FINANCE AND SERVICES SCRUTINY COMMITTEE

9 SEPTEMBER 2019

PRESENT: Councillor M Rand (Chairman); Councillors J Chilver, M Smith, R Stuchbury and A Waite. Councillor H Mordue attended also.

APOLOGIES: Councillors B Everitt, N Blake, J Bloom, S Lambert, R Newcombe and M Stamp.

1. MINUTES

RESOLVED –

That the Minutes of the meeting held on 2 July, 2019, be approved as a correct record.

2. AGENCY AND TEMPORARY STAFF RESOURCES

The Committee received a report, following on from a request made at the July 2019 meeting, which updated and explained to Members how staff retention, recruitment and the use of agency staff was being managed. This included a breakdown of the financial impacts in different Service areas.

The Council had used agency and temporary staff as a long standing and vital part of its resourcing approach. They were used to address short term and temporary needs, bolster resources in peak times and for particular types of cyclical work (such as annual canvass and events). This ran alongside the use of consultants who were used to bring in additional (normally technical) resource to help with the Council's normal business. All of these types of temporary resource, were used in a controlled and planned way, and were therefore a normal part of the operation.

In recent years there had been a peak of use of agency and temporary staff linked to the change programme where, in effect, a significant level of agency and temp staff had been used to help with the transition. Over the last few years the Council had been impacted by a number of trends, namely:-

- Effects of a high area of employment – meaning it was harder to attract new talent to the area. There was a low unemployment level in the area which meant there was a smaller available pool of future employees.

- Skills shortages for a number of jobs including planners, IT technical posts and HGV drivers.

- Competitiveness of our salaries, as a planned and possible re-grading of salaries had been halted following the change programme due to the announcement of new unitary Council from 1 April 2020.

The Council had put in place numerous interventions deploying all of the levers available and ranging from golden hellos, growing our own staff, attending recruitment fairs, adding market premia and the use of recruitment consultants.

Further monitoring and controls had been put in place including monthly monitoring, escalation, and ensuring that contracts were competitive and have moved with the current situation. This had a good /fair success rate in the period up until the unitary announcement. Members were informed that the use of agency and temporary staff was reducing and AVDC was filling most vacant posts, thereby avoiding the use of temporary staff. Historic data on the use of agency and consultancy staff was detailed at Annex 1 to the Committee report.

The Committee was informed that the process for appointing agency/temporary staff required sign off by a member of the leadership team prior to any appointment and, in most cases, this had been preceded by at least one cycle of normal recruitment. Due to the unitary vacancy protocol this meant vacancies were initially advertised for 2 weeks across the 5 Bucks Councils, followed by a normal external period if no internal applications had been received. In some pressured roles this was concurrently to avoid any delay.

The Council had contracts in place for our generic agency need, and also a number of individual contracts with specialist suppliers including the groups where there were identified skill shortages in the job market. In some of the hard to fill roles rolling advertisements were also used to ensure the Council did not miss the opportunity of new people entering the employment market.

The leadership reviewed the list of agency staff monthly to ensure that categorisation was correct, that there was global oversight, and to ensure that the senior team was aware of the use of agency staff in their area. This was jointly conducted by Finance and HR, and was in addition to the normal budgetary monitoring including the leadership team and portfolio holders.

Whilst there was a continuing need to use agency staff for the current year, the average spend for the period April-June 2019 was 3% lower than average monthly spend during 2018-19. This profile was similar to that being experienced across all 5 Councils during the transition period to the unitary council.

The Council was anticipating an increase in the use of agency/temporary staff in the transition period to the new Council. AVDC had assessed risks, and one of the highest identified was the loss of key staff, including those in leadership roles and key technical staff. The current position meant that some staff were concerned about their future job security and were choosing to move on. This in turn increased workloads for existing staff, particularly as it was becoming increasingly difficult to recruit new staff. The situation was also exacerbated as a growing number of staff had been seconded into the Shadow Authority to undertake work to support the formation of the new Council.

It was explained to Members that there was an offset of staffing costs in terms of savings on vacant posts then being filled (at a premium) by agency/temp staff. However, even when agency staff were in place AVDC would continue to advertise, although the current situation was likely to endure until staffing structures became clear, post vesting day, for the new Council.

The Council was deploying a number of retention approaches to existing staff to reduce the number of staff leaving the organisation. This included retention payments to critical roles, increasing the recognition of efforts (individual and teams), increased communications, learning & training opportunities, wellbeing and health programmes, counter offers (limited) and some changes to recruitment processes. AVDC was also working with the other five Councils to grasp opportunities that cross working might provide.

The Committee was informed that two principle aims for staffing and recruitment were to ensure that AVDC transitioned safely with good services in place to the new Council, whilst also ensuring that those services were as unaffected as possible. It was also important to make sure that transition work was undertaken to ensure the new Council's offer was as strong as possible.

