

CORPORATE RESOURCES OVERVIEW & SCRUTINY COMMITTEE
13 FEBRUARY 2020

Minutes of the meeting of the Corporate Resources Overview & Scrutiny Committee of Flintshire County Council held at County Hall, Mold on Thursday, 13 February 2020

PRESENT: Councillor Clive Carver (Chairman)

Councillors: Haydn Bateman, Geoff Collett, Bob Connah, Paul Cunningham, Mared Eastwood, Patrick Heesom, Paul Johnson, Richard Jones, Vicky Perfect, Andy Williams and Arnold Woolley

APOLOGIES: Councillors: Michelle Perfect and Glyn Banks (Cabinet Member for Finance)

ALSO PRESENT: Councillor Carolyn Thomas attended as an observer

CONTRIBUTORS: Councillor Ian Roberts (Leader and Cabinet Member for Education), Councillor Billy Mullin (Cabinet Member for Corporate Management and Assets), Chief Executive, Chief Officer (Governance) and Corporate Finance Manager

Phil Latham (Clwyd Pension Fund Manager) and Paul Middleman (Fund Actuary - Mercer) - for minute number 80

Chris Taylor (Principal Accountant, Corporate Finance) - for minute number 83

IN ATTENDANCE: Democratic Services Manager and Democratic Services Officer

76. DECLARATIONS OF INTEREST

None.

77. MINUTES

The minutes of the meeting held on 16 January 2020 were approved, as moved and seconded by Councillors Cunningham and Bateman.

RESOLVED:

That the minutes be approved as a correct record and signed by the Chairman.

78. ACTION TRACKING

The Democratic Services Manager presented a report on progress with actions arising from previous meetings and advised that the seminar on capital financing was expected to take place later in the year. Since publication of the report, the action on insurance excess costs had been completed.

On the remaining two actions, it was suggested that the Chief Executive and recently appointed Leader of the Welsh Local Government Association (WLGA) be invited to attend a future meeting. On the North Wales Growth Deal, the newly appointed Programme Director would be invited to a meeting in March/April.

Councillor Heesom highlighted the importance of involving Overview & Scrutiny Chairs in discussing the approach to scrutinising decisions of the Growth Deal. In response, the Chief Executive said that governance arrangements and engagement with the six councils would be considered at a regional workshop in advance of the second Governance Agreement to be brought forward later. The suggestion for the Programme Director to attend a future meeting would provide an opportunity for Members to share their expectations on this subject.

The recommendation was moved by Councillor Heesom and seconded by Councillor Cunningham.

RESOLVED:

That the Committee notes the progress which has been made.

79. FORWARD WORK PROGRAMME

The Democratic Services Manager presented the current Forward Work Programme for consideration.

The Chief Executive said that following consultation with Group Leaders, updates on the Medium Term Financial Strategy and Council Plan would be scheduled, both of which may be preceded by Member workshops.

The recommendations were moved by Councillor Johnson and seconded by Councillor Cunningham.

RESOLVED:

- (a) That the Forward Work Programme be noted; and
- (b) That the Democratic Services Manager, in consultation with the Committee Chairman, be authorised to vary the Forward Work Programme between meetings, as the need arises.

80. PENSIONS - FINANCIAL RELATIONSHIP OF FLINTSHIRE COUNTY COUNCIL AS AN EMPLOYER AND THE CLWYD PENSION FUND

The Chief Executive introduced a report to explain the relationship between the Clwyd Pension Fund and Flintshire County Council as an employer within the Fund along with the types of financial contributions made. The report also detailed the outcome of the triennial actuarial valuation which impacted positively on the Council's 2020/21 budget.

The Clwyd Pension Fund Manager, Corporate Finance Manager and Fund Actuary from Mercer (Paul Middleman) gave a joint presentation covering the following:

- How the Pension Fund works
- Overview of the Actuarial Review 2019
- Types of Contributions
- Impact of the Actuarial Valuation 2019

During the presentation, a flowchart demonstrated how the Fund worked with spans of control indicated by a green, amber or red status. By carefully balancing risk against return, investment returns had increased significantly above the target level which had contributed to the significant reduction in the deficit position of the Fund.

The Fund Actuary described the actuarial review process as scrutinising the level of investments in order to pay benefits, balanced with risk. Aside from complying with regulatory requirements, one of the key components was to ensure the quality of data which could impact on liabilities. Key outcomes from the valuation indicated that improved performance of the Fund had resulted in increased average funding levels from 76% at 2016 to 91% at 2019 with the repayment deficit more than halved from £437m at 2016 to £177m at 2019.

The Corporate Finance Manager said that the outcome of the valuation had resulted in a net reduction of 4% in employer contributions which equated to a total saving of £2.646m to the Council budget 2020/21.

The Chief Executive reminded Members that Clwyd Pension Fund Committee agendas were available on the Council's website. His suggestion that the Corporate Resources Overview & Scrutiny Committee receive biannual progress reports on the Clwyd Pension Fund was supported.

