

Economy and Business Improvement Overview and Scrutiny Committee

Monday, 20th September, 2010
6.00 - 8.03 pm

Attendees	
Councillors:	Malcolm Stennett (Chair), Garth Barnes, Tim Cooper, Peter Jeffries, Paul Massey (Deputy Chair) and Paul McLain
Also in attendance:	Councillors Steve Jordan and Les Godwin

Minutes

- 1. APOLOGIES**
Apologies were received from Councillors Surgenor, Thornton and Wall.
- 2. DECLARATIONS OF INTEREST**
Councillor Stennett declared a personal and prejudicial interest in agenda item 11 as a director of Gloucestershire Airport and announced his intention to hand over the chairmanship of the meeting to Councillor Massey at that point and leave the meeting.
- 3. MINUTES OF THE LAST MEETING**
Resolved that the minutes held on 19 July 2010 be approved as a correct record.
- 4. PUBLIC QUESTIONS AND PETITIONS**
None received.
- 5. MATTERS REFERRED TO COMMITTEE**
No matters had been referred to the committee.
- 6. BRIEFING FROM CABINET MEMBERS**
The Leader
He referred to the new Local Enterprise Partnerships (LEPS) which had been announced by government as the replacement for the Regional Development Agencies. He advised that a bid had been submitted to government by the county for a LEP covering Gloucestershire, Wiltshire and Swindon. He was disappointed that the county had not felt able to support a bid for Gloucestershire as there were risks associated with Gloucestershire, a two tier authority, joining up with two unitary authorities. He hoped that whatever the outcome, Gloucestershire First would be in a position to continue with the good work they were doing and Gloucestershire would continue to have a voice.

He referred to the briefing note on the Cheltenham Inward Investment Working Group which had been circulated with the agenda. Working with Gloucestershire First, this group had been looking at what makes Cheltenham attractive to businesses looking to invest and what sectors to target. It was also helping to manage the outcome of Kraft and Chelsea's decision to strategically withdraw from Cheltenham. He agreed to circulate a membership list for the working group to members of the committee. In response to a question from a member he advised that the working group was time-limited and would have a finite end.

7. STRATEGIC COMMISSIONING

The Chief Executive introduced his report which had been circulated with the agenda. He reminded members that Council on 28 June 2010 had confirmed its agreement to the Council using the principles of Strategic Commissioning to secure services. This committee had an important role in scrutinising the impact that Strategic Commissioning would have on the council's services. He gave a presentation to the committee describing the process of Strategic Commissioning and the potential impact on services.

In the presentation, he explained that consultants had delivered a report on the structural senior management changes required to support a strategic commissioning approach. In response to a question from a member he indicated that the cost of the consultants was in the order of £16,000. As Chief Executive he would be producing a section 4 report on the structural changes, for consideration by the Staff and Support Services Committee in October and approval by Council in December. The aim would be to have the new structure in place from 1 April 2011.

He explained that Strategic Commissioning was focused on achieving the best outcomes for citizens. He emphasised the importance of partnership working and joining up services and without this the full benefits of commissioning could not be achieved. It was acknowledged that the current spend on services was not sustainable and therefore potential savings from the commissioning approach was an important factor. Overview and scrutiny could play a key part in the monitoring and review of the new arrangements and ensuring that the council was delivering the right outcomes for local citizens.

Members asked a series of questions and the response from the Chief Executive is listed after each question.

- The council already had many initiatives in place e.g. shared services, GO programme and now Strategic Commissioning. How will all these various initiatives be managed into a cohesive plan?
 - The Chief Executive acknowledged that the approach had been somewhat ad hoc but it had been important to take the opportunities provided as they arose. Strategic Commissioning would provide a framework for ensuring that all these initiatives were not just providing the best outcome for their particular project but what was best for the Council and the people of Cheltenham.

- Why didn't authorities in Gloucestershire just join up and become a unitary authority and achieve economies of scale that way?
 - The Chief Executive acknowledged that this was an alternative but the Strategic Commissioning approach looked to save money in a different way by finding out what was important to local people. He emphasised that current government thinking was to deliver joined up services at a local level to meet local needs. In a two tier arrangement, the challenge for Strategic Commissioning would be to agree what services are best commissioned at district level and which at county level and then the same decisions made for delivery of services.

- Is Strategic Commissioning really just a money saving exercise? The council needs to identify the priority services for its residents and then have a political debate on the non-essential services. The council like any other business needs to look for efficiencies in how it delivers those services.
 - Strategic Commissioning would also look to achieve better outcomes for local people by commissioning services at the appropriate level. Waste management in Gloucestershire was a good example of this approach working in practice?

- The presentation emphasised that partnership commitment and a willingness to pool budgets was key to success. Could the Chief Executive expand on the current levels of commitment?
 - The county had demonstrated their readiness to engage in the process and the voluntary and community sector were leading the agenda in Gloucestershire. The police were willing to get involved in the debate and the health service already had a strong commissioning ethos in place.