Members sought additional information and were informed:-

(i) that there was a national shortage of planners that was likely to continue into the future. The new Council would be able to look at how planning resources might be re-allocated with a view to improving the service.

(ii) that the Tier 1-3 positions in the new Buckinghamshire Council (i.e. Chief Executive, Director and Assistant Director equivalents) would be appointed by the end of the year. The vast majority of other Council staff would be TUPE transferred on their current employment terms and conditions over to the new Council. The staffing structures for the new Council, for staff below Tier 3, had not yet been decided.

(iii) with a further explanation of the information at Annex 1 to the Committee report. There had been a reduction in the number of agency and consultancy workers employed over the last 2 years as the new structures resulting from the change programme had been recruited to. However, there had not been an related reduction in associated spend as many of the agency/temp staff currently employed were working in key technical roles which required market premia to be paid.

(iv) that additional information and a breakdown of the reasons for using agency/temp staff could be provided to Members.

RESOLVED –

That the actions in place for managing agency and temporary staff employed by AVDC, as well as for the retention of existing staff, be noted.

3. COUNCIL TAX COLLECTION PERFORMANCE

The Committee received a report that provided an insight into the current performance of the Council Tax department including on incoming revenue and customer interactions.

In 2018, AVDC had been tasked with the collection of £143,466,236 in Council Tax, the significant majority of which had then been passes on to the Buckinghamshire County Council, the Police and Fire services and Parish/Town Councils.

Any council tax that was not collected “in year” would normally be collected within the first few months of the following financial year, with under 1% of council tax due having to be written off or collected in the following years. In recent years, national council tax collection rates had fallen although AVDC was an exception to this trend. This year AVDC’s collection rate had been 98.76%, a healthy increase on the 2017/18 final collection figure of 98.45%.

Despite the challenging financial environment, AVDC had also collected over £2 million in previous year debt in 2018/19. This was a substantial increase on the last two years collection for old debt, in 2016/17 the figure collected had been £525,016 and in 2017/18 the amount collected had been £300,012. The main factors having an impact on collection performance locally and nationally were legislative changes and the impact of austerity and changes to DWP benefit.

- A change in Government regulations from 1 April 2013 had allowed people liable to pay council tax the right to pay by 12 instalments instead of the previous 10. Due to this, any slight delay or default in payment gave the Council little or no time to take recovery action before the end of the financial year meaning that the "in year" recovery rate was reduced.

- Austerity meant that some residents had found it difficult to manage their finances even where their annual income was too high for them to qualify for support. If people experienced short term cash-flow problems then paying Council Tax instalment was often low on their list of priorities.

- The introduction of Universal Credit to Aylesbury Vale in September 2018, had affected residents and often resulted in funds being unavailable to make their monthly council tax payments. The Council had worked hard as a team to ensure that customers were made aware of the changes and had also provided staff and residents with avenues of support and guidance on how the changes might affect their ability to pay.

AVDC ran its own Council Tax Reduction Scheme granting £8,212,099 in 2018/19 to people who were struggling to pay their council tax and are on a low income. In addition, there was also a £200,000 discretionary fund. Both schemes had traditionally been used to support people who cannot pay, rather than those people who just choose to priorities other expenditure over paying their council tax. During 2018/19, the Council had used some of the discretionary fund to assist with a small group of residents who had found themselves in large debt and were facing the situation of not being able to maintain their rental liabilities.

The Committee was informed that new temporary banding procedure for new build properties had been introduced in May 2018, ensuring residents were provided with a council tax demand notice promptly to avoid them having to catch up on payments. When a property was set up on Northgate, the Council would wait for the official band to be provided by the valuation office agency before sending the resident a bill. This could sometimes take up to six months, leading to a build-up of arrears before the customer has even been provided with instalments. By the introduction of a temporary banding policy, customers received manageable instalments that were easier to maintain and assisted with achieving collection rates.

Single Persons Discounts (SPDs) represent the largest area of discount awarded in respect of council tax, with over 23,000 households claiming the 25% discount. In October 2018 AVDC had instructed an independent company to carry out a review of all residents in receipt of the discount. The review had completed on 25 May 2019 and had resulted in the removal of 1,100 discounts and an additional £412,330 in collectable revenue across the district.

Following the introduction of Universal Credit and the changes to the way DWP paid benefits, AVDC had looked at different ways to assist residents with making payments of council tax. Direct Debit was the cheapest option for the authority to receive monthly instalments, and a report had been written to implement 4 additional dates for this method of payment. Following approval, AVDC could now offer people wishing to set up a Direct Debit a selection of 6 available dates throughout the month for instalments to be paid.

