

AT A MEETING of the POLICY AND RESOURCES SELECT COMMITTEE of the COUNTY COUNCIL held at The Castle Winchester on Thursday, 21 July 2011.

PRESENT

Chairman:
p Councillor Carol Leversha

Vice-Chairman
p Councillor Keith Evans

Councillors:

p Adrian Collett	a Elaine Still
p Liz Fairhurst	p Bruce Tennent
p Brian Gurden	p Chris Thomas
p Robin McIntosh	p Pat West
p Stephen Reid	p Sharyn Wheale

Also in attendance, Cllr Ken Thornber, Leader of the County Council, in relation to Items 5 and 6.

76. **APOLOGIES FOR ABSENCE**

Cllr Elaine Still had given her apologies.

77. **DECLARATIONS OF INTEREST**

Members were mindful that, where they believed they had a personal or personal prejudicial interest in any matter to be considered at the meeting, they should normally at the time of the debate declare their interest, and having regard to the circumstances described in paragraphs 9, 10, 11 and 12 of the County Council's Code of Conduct, consider whether to leave the meeting whilst the matter was discussed save for exercising any right to speak in accordance with Paragraph 12 of the Code.

78. **MINUTES**

The Minutes of the Policy & Resources Select Committee Meeting held on 14 April 2011 were confirmed as a correct record and signed by the Chairman.

Matters Arising: Minute 71

In relation to Minute 71, the Chairman noted that the issues raised in relation to working with the Voluntary and Community Sector would be picked up through the update on this area on the committee's forward work programme.

79. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman wished to record her thanks to Cllr Keith Evans for Chairing the last meeting and helping update her on the work of this committee.

80. **END OF YEAR FINANCIAL REPORT – 2010/11**

The County Treasurer gave a presentation regarding the County Council's final accounts for the financial year 2010/11 (see Item 5 in the Minute Book). The Chairman reminded Members that this report had already been approved by Cabinet and full Council.

In relation to reserves, it was noted that the amount held in reserves by schools was outside the County Council's control, and that a general reserve equivalent to 2.5% of the overall budget was the minimum advised level. It was reported that part of the reserves had been earmarked for the cost of change – for voluntary redundancy costs and investment in new ways of operating. It was noted that the Chief Internal Auditor had raised no points of concern in relation to the County Council and Pension Fund Accounts.

Members asked questions to clarify points and commented on issues. The Leader responded to questions and comments, with assistance from the County Treasurer on technical points:

Members expressed concerns regarding the issue of equal pay claims remaining unresolved. The Leader agreed that this was a concern and explained that the Council were awaiting the view of a judge regarding the process to be followed to assess each claim. 960 claims had been made against the Council to date. The Leader was hopeful that progress would be made on this issue over the coming year.

A Member asked whether the waste management underspend was a one off and why a reserve remained earmarked for this budget. The Leader reported that lower levels of waste than expected were being

collected due to the economy. It was anticipated that levels of waste would increase when the economy picked up, therefore the underspend had been retained to deal with the expected future rise.

Members queried the Council's current balance of long term borrowing and short term investments. It was reported that opportunities to re-finance were monitored, but at present calculations indicated there would not be a benefit to doing so.

A Member queried whether the Council could quantify if savings had been made through the policy of self insurance. The Leader reported that a tendering exercise had been carried out 7 or 8 years ago, and at that time the premiums quoted were £5 million more than the self insurance reserve. The Leader confirmed that a review was being undertaken to update this information, but his expectations were that significant savings were still being made through the self-insurance policy. It was noted that the insurance reserves were being increased from £12 million to £17 million on the advice of an independent report.

A Member queried the amount the County Council was holding in reserves, and the fact that reserves were allocated against each specific risk, rather than as a collective reserve based on the likelihood of any one of the risks presenting. The Leader responded that it was important to make specific provision for equal pay claims, and that having a general reserve fund would also be criticised as it was important to indicate what risks the funds were being held for. It was noted the amount held in reserve would reduce once equal pay claims had been settled. Members requested that in future the section of the final accounts report referring to reserves indicate what risks these funds are held for.

That future final accounts reports make reference to the risks reserves are held for.

RESOLVED:

That the officer be thanked for the clear presentation and the Leader be thanked for responding to the committee's questions and concerns.

81. **MEDIUM TERM FINANCIAL STRATEGY**

The County Treasurer gave a presentation regarding the proposed revised Medium Term Financial Strategy (see Item 6 in the Minute Book). It was noted that this report was due to be considered by Cabinet on 25 July 2011.

It was reported that future funding from central government would be influenced by the Local Government Resources Review currently being undertaken. It was noted that a consultation had been launched on this. The Government were also consulting regarding proposed changes to Business Rates, and it was indicated that the Council's response would be considered by Cabinet in September. It was highlighted that there was an unusual degree of uncertainty in the proposed Medium Term Financial Strategy, and a high degree of risk due to the unprecedented budget reductions and resulting change programme.

