

DRAFT

Note: These Minutes will remain DRAFT until approved at the next meeting of the Committee

RESOURCE MANAGEMENT SELECT COMMITTEE

MINUTES OF THE MEETING HELD ON TUESDAY, 14 DECEMBER 2010

Councillors Present: Jeff Brooks (Chairman), Richard Crumly, Dave Goff, David Holtby, David Rendel, Laszlo Zverko (Vice-Chairman)

Also Present: John Ashworth (Corporate Director - Environment), Steve Broughton (Head of Property and Public Protection), Andy Walker (Head of Finance), Stephen Chard (Policy Officer)

PART I

35. Minutes

The Minutes of the meeting held on 11 November 2010 were approved as a true and correct record and signed by the Chairman.

36. Declarations of Interest

There were no declarations of interest received.

37. Actions from previous Minutes

The Committee considered a report providing the information requested at the previous meeting (Agenda Item 4).

Chief Executive Directorate budget

Information had been provided as requested from the Chief Executive which detailed the budget position by service area for the current financial year and previous four financial years from month three through to the outturn position.

Members noted that an underspend was consistently found within Policy and Communication to help meet the overall Directorate position, most particularly from month nine onwards. The current financial year was also showing a similar trend, with a month 7 forecast of £96k underspent in that service. This was felt to amount to a considerable sum over recent years and it was agreed that further detail would be requested to help understand how Policy and Communication was able to deliver this level of saving year on year. This additional detail might be useful in establishing any trends and in identifying whether the budget build process was accurate for the service.

Legal and Electoral Services was noted as a cause of pressure on the budget and it was agreed that officers would be invited to a future meeting to discuss this in more detail.

Financial Performance Report

The Part II information to explain why there was an underspend in the below the line summary/movement through reserves was noted. Andy Walker explained that this was confidential due to the legal agreement that was in place.

Budget reports from month eight onwards would include available detail on the below the line summary which also included capital financing and management.

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Savings from the recruitment freeze within the Children and Young People Directorate were held within one cost centre. As savings emerged, they would be moved out from this cost centre to meet budget pressures across the Directorate.

The main reason for the variance to the forecast in Youth and Commissioning between months four and five was the departure of the Head of Service in month seven. This was immediately reflected in the forecast for the year.

RESOLVED that:

- (1) Further information would be requested from Policy and Communication to help understand how the service was able to deliver savings on an annual basis.
- (2) Officers from Legal and Electoral Services would be invited to a future meeting to discuss budget pressures in more detail.

38. Asset Management Plan

The Committee considered the Corporate Property Asset Management Plan (AMP) (Agenda Item 5).

The AMP had been approved at Management Board, but had yet to be presented to the Executive for approval.

The value of the 83 property holdings within Community Services was felt to be low at £17.7m. Although it was noted that the values were based on accounting criteria and did not necessarily reflect open market value. Steve Broughton agreed to provide an explanation of the valuation process and the actual definition of what constituted a property holding.

It was suggested that it would be useful to include any mortgages against the property holdings across the Council to identify the net value after borrowing. Andy Walker advised that £49m of long term borrowing was reported at year end, this showed that much of the asset base was fully financed. The Council's borrowing limits were deemed acceptable by the Public Works Loan Board (PWLB).

Steve Broughton advised that buildings were valued every five years. However, if there was a significant change to a property's circumstances then the valuation would be reassessed. Valuations were mostly obtained for insurance purposes. Andy Walker added that the existing strategy was to acquire buildings on a freehold basis which was felt to achieve a stronger balance sheet.

Condition surveys were also undertaken every five years but were conducted separately to valuation reviews. It was suggested that it would be sensible for properties to be valued immediately after a condition survey was carried out.

It was queried whether there was potential to remortgage properties or release equity and Andy Walker agreed to provide a formal response on this point. Although it was noted that this would increase borrowing costs, also use of this funding would be restricted and could not be used for revenue expenditure.

Steve Broughton explained that a property could be purchased for investment purposes, but this had not been pursued and rental income could not be obtained from such an enterprise.