Council staff had been provided with additional training to ensure they were maximising collection, whilst ensuring accuracy was maintained and correct notifications were issued first time around. The removal of summons in 2017/18 due to inaccuracy had been on average 20-22% for each court hearing. The delivery of training and improvements to accuracy in 2018/19 had resulted in the removal of notices reducing to 2-3% in respect of recent court hearings.

Members sought additional information and were informed:-

(i) that benchmarking information comparing AVDC's Council Tax collection performance to other Council's would be sent to Members.

(ii) that people wishing to pay their Council Tax in instalments could elect to do this in 10 or 12 instalments.

(iii) that it had been cheaper and more effective to have the SPD review undertaken by an independent company rather than doing this in-house.

(iv) that unlike some other Government agencies, Councils were not a preferential creditor when trying to collect unpaid Council tax debts.

(v) by the Cabinet Member for Finance and Resources that the all avenues for collecting debts were exhausted by the Council before debts were written off.

(vi) that AVDC Officers were involved on the Unitary Working Groups that were looking at the Council Tax Reduction Scheme and discretionary fund that might be adopted by the new Buckinghamshire Council.

4. 2018-19 TREASURY MANAGEMENT OUTTURN

The Committee received a report, in line with the Treasury Management Strategy that required an annual report to Council after year end, on the performance of the Treasury Management section for the 2018/19 financial year.

The objectives for the Treasury Management team for 2018/19 had been agreed by the Council in February 2018 in the Treasury Management Strategy. The main activities continued to be:-

- Foremost, to maintain, the security of the Council's deposits by only depositing with trusted financial institutions and limiting the size and length of deposit with each organisation.
- To directly manage a range of deposits in order to provide sufficient flexibility to meet day to day operational needs.
- To only undertake new long term borrowing where the business case justifies it.

Actual performance was in line with the plan, namely:-

- The Council placed deposits in a decreasing market by spreading its deposits thinly across many trusted institutions in accordance with its policy.
- The authority did not undertake any new long term borrowing.
- The in-house team achieved interest rates above the 7 day LIBOR rate.

The report included information:-

- on the average monthly balances deposited by the in house team generated by the in-house team.
- on the average weighed rate of return received over the financial year compared to the LIBOR rates. Over the financial year, the rate of return had increased, and credit risk reduced. For March 2019, the weighted average rate of return for the Council was 0.87% (on investment of £25.7). This compares to Benchmarking data where, across 231 authorities, the weighted average rate of return was also 0.86%, on investment average of £83.3m.

- on the Council performance against capital and treasury indicators, as indicated by the Council Balance sheet, as at 31 March 2019.
- In-House Treasury team performance: with interest rates still at low levels, the actual amount of deposit income generated was £375,867. This was £15,867 higher than planned and £100,781 higher than in 2017-18. This was due to the high level of money available for deposit from unspent reserves and balances held to meet capital programme obligations.
- Money Market Funds.
- New Borrowings: no new borrowing had been taken out during the year, and loans of £5m had been repaid in May 2018.
- Fund Manager Performance: the Council did not use Fund Managers to aid its investment decisions.
- Treasury Management Strategy 2019/20: had been approved by full Council in February 2019.
- that Cabinet had decided in November 2018 to utilise the Interest Equalisation reserve to support cost pressures arising from the unitary decision. Whilst there was some risk in terms of financial volatility in delivery of planned investment returns, in recent times there had been better than expected investment income and the expected outlook did not signify a significant risk in the short term. The reserve had been held to smooth out fluctuations in interest rates.

Members sought additional information and were informed:-

(i) that all of the Council's loans were with the Public Works Loans Board and would not be affected by changes in the pound sterling exchange rate with foreign currencies.

(ii) that AVDC Officers were involved on the Unitary Working Groups that were looking at putting together a framework Treasury Management Strategy for the new Council. This included looking at all large investments and borrowings and re-looking at investments.

RESOLVED –

(1) That the Council's in-house Treasury Management team be thanked for excellent work during the last year.

(2) That the performance against the Treasury Management Strategy for 2018/19 be noted.

5. QUARTERLY FINANCE DIGEST: APRIL TO JUNE 2019

The Committee received the Quarterly Financial Digest for the period to 1 April to 30 June 2019, which represented the position after the first 3 months of the 2019-20 financial year. The digest was attached as Appendix 1 to the Committee report, and Members referred to it during discussions.

As at the end of June 2019, the Council was reporting a net overspend of £26,813. While a number of risks and issues had been identified and their impact was being monitored and managed, it was anticipated that any additional cost pressures would be offset by budget underspends and additional income across the Council and a forecast balanced budget would be delivered for the 2019-20 financial year. This had also been assumed in the Medium Term Financial Plan (MTFP) agreed by Council in February 2019.