Regarding the potential repatriation of business rates, the Leader indicated that the proposals were unlikely to deliver significant change; for example the County would not have the flexibility to charge different rates. He reported the system would include a 'tariff' and 'top up' to protect council's that currently receive additional rates compared to what they generate. It was assumed that where Hampshire generated more rates than it received a tariff would be charged. It was noted the Leader intended to invite the Minister for Local Government to come to Hampshire, to discuss the implications of his policies for Hampshire. The Chairman indicated that the Select Committee supported this approach.

Members raised concerns regarding the risk area that had been highlighted of Health funding. It was reported that the full funding anticipated had been received this year, indicating a good relationship with the health service locally. However, it was recognised this was a significant risk for the future, particularly given the imminent changes to health service commissioning. It was indicated that should the position change significantly, the Medium Term Financial Strategy would need to be revised.

Committee members welcomed the opportunity to comment on the Medium Term Financial Strategy prior to approval by Cabinet, however it was requested that in future the committee receive it further in advance. The Leader indicated he would consider this point.

Members questioned the assumption that inflation would be 2.5% over the medium term, and queried why the inflation figure was not linked to the base rate. The Leader responded that the inflation local government deals with does not tend to follow base rate or the Consumer Prices Index. A Member suggested the corporate policy should be that inflation rate changes be passed on where those paying the council are not vulnerable (e.g. developers). It was reported that

departments are obliged to review their income generation each year, and that each case was different therefore it would be difficult to formulate a corporate policy that covered all eventualities.

A Member queried whether the assumptions regarding a pay freeze applied to staff on the lowest incomes, as previously a different arrangement had been proposed for those earning £21,000 or less. The Leader indicated that he would like to see a similar proposal again.

A Member questioned whether the council was considering stopping doing activity currently undertaken, in addition to becoming more efficient at what it does. The Leader responded that statutory requirements limit the council's flexibility, and that non statutory activity was only a small proportion of the budget, however he gave assurances all expenditure was being carefully assessed.

Members expressed concerns that the assumption of inflation at 2.5% was too optimistic, and were concerned regarding the potential impact on budgets this could have if inflation turned out to be significantly higher. The Leader undertook to pass on this view to the Cabinet.

Regarding the new Business Rates system, it was questioned how the County Council could position itself to benefit from the new arrangements. The Leader reported that to benefit the County would need to support the development of the Hampshire economy, therefore Economic Development would be a significant area of interest in the coming years. However, the Minister for Local Government had indicated that 'disproportionate' increases in business rates would be 'clawed back' by central government. The committee agreed to follow up this issue when further detail on the proposed scheme became available.

Follow up of new Business Rates system to be added to work programme.

RESOLVED:

That the County Treasurer be thanked for the clear presentation and the Leader be thanked for responding to the committee's questions and concerns.

82. **POTENTIAL REVIEW TOPIC: TEMPORARY AGENCY STAFF – OPTIONS FOR FUTURE SERVICE DELIVERY**

The Chairman reported that an options appraisal was taking place of different mechanisms for procuring temporary agency staff from October 2012 (when the

current contract expires). She indicated her intention for a small panel of Members to contribute to this process, and that this would be a short, light touch piece of work as recommendations needed to go to the October decision day for the Executive Member for Policy & Resources. Following discussion it was agreed:

RESOLVED:

That a panel be formed comprising:

Cllr Carol Leversha

Cllr Sharyn Wheale

Cllr Chris Thomas

Cllr Brian Gurden (however he would give up his place to Cllr Collett if he wished to take part, as he had left the meeting when this item was discussed).

Panel to hold it's first meeting in August, date to be confirmed.

83. **ANNUAL REPORT OF THE SELECT COMMITTEES**

The Chairman invited members approval of the annual report, as required by the constitution. The Chairman supported the committee's resolution at the last meeting to simplify the annual report in future, and made a suggestion regarding how this could be done in future to which the committee agreed.

RESOLVED:

a) That the Annual Report for 2010/11 be submitted to Full Council on behalf of the committee by the Chairman.

b) That in future each Chairman provide bullet points to summarise the work of their committee, and the content be limited to one side of A4 per committee.

The Annual Report be submitted to Full Council. The future approach be noted for next year.

84. **WORK PROGRAMME**

The Chairman went through the committee's future work programme and invited Members views regarding the items indicated. It was noted:

It would be requested that the IT update include reference to SWIFT, IT support to flexible working, progress with the central grants database, and an update on plans in relation to broadband.

Regarding Economic Development, it was requested that a briefing be provided to outline the current situation in relation to economic development such as the role of Local Enterprise Partnerships, from which the committee could then identify areas of interest.

The Chairman of the Environment and Transportation Select Committee requested that the Flooding topic be pursued through her committee. Therefore, the committee agreed to remove this from the Policy & Resources work programme.

Regarding the item on staffing issues, the Chairman indicated her intention to request this included reference to the sickness absence policy.

Members agreed an item on consultation policy should be high priority.

The Chairman suggested adding an item on the Strategic Asset Management Plan to which the committee agreed.

RESOLVED:

That the Committee's Work Programme be approved subject to the amendments made at this meeting.

Scrutiny Officer to update the work programme as agreed.