Information on property disposals was included in the AMP in compliance with CIPFA (the Chartered Institute of Public Finance and Accountancy) standards. However, Members felt this was not sufficiently detailed to be the disposal policy and Steve Broughton agreed to look at the inclusion of further detail on disposals. The disposal

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programme was updated as and when necessary, was presented to Corporate Board and Management Board, and was monitored by the Property Development Team.

Use of and the management of properties was decided by the service area who owned the asset. Property acted on their instructions. Members felt that a wider consideration would sometimes be required and the AMP needed to include reference to a consideration of the corporate good.

The AMP was a high level document which related to property assets only and this would be made clear throughout the document. This followed a resolution of the Select Committee when this topic was previously discussed.

Members felt the document was well laid out, but clarity was requested to be included to explain what was meant by the term – lean portfolio, which was a strategic aim of the AMP.

The existing database, Premise, was procured in the time of Amey West Berkshire and was not performing well. Therefore work was ongoing to establish whether the Councils financial system, Agresso, could instead hold the Asset Register at zero cost. Clarification was awaited to confirm if Agresso could meet the specification and if so it was hoped that this could be in place from April 2011. It was also hoped that data could be migrated from the old database to the new, but there was a risk that this would not be possible.

Members queried if there was potential to have sight of the full Asset Register or at the very least a sample and Steve Broughton was of the view that it would be possible to append it to the AMP and be made available, pending approval of the Register by Management Board. Clarity was sought on whether car parks were included as assets and John Ashworth agreed to confirm this point.

The Select Committee agreed that the AMP and the Asset Register needed to be closely synchronised.

Further questions followed from Members and Steve Broughton made the following points in response:

- There were few instances where bad debts had to be pursued and two recent occurrences had both been resolved.
- Approximately five properties were currently vacant.
- There was a rolling programme of rent reviews in place, but they could also be carried out as and when necessary.

John Ashworth thanked Members for the useful feedback. A key piece of work at this time was to establish if Agresso could be used for the new Asset Register. In future, it was possible that requirements would change, particularly due to the financial climate and it was therefore important to increase dialogue with service areas regarding the management of property assets.

Moveable assets were then discussed and Andy Walker advised that a number of inventories held this information. ICT equipment was felt to be covered within the ICT Strategy. The Highways AMP was in place and this covered information on road condition etc. It was felt that the Highways AMP could be returned to by the Select Committee and investigated at a later date. This could include discussion of all land included in the document.

RESOLVED that:

- (1) Steve Broughton would:
 - provide an explanation of the valuation process undertaken;
 - provide a definition of what constituted a property holding;
 - give consideration to linking the timings of condition surveys and valuations;
 - look at the inclusion of further detail on disposals;
 - include reference to considering the corporate good of properties/assets owned by service areas;
 - include further detail to explain the strategic aim to have a lean portfolio;
 - investigate whether the Asset Register could be appended to the AMP.
- (2) Andy Walker would provide a formal response to the question of remortgaging properties/releasing equity.
- (3) John Ashworth would confirm whether car parks were included as assets in the Asset Register.
- (4) The AMP and Asset Register needed to be closely synchronised.
- (5) Consideration would be given to adding a review of the Highways AMP to the work programme.

39. Property contracts and contractors in schools

The Committee considered the specification for the new Maintenance Term Contract (MTC) (Agenda Item 6).

The item opened with a query regarding what would happen in the event that schools took academy status and elected to not take up the services offered by Property.

Steve Broughton explained that a number of contractors would be selected for the MTC who would commit to making themselves available for work, but payment would not be made upfront and contractors would be required to bid for work via a number of mini tenders. If work was not forthcoming then contractors would only lose on bidding costs. Those involved were well aware of the process.

If a school had academy status and allowed the building, which would still be the Council's asset, to fall into disrepair, then the responsibility would be with the Education Assets Team, on behalf of the Council, to ensure that the welfare of children was protected. Members felt this should be recorded on the risk register.

Concerns were raised that this was too decentralised a process and a view was given that all property related information should be held centrally by Property Services to ensure there was full awareness.

Members felt the specification was significantly detailed and were pleased to note that it was a requirement for work to be signed off by the school before payment was made.

The tender programme/timeline was on schedule and was detailed within an appendix to the report.

RESOLVED that:

- (1) The potential issue of a school building being allowed to fall into disrepair should be added to the Risk Register.