- Is it appropriate that the only risk relating to Strategic Commissioning is CR20 and relates solely to knowledge and skills. Is there not a risk of partners not buying in and a lack of clarity about accountability?
 - A risk assessment for Strategic Commissioning was attached to the report which went to Council in June and would be set out in the section 4 report to Council in December. The Chief Executive agreed to raise this point with the Senior Leadership Team when they next review the Corporate Risk register.

- It was important for the public to know how they would seek redress if they were not happy with the services being delivered and know who was accountable at a political level. How would this be addressed?
 - The Chief Executive responded that the public wanted good services and needed to understand where to go if that was not the case. There was evidence to suggest that the public were less concerned about who was actually delivering the service.

- Is there a tension between achieving value for money and monitoring and review and how does the council monitor the effectiveness without tying itself up in long-term contracts?

- Such tensions will inevitably exist and scrutiny could play a key role in monitoring services.
- It is disappointing that the council still feels that it does not know what its customers need as so much previous work has been done in consultations and producing community strategies and business plans. Is strategic commissioning merely another name for sub-contracting which is an approach that businesses have been using for many years?
 - The Chief Executive acknowledged that there was much good practice in the council in this area but it was not always systematic or coordinated. The commissioning approach would provide this co-ordination.

At this point the Chair stated that he was disappointed that £16,000 had been spent on consultants believing that the information obtained should have been decided by the Chief Executive. He requested that members be advised of any intended additional expenditure on consultants relating to the Commissioning process.

The Chief Executive responded that in considering a restructuring involving his close colleagues, he felt it was beneficial to get an external view which could be fully objective.

Resolved that:

- 1. A report is brought back to this committee to giving members examples of successful Commissioning projects within other similar Local Authorities.**
- 2. Summary progress reports are brought to the committee showing actions being taken and cost savings that have been made or are expected.**

8. REGULATORY POWERS PROCEDURES (RIPA)

The chair introduced the report. The committee had considered the report at their last meeting and requested a number of changes. The revised procedural guide was now being brought back to this committee for further consideration before being approved by Cabinet. The chair was satisfied that the issues raised by the committee had been addressed in the report.

A member was concerned that there appeared to be no corporate policy on data storage. In response the Assistant Chief Executive said that the corporate policy was not to hold data unless there was a business need and in the case of a fraud investigation there was a need to hold the data for six years. She agreed to review this section to see whether the wording needed clarification.

A member was concerned that there could be a reputational risk regarding the implementation of the RIPA. He considered that members had given a very clear political steer at the last meeting that fly tipping and dog fouling did not fit into the definition of necessity and proportionality. This had not been recognized in the suggested actions in appendix 1.

The Assistant Chief Executive advised that officers had been concerned not to take options available under the legislation out of the procedural guide too early. She would consider how this political steer could be included.

A member requested more clarity on the definition of 'necessity' on page 13 of the guide. The Assistant Chief Executive advised that officers had adopted the Home Office definition but she would review the wording.

Resolved that the revised procedural guide for the Regulation of Investigatory Powers Act 2000 be recommended to Cabinet

9. GO PROGRAMME

The GO Programme Manager, Robert Wood, introduced the report which had been circulated with the agenda. The report informed members of the progress of the GO programme and the final business case. The programme was seeking approval from both Cabinet and Council (funding) and this was an opportunity for the committee to make any comments.

Members asked a series of questions and the response from the programme manager is listed after each question.

- Is there additional scope for sharing software beyond finance and HR systems?
 - The four district authorities would become natural partners for sharing additional corporate services and there was also the potential to bring in other authorities once they saw it operating effectively.
- In his introduction, the programme manager had said that he had seen the ERP system operating successfully in new unitary authorities but there were very few successful examples of shared ERP in district authorities. Why was this the case and was it a concern?
 - In his view the unsuccessful examples had arisen from going into the project without clarity. He was confident that this programme had a very clear business case with well-defined specifications and officers across the authorities were clear that they would receive a standard system without modifications for their particular authority. The success of the project did not depend upon the software but the shared vision of the partners and their commitment to see the project through.
- Page 69, 6.2.1 referred to a 10 year agreement unless terminated earlier by mutual agreement. Why did the term have to be so long and what were the sanctions if a partner decided to withdraw earlier?
 - 10 years was considered appropriate in that no partner would want to dissolve the partnership before their payback period had been reached. In the case of Cheltenham this was just over five years but for other authorities it was over seven years. If a partner wished to leave the partnership earlier, then they would be responsible for both their own costs and the costs incurred by the other authorities through them leaving.

