reproduced here for completeness and understanding. Members' attention was drawn in particular to the following:-

Virement Limits: These were the authorisation limits that certain categories of manager or meeting could authorise in terms of moving funds between cost centres within the Council's accounts. The table set out below showed the differences between the current and proposed levels in the Revised Regulations. The increase in the levels had ben benchmarked against other councils and now leant towards the more commercially focused end of the spectrum, allowing greater flexibility in being able to move funds around cost centres to reflect changing circumstances throughout the year.

Who	AVDC (existing)	AVDC (proposed)
Budget Manager	<£10K	<£10K
Senior Manager	<£50K	<£100K
Cabinet	£100 - £150K	£100 - £250K
Council	>£150K	>£250K

Performance Management: Within the Regulations and the Procedures there was a renewed emphasis and reference to the performance management at all stages of the financial system (budget manager up to the corporate level). This reflected the growing importance of these issues on the Council as it moved further into addressing the challenges within the Medium Term Financial Plan.

Appendix A – paragraph 5.01 – that this paragraph would be updated to state that the Audit Committee (rather than full Council) was responsible for approving the statutory annual statement of accounts.

Appendix E – paragraph 23 – that the sub-paragraph numbering would be updated, which would have no impact on the reported external arrangements.

Cabinet on 12 July 2016 would be recommended to:-

- (1) Recommend to Council to adopt the proposed revision to the Council's Financial Regulations, taking into account feedback from the Finance and Services Scrutiny Committee of 11 July, 2016.
- (2) Authorise the Director with responsibility for Finance, after consultation with the Cabinet Member for Finance, Resources and Compliance, to make minor changes from time to time, to reflect changes in operations arrangements only.

Appendix E – External Arrangements – to the Financial Procedures at Section 23.03 stated that all companies would be required to report their financial performance at least quarterly against an annual business plan agreed with the authority. The scrutiny

committee was mindful that the companies were still in the process of getting up and running so were not in a position to be able to report. However, it was requested that when the reporting did commence that the financial performance information was included with the Quarterly Performance Digest information reported to the Finance and Services Scrutiny Committee.

RESOLVED –

- (1) That the scrutiny committee was supportive of Cabinet recommending to Council to adopt the proposed revision to the Council's Financial Regulations (subject to the 2 minor amendments at Appendix A (paragraph 5.01) that the Audit Committee was responsible for approving the statutory annual statement of accounts and to the revised numbering at Section 23 of Appendix D).
- (2) That the scrutiny committee be provided in due course with financial performance information for the AVDC companies with the Quarterly Performance Digests.

8. QUARTERLY FINANCE DIGEST

The Committee received a report on the Council's financial performance for the full year period 1 April 2015 to 31 March 2016. This presented the draft outturn position at the year-end which was a contribution to balances of £717,000. This compared to the forecast position in December of £1,083,000. Copies of the latest Quarterly Finance Digest had been circulated separately and Members referred to this document whilst considering the report.

Whilst there was a contribution to balances of £0.717 million, the net increase was only £209,000 after a number of initiatives have been funded, including a £67,000 contribution to the HS2 fund, and 441,000 to cover the costs of the implementation of Commercial AVDC.

The increased contribution was the result of increased income in some areas and reduced expenditure in other areas. Page 1 of the digest outlines the main issues and shows the Top Five Over and Under Activities, the top five over reflected the costs associated with Commercial AVDC, mainly pension strain costs whilst the top five under budget areas relate to increased income from activities that were not budgeted for and reduced expenditure, mainly salary related, resulting from a number of Section reviews. The domestic refuse service also generated sizable savings within salaries and fuel as the cost of diesel was lower throughout the year than originally expected.

The main changes to the services on a portfolio basis was summarised as follows:-

- Business Transformation – During the year a number of Salix energy efficiency schemes had been introduced at a cost of £218,000. These would produce savings in utility bills in future years. Towards the end of the year £45,000 had been incurred in setting up the new Vale Commerce company.
- Economic Development Delivery – the majority of the underspend resulted from increased properties income, £365,000 from the Waterside properties, bus station kiosk and land at Buckingham Park some of which had been used to offset Exchange Street North feasibility costs (£79,000), and to replace the microphones in the Oculus (£64,000). There had been increased income from land charges search fees of £70,000, with £12,000 used to settle litigation around the property search fee.
- Environment and Waste – the Waste Service had an underspend of £435,000 some of which has been offset to cover costs associated with back filling senior management posts following a service review (£66,000) and covering

redundancy costs in the workshop of £43,000. The Environment and Health section had increased costs from a pension strain contribution of £77,000 resulting from previous a redundancy.