Councillor Jones welcomed the positive outcomes for the Council budget. In response to questions, the Chief Executive spoke about the risk appetite and the objective to achieve assets equal to 100% of liabilities within the 13 year timeframe. The Fund Actuary described the Fund's governance structure as 'forward-thinking' to adapt to changes and he referred to continued monitoring outside the valuation cycle.

In response to a question from Councillor Johnson, the roles and responsibilities of the Chief Executive and Corporate Finance Manager were clarified in respect of the Fund.

At the end of the discussion, Councillor Jones proposed that the Clwyd Pension Fund Committee, Chief Executive and officers be thanked for their work. Members supported the Chief Executive's suggestion that the forthcoming presentation to Council note the Committee's satisfaction with the degree of assurance over the Pension Fund figures.

The revised recommendations were moved by Councillor Jones and seconded by Councillor Bateman.

RESOLVED:

- (a) That the report be noted;
- (b) That the Committee is satisfied with the degree of assurance afforded to them by officers during the presentation;
- (c) That the officer team be thanked for their work to significantly improve the position of the Clwyd Pension Fund; and
- (d) That the Clwyd Pension Fund provide biannual progress updates for the Committee.

81. QUARTER 3 COUNCIL PLAN 2019/20 MONITORING REPORT

The Chief Executive presented a summary of progress on performance within the Council Plan for Quarter 3 of 2019/20 (October-December 2019). Overall, this was a positive report with 89% of activities assessed as making good progress, and 89% likely to achieve the desired outcome. It was reported that 81% of performance indicators had met or exceeded their targets. The major (red) risks were predominantly around the financial challenge and not financial management.

Councillor Jones said that the revised format of the Council Plan required improvement to help with scrutinising and that more clarity was needed on linking Overview & Scrutiny with areas of risk. He questioned the omission of the major risk on fees and charges and said that risk areas under the remit of other committees involving financial risks should have oversight by this Committee.

The Chief Executive said that the review of the Council Plan would take account of such points to assist Overview & Scrutiny committees to focus on specific areas within their forward work programmes. He said that any service risks with large monetary values would also be shared with this Committee.

Councillor Jones questioned the red status of the performance indicator on the percentage of employees leaving in their first year, given the Chief Executive's comments that there was no risk to business continuity arising from this trend. Councillor Jones also said that the impact of the national trend on the number of working days lost due to sickness absence should be made clearer in the commentary. He agreed to share separately with officers a number of other queries on performance indicators.

In response to Councillor Jones' comments about expanding the reasons for risks reported to other committees, the Chief Executive said that this would be addressed by the review of the risk management framework. In response to further questions, a Member workshop on Social Value was being scheduled and the Growth Deal item would provide an opportunity for Members to identify

priorities and sub-priorities affecting communities. On the need for business plans to set out aims and associated spend within service areas, the Chief Officer (Governance) spoke about ongoing work to achieve more consistent content and two-way feedback with the Council Plan which would help inform the Medium Term Financial Strategy.

In thanking Members for their comments, Councillor Mullin gave assurance that whilst progress was being made, there was no complacency.

Councillor Woolley said that the report should focus more on trends as opposed to a snapshot in time. He agreed to share with officers a number of inconsistencies with data in the report compared with the mid-year update.

Councillor Heesom said that he thought the Council Plan could achieve more through forward planning, for example on the action for 'key interventions for accessing employment, health, leisure and education facilities'. He said that such interventions, such as those needed in Mostyn Docks, should be reflected in the Council Plan under the Ambitious Council priority.

The Chief Executive explained that the Council Plan, agreed by the Council, covered the work of the Council and what was planned to be achieved both in-year and in the longer term. Officers could only report on performance of the Council against the pre-agreed contents of the Plan, and not on other policy or service issues which were outside of the Plan or indeed the separate work and performance of Governments and partner organisations. Following a query on the County Hall campus, he gave a brief update on progress and said that plans had yet to be developed for the remainder of the site.

Councillor Carolyn Thomas, who was present in the public gallery, confirmed that Mostyn Docks had been incorporated in the transport plan. In response to other comments, she referred to some objectives in the Council Plan spanning a number of service areas and the impact to the budget from late grant funding or capital linked to specific schemes.

Councillor Collett asked whether the red risks/indicators that were outside the Council's control could be more clearly identified. The Chief Executive gave examples where the Council could exert influence, for example the evidential case on the provisional settlement.

Councillor Jones suggested an item before the Council Plan workshop for the Committee to understand the financial risks across services. The Chief Executive said that officers would work on capturing how the Plan worked, taking account of the comments raised on forward planning, alignment with Overview & Scrutiny committees and influencing areas through another partner.

The recommendations, which were changed to reflect the debate, were moved by Councillor Jones and seconded by Councillor Heesom.

RESOLVED:

- (a) That the Committee notes and endorses:
- The overall levels of progress and confidence in the achievement of activities within the Council Plan;
 - The overall performance against Council Plan performance indicators;
 - The current risk levels within the Council Plan.
- (b) That the Committee is assured by plans and actions to manage the delivery of the 2019/20 Council Plan;
- (c) That in future, all high monetary value risks within the Council Plan be brought to the Committee as well as to the functional Overview & Scrutiny Committee; and
- (d) That prior to the Council Plan workshop, officers undertake work to focus on alignment to Overview & Scrutiny committees, forward planning and mitigating risk on issues outside the Council's control.