- Had the programme been too protective of its specification and would it have been possible to procure a cheaper system with a shorter payback period?
 - There were other systems in the marketplace. Some had distinct disadvantages and others although well tried and tested had a cost profile that would only be applicable to large scale organisations and companies. The procurement exercise for the GO programme had identified the proposed ERP system as providing the best combination of functionality and cost. Regarding the payback period, the first two years were concerned with installation of the system and therefore benefits would not start to accrue until year three. The business plan had adopted a cautious approach to savings based on benchmarks from CIPFA members. He was confident that the savings were deliverable and there was a significant chance that they would be greater.
- Was there a risk of being left with a obsolete system after five years?
 - There is an annual agreement with the supplier and a natural break point at five years. It would be possible at that point to change suppliers if this proved necessary.
- What was the main component of the savings?
 - Savings on staff costs were a major component but there were also savings on software maintenance and time savings for staff using the system.
- Could other partners be incorporated easily? Were there risks of significant changes to the political structure of councils causing problems to the partnership? How did the hold harmless clause affect lead partners?
 - The functionality could be expanded to other partners with relative ease. The hold harmless clause was designed to protect the centres of excellence (only) of which Cheltenham Borough Council was one. This clause would exclude other partners from seeking financial penalties from the host authority in the case of a service failure. This was in all partners interests as the alternative would be for the hosting partner to increase their charges for the service sufficiently (as opposed the current non profit basis) to address the risk of financial penalties.

The chair thanked the programme manager for his contribution to the meeting and wished the project every success.

Resolved that the business case for the GO shared services programme be supported.

10. CORPORATE RISK REGISTER

The Assistant Chief Executive introduced the report which had been circulated with the agenda. The council had acknowledged that members need to be aware of the corporate risks which may impact on the council and the decisions it takes. The risk register had been updated by the Senior Leadership Team in August and sets out progress against mitigating actions. Members were asked to consider the document before it went to Cabinet on 21 September 2010 and identify any additional risks or actions to be brought to Cabinet's attention.

The Assistant Chief Executive indicated that officers would review the risk register in the light of the committee's comments on the reputational risk regarding RIPA, risks arising from commissioning and consider a breakdown of the risks for the GO programme which the committee felt may be too generic. A member suggested that there could be a risk arising from the government's announcements on the comprehensive spending review in October. Partnerships across Gloucestershire would need to communicate to ensure that no one particular sector or area of the community was adversely affected by multiple cuts by different partners.

Another member suggested that there should be a risk associated with a public service dispute or strike arising from government cuts.

Resolved that

- 1. The Corporate Risk Register with the amendments identified be supported.**
- 2. The committee receive a quarterly report on the Corporate Risk Register highlighting any changes**

11. AIRPORT RUNWAY SAFETY PROJECT

The chairman of the Joint Airport Scrutiny Working Group (JASWG) introduced his report which had been circulated with the agenda.

The report explained that in December 2009 the Council had agreed the business case for the airport and had agreed to facilitate £1.2 million of the borrowing will required from the PWLB for onward lending to the airport to fund the runway safety project. Since this date the project costs had increased and the project implementation period has been shortened in line with recommendations of the project manager. The business case financial projections had been revised and an additional temporary loan of £350,000 was being requested from both Cheltenham Borough Council and Gloucester City Council as joint shareholders of the airport. The Treasury Management Panel had approved the necessary changes to the Treasury Management Policy to facilitate this on 14 September 2010. An extract of the minutes had been circulated to the members of the committee at the start of the meeting together with the minutes of the last JASWG meeting.

The JASWG had been concerned at a request for additional funding so soon after the original loan had been agreed. They were satisfied that this would be a final request for additional funding and it was necessary in the current economic climate with the restrictions on borrowing.

A member questioned whether the additional request for more cash was an easy option and the airport should have been able to support this by modifying their own plans.

In response the Chief Finance Officer said that the airport had to go through a thorough process before arriving at the conclusion that additional short term borrowing was required. Following, the tendering process there was little scope for revisiting the plans since all of the individual elements of the project i.e. demolition and rebuild of the properties, culverting of the brook and the

creation of a new access road were needed to deliver a safe runway. However, the airport had changed course where this was an option, for example they had found a cheaper solution for Blenheim House which had brought the costs of the project down. The condensing of the business plan into a shorter timescale inevitably meant a decrease in the period over which trading profits used to part fund the project would be generated which had caused the temporary cash-flow problem. He reassured members that in his view the estimates in the business plan were prudent and therefore increases in profitability are still considered to be deliverable. The additional funding was required as contingency for the worst-case scenario.

Councillor P McLain informed the committee of his opposition to the Council continuing to pump money into the airport. He wished it noted that he intended to vote against it.

Up on a vote it was;

Resolved that:

It be recommended to Cabinet that it approve the additional temporary borrowing facility of up to an additional £350,000 (maximum) to support the implementation of the Runway Safety Project and that the Treasury Management Policy be amended accordingly

Voting: For 4, Against 1

12. DATE OF NEXT MEETING AND FUTURE AGENDA ITEMS

The date of the next meeting was 30 November 2010 and the scrutiny workplan was noted.

13. BUDGET SCRUTINY WORKING GROUP

The Chair referred to the report which requested that the committee nominated members to a budget scrutiny working group. The proposal was a group of members was drawn together from the various with the committee's to develop as budget scrutiny champions to support the budget process.

Resolved that Councillors Massey and Jeffries be appointed to the budget scrutiny working group.

Malcolm Stennett
Chairman