

**RESOURCES SCRUTINY COMMITTEE
10TH MARCH 2004**

PRESENT: The Chair (Councillor Bush)
The Vice-chair (Councillor M.T. Jones)
Councillors Bava, Bryant, Flavell, J.M. Hunt, Preston, Rodgers and
Sutherland

APOLOGY: Councillor Page

96. MINUTES

The minutes of the meetings of the Committee held on 28th January 2004 and 11th February 2004 were confirmed and signed.

97. DISCLOSURES OF PERSONAL INTEREST

No disclosure of personal interest was made.

98. DECLARATIONS – THE PARTY WHIP

No declarations of the existence of the Party Whip were made.

PART 2 (DELEGATED)

99. TREASURY MANAGEMENT

Included in the Committee's work programme for consideration at the meeting was Treasury Management. A report of the Head of Financial Services was submitted which provided an overview of the current position with regard to treasury management and enabled the Committee to express its views to Cabinet on the future strategy to be adopted for the investment of the Council's surplus funds.

Sector plc, a division of Capita, had been appointed as the Council's consultants to advise on treasury management generally and also to monitor the performance of the Council's external fund managers, Investec. Ms Phiroza Katrak, from Sector, attended the meeting and provided information on:

- The performance achieved by Investec as fund managers, comprising a brief review of the year 2002/03 and a more detailed review of the current year to the end of December 2003
- The performance of Investec compared with other fund managers
- The continued viability of retaining Investec as fund managers if the portfolio was reduced by the Council to fund the redemption of outstanding long term debt

Balances invested at mid February 2003 were:

Investec	£17,071,000
Internally Managed	£9,000,000
Total	£26,071,000

Of the internally managed funds, approximately £4.3 millions would be required to meet the County Council's precept in the second week of March 2004. There would also be expenditure on day to day matters such as payment to creditors and employees but income from government grants, Council Tax and rents would offset that outlay to some extent.

In summary, Ms Katrak considered that the manager appointed by the Council had been the best performing manager in 2003/04. However, there had been instances where the manager had not reacted as quickly as desirable and Sector proposed to monitor the position closely in the coming year. She considered that the market prospects for 2005/06 were not good and she supported the Head of Financial Services' view that the Council's best course of action was to repay debt.

As had been reported previously, the Head of Financial Services was actively seeking to redeem part of the outstanding loan debt to achieve "debt free" status for the authority before the end of the current financial year. That would confer considerable financial advantages on the Council. Ms Katrak reported on the current state of negotiations on that matter. If the negotiations proved successful, the Council's cash reserve would be reduced by approximately £4 million and the Head of Financial Services would then take a view on whether that could be financed by a reduction in the internally managed funds or whether it would be necessary to make a partial withdrawal from Investec's managed funds.

With regard to alternative investment options, the Council had, in the past, invested in fixed rate supranational bonds but, at the current time, the Government had issued a consultation paper which indicated that such instruments might, in the future, be regarded as capital expenditure, which they were not currently. The inward flow from the redemption of such investments would then be classed as a capital receipt. Until that uncertainty was resolved, it was considered unwise to invest in those bonds.

No long-term or temporary borrowing had occurred in the current financial year, nor was any envisaged. The report on the Prudential Code for Capital Finance in Local Authorities, a requirement under the Local Government Act 2003, had been considered by Cabinet on 12th February 2004. That report had given an indicative figure needed to finance capital expenditure in 2004/05 from borrowing to the extent of £1.3 million but that would be kept under review.

A member of the Committee expressed the view that it was important that the Council achieved "debt free" status as soon as possible.

In response to questions, Ms Katrak stated:

- (a) It was extremely unlikely that one lender could acquire the loan made by the other lender.
- (b) It was considered very beneficial to the Council to borrow on a short term basis.

RESOLVED

1. that the position be noted and Ms Katrak be thanked for assisting the Committee in reviewing the matter;
2. that the matter be reviewed again by the Committee in March 2005 unless there appears to be grounds for an earlier review of the current arrangements.

100. AUDIT

Included in the Committee's work programme for consideration at the meeting was the audit work completed in the last three months and the work to be undertaken. The Head of Financial Services had been unable to complete a report and it was recommended that the issue be reprogrammed for consideration on 19th May 2004.

RESOLVED that the issue be reprogrammed for consideration on 19th May 2004.

101. CRITERIA FOR THE USE OF RESERVES

At the meeting on 11th February 2004, the Committee had requested guidance on the formulae used to calculate the size of Reserves and the criteria for the use of those reserves. A report of the Head of Financial Services was submitted which included LAAP Bulletin 55 on the issue.