82. EMPLOYMENT AND WORKFORCE QUARTERLY UPDATE

The Chief Executive presented the workforce information report on Quarter 3 of 2019/20 which focussed on organisational performance and trends. The report also included a section on the successful transfer of the Red Book (Craft) to the Council's new pay model.

In advising that there was no risk to business continuity from the employee turnover trend, the Chief Executive suggested that future reports instead focus on any trends within services that may be of concern. A presentation on work being undertaken with Occupational Health on sickness absence trend analysis would be scheduled for a future meeting.

Councillors Jones and Woolley both raised concerns about progress on the completion of appraisals. The Chief Executive said that an improved position at the end of year was expected and that any major variations within portfolios would result in the relevant Chief Officer attending before the Committee to provide explanation. Councillor Jones' query on days lost per full-time equivalent would be passed to the Senior Manager for clarification.

In response to the Chairman's request, future reports would include comparison data for the previous quarter and the equivalent quarter for the preceding year. Quarter 4 progress on appraisals would be reported alongside a presentation on the new pay model in May.

The recommendations, which were changed to reflect the debate, were moved by Councillor Woolley and seconded by Councillor Cunningham.

RESOLVED:

- (a) That the Committee notes the Employment and Workforce Information Report for Quarter 3 of 2019/20 (October to 31 December 2019); and
- (b) That the Committee reiterates the previous request for portfolio holders - where there is poor appraisal performance - to attend a meeting of the Committee and be held to account for this.

83. REVENUE BUDGET MONITORING 2019/20 (MONTH 9) AND CAPITAL PROGRAMME (MONTH 9)

The Corporate Finance Manager and Principal Accountant presented a report on the revenue budget monitoring position for the Council Fund and Housing Revenue Account (HRA) and an update on the Capital Programme of 2019/20 at Month 9 prior to consideration by Cabinet.

Revenue Budget Monitoring

On the Council Fund, the projected year-end position - without new actions to reduce cost pressures and improve the yield on efficiency planning - was an operating deficit of £1.666m. This favourable movement of £0.226m from Month 8 was mainly due to a further reduction in pension contributions (discussed earlier in the meeting) and a VAT windfall of £0.130m. Work was continuing to reduce the overall projected overspend position by year-end including some specific areas highlighted in the report. The possibility of late grant awards could also contribute positively to the year-end position. Clarity was awaited on the contribution from the additional funding announced by Welsh Government (WG) to support the delivery of frontline health and social care services this winter.

The achievement rate on planned in-year efficiencies was expected to remain at 91%.

The summary of earmarked reserves reported a projected closing balance of £9.6m. The projected balance on Contingency Reserves at year-end was £3.203m taking into account the current projected overspend at this stage.

The projected position on the HRA was an overspend of £0.103m leaving a closing un-earmarked balance of £1.220m which was above the recommended minimum level.

Councillor Heesom expressed concerns about the pressures on school budgets, particularly at secondary level. The Chief Executive said that the deteriorating deficit position of some schools was reflected as an open risk in the budget report due for consideration by Council and demonstrated the insufficiency of the funding formula model in Flintshire. He spoke about the revised Licensed Deficit Protocol containing a series of robust actions and the impact on the Medium Term Financial Strategy.

Councillor Roberts said there were a number of contributing factors leading to a deficit budget situation, including the impact of pupil deprivation data. He said that the issue was of grave concern and gave assurance that the Council was prioritising those in need of support.

Capital Programme

Changes to the revised programme were due to the introduction of various grant funding streams, the re-profiling of prudential borrowing on the Strategic Housing and Regeneration Programme (SHARP) and re-profiling budget on the Childcare Offer Capital grant. The summary position on capital expenditure at Month 9 showed a projected underspend of £4.372m on the Council Fund and a break-even position on the HRA.

Cabinet approval would be sought for carry-forward amounts totalling £4.034m for the period into 2020/21. The use of the remaining Economic Stimulus grant funding was detailed for the identified schemes set out in the report.

Funding of approved schemes indicated a shortfall of 0.693m over the three year period which would be a first call on future capital receipts.

Councillor Jones referred to historic practice and said that carry-forward amounts should only be committed where contracts had already been signed to balance projects against priorities. Officers explained that whilst schemes in the programme were re-evaluated in this way, there was no requirement for contracts to be signed as work would take place over a number of years.

The recommendations were moved by Councillor Cunningham and seconded by Councillor Bateman.

RESOLVED:

- (a) That having considered the Revenue Budget Monitoring 2019/20 (Month 9) report, the Committee confirms that its concern at the pressure on secondary school budgets should be raised with the Cabinet; and
- (b) That having considered the Capital Programme 2019/20 (Month 9) report, there are no specific issues which the Committee wishes to be raised at Cabinet.

84. MEMBERS OF THE PUBLIC AND PRESS IN ATTENDANCE

There were no members of the public or press in attendance.

(The meeting started at 10am and ended at 12.20pm)

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Chairman