- Finance, Resources and Compliance – there was a combination of increased income and reduced expenditure across services. Communications and Marketing showed savings of £85,000, over half was generated from savings from market research and the marketing strategy. IT had been overspent losing £87,000 worth of income when a local authority contract ended and had increased costs of £150,000 associated with Commercial AVDC. The legal section had also been overspent by £242,000, with higher agency staff, pension strain and consultancy costs plus reduced income. There were salary savings of £78,000 within the People & Payroll Services and £70,000 higher court costs income from Revenues.
- Growth Strategy – the Development Control and Planning Services areas had realised salary savings of £160,000 following the service review. There had also been increased fee income of £48,000 plus savings from the horticultural contract of £42,000.
- Leader – £42,000 of savings have been identified within the Members Allowances budget as well as lower office and Chairman's car hire costs. These had been used to offset the cost of the provision of Modern.gov. £80,000 of salary savings within the Chief Executive's section had been offset by £71,000 of increased consultancy costs. Consultancy costs of £57,000 to IESE had been partly offset by a reduction in pension costs. Other costs were associated with the shift towards Commercial AVDC.
- Leisure, Communities and Civic Amenities – salary savings as a result of service reviews have realised £145,000 from Housing Services, and £107,000 from Leisure Administration. Other savings have been identified within the Grants budget (£35,000), Waterside Theatre Community Initiatives (£58,000) and the Car Parking budget (£222,000). Community Centres had been overspent by £27,000 although the Arts service had realised £31,000 of extra income.

As previously reported, budget holders' were asked continually to review all of their areas and to reforecast their budgets both positively and negatively in order to have as accurate a year end position as early as possible. The New Homes Bonus schedule has been updated to reflect the contribution received in 2015/16 and the payments made. It also showed the commitments still to be made against the resources.

Page 14 of the Digest reported the level of reserves and provisions and any movements that have been made during the quarter. During the review of the overdue invoices at the year end debts it was found necessary to increase the Housing Benefit Overpayment bad debt provision by £800,000, which had been funded from the Benefit Subsidy reserve. As in previous years, surplus New Homes Bonus grant had been paid into its own reserve, the balance now stands at £10.6 million. Other contributions made at the year end were £1.1 million to the Planning reserve from additional fee income, £165,000 to the Interest reserve, £219,000 to the IT reserve, £287,000 to Corporate Repairs reserve, £120,000 to the Licensing reserve and a few minor contributions from service areas. This meant that the level of earmarked reserves rose from £27.7 million to £32.2 million during the year.

Page 16 of the Digest detailed information on the level of investments and borrowings held at the year end. During the last quarter no new long term borrowing had been taken out so the current level of borrowing remains at £23.5m. The council had £39.00 million invested at the end of the year. The graph shows who the investments were split between banks, UK and foreign, Building Societies and MMF (Money Market Funds). The level of investments had remained constant over the year due to the low level of

capital expenditure, which had tailed off since the University was completed and the delay surrounding the Pembroke Road improvements.

Members sought further information and were informed:-

- (i) Multicultural Community Centre, Aylesbury – that the budget for this Centre would be covered within the Leisure, Communities and Civic Amenities portfolio, at Community Centres.
- (ii) Information Technology – that the loss of income for the year related to a shortfall in selling the expertise AVDC had gained in cloud technology working to other Councils.
- (iii) Bedgrove Community Centre – that the in-year underspend was a combination of staffing (the Centre had been without a caretaker for a period of time) and lower utility (water, electricity) costs.
- (iv) Legal Services – that the overspend was related to the transitional costs of outsourcing that service. However, the position would improve for future years.
- (v) Housing Benefits – that the underspend related to overpayments in the previous year, identified through more data matching activities. However, the likelihood of collecting all of these overpayments was low which had also led to an increase in the bad debt provision.

RESOLVED –

That the content of the Quarterly Finance Digest for the period April 2015 to March 2016, be noted.

9. WORK PROGRAMME

The Committee considered their work programme for the period up until February 2017.

The agenda items for future meetings would be:-

- (i) 4 October 2016 – Business rates (assistance to local businesses), Aylesbury Vale Broadband business plan and set of accounts, Quarterly Finance Digest.
- (ii) 1 December 2016 – Budget scrutiny, Public Sector Equality Duty, Quarterly Finance Digest.
- (iii) 9 January 2017 – Further budget scrutiny (if required)
- (iv) 6 February 2017 – no items as yet.

RESOLVED –

That the work programme be agreed, as discussed at the meeting.