The Chair commented that the Working Balance Reserve for 2004/5 had been calculated for the first time by using the Audit Commission indicator of 5% of Net Operating Expenditure and, therefore, for consistency it was important that the same basis was used in the future.

In response to issues raised, comments made and questions, officers stated:

- (a) If the Council was to borrow in accordance with the Prudential Code, it would not be disadvantaged.
- (b) In respect of the Re-investment Reserve, it was anticipated that "pay-back" would be achieved in three or more years. However, the "pay-back" might be improvements in the services provided rather than in pure financial terms.

RESOLVED that the report be noted.

102. REVENUE MONITORING 2003/04

A report of the Head of Financial Services setting out details of actual expenditure and income in respect of services within the Committee's overview and scrutiny remit compared with the budget profile at the end of January 2004 was submitted which indicated that, overall, the position on the revenue budget was balanced, but there were a number of overspendings and underspendings.

RESOLVED that the position be noted.

103. SICKNESS ABSENCE

Included in the Committee's work programme for consideration at this meeting was a quarterly report to enable it to consider whether action was needed to reduce absences due to sickness. The Head of People and Performance's report was submitted which provided an update on the sickness absence rate for the third quarter of 2003/04 together with causes for sickness absence, confirmed implementation of the new sickness absence procedures and provided comparative data from local authorities and the Employers Organisation.

The sickness absence rate for the third quarter (October – December 2003) had been 5.9%, which equated to an average of 3.3 working days per employee. That figure was an increase on the same period of the previous year (2.5 days). Long-term sickness, (greater than 40 days) accounted for 29.7% of total absence in that quarter. Given that increase, it appeared unlikely that the Council would meet its sickness absence target for 2003/04 and it was likely that the level of sickness would increase from its 2002/03 level of 9.6 days. From one quarter's statistics, it was not possible to determine whether the increased level of sickness absence was a temporary reversal or an upward trend. The reasons for absence and the number of occasions by Service area were detailed..

The new sickness absence procedures had been circulated to all employees. Long-term sickness referred to continuous certificated absence of more than 4 weeks (20 days) whereas, in previous reports, that had been reported as greater than 40 days. That was to reflect the period for calculating long-term sickness recommended by the Employers Organisation and would be reflected in the information provided to the Committee from April 2004. The new policy and sickness absence generally had been discussed at meetings of the Corporate Management Team.

The Committee had expressed concern previously about the amount of stress-related sickness and had queried whether exit interviews could be used to identify the reason for sickness. In the period of June to December 2003, thirteen exit interviews had for staff leaving the Council been conducted. With reference to the question "Why are you leaving?", five of the thirteen had reported that they were seeking more challenge, which they felt their new appointment would offer. Four had indicated they were looking for better promotion/career development opportunities, three due to

life choices and the travelling involved in getting to work and one due to stress at work and the poor working relationship with colleagues.

It was important to recognise the value of exit interviews in monitoring the effect of the Council's policies and procedures. However, it was recognised that the interviews were conducted at the end of the employment relationship, which was too late to deal with the issues effectively for the individual concerned.

The new sickness absence procedures recommended that managers hold return to work interviews which would provide an informal opportunity to determine if the employee had experienced difficulties. Where there were patterns of sickness identified, the employee's manager had to hold an attendance consultation meeting with them, at which time reasons for the sickness absence would be discussed along with any action or assistance required and that might help the employee recover and improve their attendance record. Managers needed to ensure that they followed the guidance in the sickness absence procedure to enable them to deal with the issues raised accordingly.

The preliminary findings of the 2002/03 local government sickness absence levels and causes survey had recently been published by the Employers Organisation. Findings from the survey indicated that, amongst the 151 authorities surveyed, the median sickness absence rate had been 4.6%, which equated to 10.7 days of absence per employee. The rate in Charnwood for that period had been 4.3%, which equated to 9.6 days.

Causes of sickness absence at Charnwood and comparative data with "near neighbour" authorities was submitted.

The following issues were raised and comments made by members of the Committee:

- (i) The completion of 13 "exit interviews" in seven months appeared inadequate. Information from such interview was vital to identify trends. Further information was required on the number of employee who had left the Council's employment and the reasons for leaving.
- (ii) Considerably more research was required on the illnesses encountered and the absences from neighbouring authorities to identify common problems and how they might be addressed.
- (iii) The figures for absences were rising. Of particular concern was the absences in Housing Services. Supportive assistance was required for all staff in an attempt to reduce absences due to sickness.

In response to an issues raised, the People Manager stated that, to enable comparisons to be made with other local authorities, it was essential to maintain the standard categories for illness.

RESOLVED

1. that the report be noted;
2. that further information on the number of leavers, the reasons for leaving and the reason for the apparently low number of “exit interviews” be supplied to each member of the Committee.