(2) Progress with the specification would be noted.

40. Financial Performance Report (Quarter 2)

The Committee considered the quarter 2 financial performance report (Agenda Item 7).

Andy Walker opened the item by making the following points:

- Quarterly budget reports were generally agreed and made public at the Executive prior to presentation at the Select Committee, but an exception had been agreed in this instance due to the cancellation of the Executive scheduled for 25 November 2010.
- The predicted revenue overspend for the 2010/11 financial year was £1,402k. This was a £12k decrease on the previous quarter and a £106k decrease on the month 5 forecast.
- The service area forecasting the majority of the overspend was Adult Social Care. The current forecast for the year end position for that service was an overspend of nearly £2m. The overall Council overspend was able to be reduced due to underspends in other service areas/directorate budgets. The £2m overspend in Adult Social Care was not likely to change and while it was hoped there would be some reduction to the overall overspend, it was not expected to be as significant as in recent years. A reason behind this was the improved engagement of budget managers which helped to tighten up the monthly monitoring process (current performance was 98% of monthly returns).
- An additional £600k was allocated to Adult Social Care from reserves and Andy Walker believed this had been fully committed, but would check this was the case.
- Quarterly reports also included the latest capital position. £21m of the £61m capital budget remained to be committed.
- The £60k underspend in capital financing and management was due to a reduction in this year's capital programme and a need to borrow less money. The £60k was therefore as a result of a reduced borrowing cost. The £201k underspend shown against movement through reserves related to the Part II information provided to Members.

Discussion then turned to the accuracy of forecasting and whether expected changes were taken into account at an early stage. An example was given as the number of capital depleters where it was unclear if the additional number expected had been accounted for. It was agreed that this particular issue would be discussed in further detail at January's meeting when the Adult Social Care budget was on the agenda. Andy Walker added that Corporate Directors took a view on actions to be taken to mitigate overspends and adjusted the forecast if necessary.

The pressure the remaining £1.4m overspend would have on balances was then discussed. Andy Walker explained that meeting this sum from reserves would keep the Council's balances at the locally determined level of 5% of the overall net budget, this level was based on risk. Official guidance was awaited to confirm if 5% would continue to be a requirement in future.

Members questioned if other risk funds could be used to mitigate against the overspend and, if so, whether these funds lessened the need for reserves. Andy Walker explained that these funds were set against and could only be used against identified risks. They

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were regularly reviewed. There were also a range of risks to cover within budget planning which was what the level of reserve was based on.

Guidance was expected in relation to the capitalisation of highways revenue expenditure which might allow some flexibility on highway maintenance spend. Andy Walker agreed to provide an update once guidance had been received.

The potential delays to capital expenditure in Cultural and Housing Services were queried. Andy Walker informed Members that around half of the Cultural Services sum related to museum maintenance/repair, some of which was planned for use within the financial year. The delayed expenditure in Housing was primarily caused by the processing of the Disabled Facilities Grant, although it was hoped that much of this would be spent by year end.

It was agreed that further detail would be requested on the following points:

- The reasons behind the significant pressure in car park income (a forecast shortfall of £220k).
- To explain the reductions in spend on minerals and waste and urban design.
- To clarify the legal cost pressures in Environmental Health.

RESOLVED that:

- (1) Andy Walker would confirm whether the £600k allocated to Adult Social Care from reserves had been fully committed.
- (2) The predicted number of capital depleters and whether they had been incorporated into the budget would be discussed in more detail at January’s meeting.
- (3) Andy Walker would provide an update on the capitalisation of highways revenue expenditure once guidance had been received.
- (4) Further information would be sought from service areas in relation to the points made regarding car park income, reductions in spend on minerals and waste and urban design, and legal cost pressures in Environmental Health.

41. Work Programme

The Committee considered the Resource Management Select Committee Work Programme (Agenda Item 8).

A special meeting was confirmed for 25 January 2011. Agenda items were noted as:

- Community Services Directorate budget
- Month 8 financial performance report
- Value for money
- Quarter two establishment report

RESOLVED that the work programme and agenda items for the next meeting would be noted.

(The meeting commenced at 6.30pm and closed at 8.00pm)

CHAIRMAN

Date of Signature