Members were assured that timely reporting had allowed for mitigating actions to be identified by budget holders and managers across the Council to address the emerging financial position. 2019-20 represents an exceptional year for the Council, with the move to the single unitary council in April 2020. Whilst every effort was being made to deliver a balanced budget and remain focused on continuity of service delivery, the decision had a profound impact on strategy and future planning.

The forecast level of balances for the financial year was reported as £2.353m, higher than planned. The increase to the working balances was a result of the 2018-19 financial outturn being better than forecast. Earmarked reserves were held for legitimate reasons and the use of earmarked reserves was an essential part of sound financial planning.

The year to date forecast position currently assumed the use of reserves to support some one off or exceptional spend and to offset agency costs for some areas where there are unusual pressures. The use of further reserves would be assessed during the year.

Details of the significant cost pressures and efficiencies for the year to date included:-

- Pay overspends of £0.4m (after the use of reserves and offset of income due) which included the use of agency to support staffing.
- Operational pressures for the housing benefit, waste team at the depot and legal team had necessitated additional temporary staffing costs. These were being actively managed and were forecast to be largely addressed in the coming months.
- For the three months to the end of June, a number of vacancies across the Council remain unfilled and not covered by agency, resulting in underspends. This was mainly related to the Project Management Office, the Communications and the Electoral and Democratic teams. This was mostly as a result of secondments made to the unitary team leaving vacancies at AVDC.
- The Council was reporting a year to date overspend of £120,000 on waste disposal costs. The cost of disposal was based mainly on the commodity value of each material (plastic, card, paper etc.) and therefore the cost paid was largely outside of the Council control. At current spend levels, the annual budget allocation would be exceeded by circa £400K. This compared to the first 5 months of 2018-19, when the Council received income for disposal. This had been highlighted as a future financial risk.
- Also, at the depot, the year to date financial position reflected additional income in relation to waste for mixed recyclates, for sale of bins and for commercial waste services (£110,000). BCC pay AVDC recycling credits per tonne of recycling. This was an incentive to divert waste from the EfW as this had a higher gate fee. The income would fluctuate each quarter and depended on how much recycling was collected from resident properties.
- that the tenants at 66 High Street, Aylesbury, had given notice to vacate the property on 30 September 2019. It had not been forecast that the property would be re-let but if it was then the forecast outturn would improve.
- Pressure on SEED income due to the impact of unitary decisions. Whilst pipeline council to council income remained strong, the ability to deliver it was reducing pending Unitary. Resources in the team were also being diverted to support other corporate priorities.
- Budget savings arising as a result of the delay in implementation of the taxi token scheme (£35,000).

- Savings against budget in relation to transitional relief for business rates was £105,000
- Savings on vehicle parts and maintenance at the depot due to previous capital investment was £80,000.
- Above budgeted levels of income in relation to recovery of costs for the recovery of income from council tax and business rates debtors was £140,000 for the period to date. The income recovered would vary over the financial year and should cover costs.

There were many other less significant variances across the Council and budget holders were reviewing these on a monthly basis.

The report also contained information on the use of agency/temp staff that had been discussed as a separate agenda item at the meeting.

The Digest at page 14 detailed the reserves and provisions currently held by the Council against specific risks and commitments. The level of reserves held would change during the financial year as commitments are confirmed and approved.

Page 15 of the Digest reported on the level of capital spend to 30 June 2019, with there being a spend of £847,000 to date. The spend was primarily on existing projects. The spend on existing and planned projects would be reviewed over the coming months to assess any capital slippage for the financial year.

Members were informed that no new borrowings had been taken out so the current level remained at £18.5m. The council had £44.3m invested at the end of June, in a combination of banks, building societies and money market funds.

Members sought additional information and were informed:-

(i) that AVDC was the only one of the 5 Buckinghamshire Councils that had allocated a share of the New Homes Bonus monies to parish and town councils to help alleviate the impacts of housing growth on local communities. Town and Parish Councils had been notified when the process for the latest round of grants had commenced that this would be last year that AVDC operated the scheme. It would be a decision for the new Council to make in due course as to whether they operated a similar scheme.

(ii) that Officers would provide Members with updated information on the Aylesbury Special Expenses.

(iii) that there was likely to be some slippage on the capital programme schemes, in particular relating to £4.5m allocated to the regeneration of the Aylesbury Town Centre.

(iv) that the Council had forgone some income through keeping space vacant at the Gateway offices to meet unitary requirements.

RESOLVED –

That the contents of the Digest and the position for the Council after the first 3 months of the 2019-20 financial year be noted.

6. WORK PROGRAMME

RESOLVED –

That the current work programme, as submitted to the meeting, be noted.