104. INFORMATION TECHNOLOGY STRATEGY

The Committee had identified the issue from the forward Plan of Key Decisions and had included the issue in its work programme for consideration at the meeting on 29th January 2004. Due to the amount of business to be considered, the Chair had agreed that consideration of the item be delayed until until this meeting.

The issue was not at a stage where there was a report in preparation for the Cabinet. Therefore, the Committee was asked whether it wished to programme the matter for consideration on a later date

RESOLVED that the issue to considered at the meeting of the Committee to be held on 19th May 2004.

105. INCOME STRATEGY

At its meeting on 28th January 2004, the Committee had identified from the Forward Plan an item relating to Income Strategy. However, the issue was not at a stage where there was a report in preparation for the Cabinet. Therefore, the Committee was asked whether it wished to programme the matter for consideration on a later date.

RESOLVED that the issue to considered at the meeting of the Committee to be held on 19th May 2004.

106. SCRUTINY COMMISSION FEEDBACK

The Chair reported that the matters considered were detailed in the minutes of the Commission’s last meeting which had been approved by Council.

RESOLVED that the report be noted.

107. FORWARD PLAN OF KEY DECISIONS

The current Forward Plan had been published on 16th February 2004. An extract from the Plan detailing the items within the Committee’s overview and scrutiny remit was submitted.

RESOLVED that the issues in the Forward Plan within the overview and scrutiny remit of the Committee be noted.

108. CABINET – CURRENT/RECENT ISSUES CONSIDERED AND RESPONSES TO REPORTS/COMMENTS OF THE COMMITTEE

Details of items within the Committee’s overview and scrutiny remit which the Cabinet had considered since the last meeting of the Committee were submitted.

RESOLVED:

1. that the items considered by the Cabinet be noted;
2. that “Strategic Risk Register” be included in the Committee’s work programme for consideration on 30th June 2004.

109. WORK PROGRAMME

The current position with the Committee’s work programme was submitted. The Committee was asked to consider the programme, any amendments and additions it might wish to make and business for future meetings. That would enable planning for future meetings to be undertaken, for relevant background information to be prepared and for the attendance of officers and/or others to be arranged.

RESOLVED

1. that “Customer Care Standards” and “Review of Service Performance Plans” be deleted from the work programme;
2. that “Borrowing under Prudential Guidelines” be included in the work programme for consideration on 19th May 2004;
2. that “Annual Procurement Plan” be included in the work programme for consideration on 30th June 2004;
4. that the Committee proceeds on the basis of the following work programme, which incorporates decisions taken earlier in the meeting:

Issue	Position	Meeting Date
Income Strategy	Identified from Forward Plan of Key Decisions. Scheduled for consideration on 11th February 2004 but deferred to 10th March 2004 then to 19th May 2004.	19th May 2004
Audit	Quarterly report requested on work undertaken.	19th May 2004

IT Strategy	Identified from Forward Plan. Scheduled for consideration on 28th January 2004 but deferred to 10th March 2004 then to 19th May 2004.	19th May 2004
Borrowing under Prudential Guidelines	To review the current position.	19th May 2004
Performance Indicators	Quarterly statistics to be reviewed when available. Last considered on 28th January 2004. Revised indicators being prepared.	19th May 2004
Personal Development Reviews	Committee to consider whether the system could be improved. Position at 30th April 2004 to be considered on 19th May 2004.	19th May 2004
Annual Procurement Plan	To review the current position.	30th June 2004
Sickness Absence – Statistics	Report to assist the Committee to determine whether any action needs to be considered to reduce absences due to sickness to be submitted on a quarterly basis. Originally programmed for consideration on 29th October 2003. Last considered 10th March 2004	30th June 2004
Strategic Risk Register	To review the Register	30th June 2004
Council's Website	Considered 10th December 2003. Progress report requested in approximately 6 months time.	30th June 2004
ICT Best Value Review Action Plan	Report submitted to May 2003 meeting giving details of actions needed and those being delayed by other matters. Further reports to be submitted twice per year. Last considered 10th December 2003	30th June 2004
Disciplinary Procedure - Review of Performance	To be considered on an annual basis. Last submitted 29th October 2003.	27th October 2004
Harassment and Bullying Policy - Review of Performance	To be reviewed on an annual basis. Last submitted 29th October 2003.	27th October 2004
Treasury Management	An annual report to be submitted by the Council's consultants in respect of externally managed funds.	March 2005

110. EXEMPT INFORMATION

RESOLVED that members of the public be excluded from the meeting during consideration of the following item on the ground that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A to the Local Government Act 1972:

Minute 110A - Disposal of Land, Maxwell Drive, Loughborough

RS/55