

MINUTE
of
AUDIT AND SCRUTINY COMMITTEE

Minute of Meeting held at 2.30pm in the Council Chamber, Council Headquarters, Giffnock on 16 January 2014.

Present:

Councillor Gordon Wallace (Chair)
Councillor Barbara Grant (Vice Chair)
Councillor Charlie Gilbert
Councillor Gordon McCaskill

Councillor Paul O’Kane
Councillor Tommy Reilly
Councillor Ralph Robertson

Councillor Wallace in the Chair

Attending:

Sharon Beattie, Human Resources Manager; Barbara Clark, Chief Accountant; Phil Daws, Housing Services Manager; Michelle Blair, Chief Auditor; Linda Hutchison, Clerk to the Committee; and Ron Leitch, Committee Services Officer.

DECLARATIONS OF INTEREST

893. There were no declarations of interest intimated.

Variation in Order of Business

In accordance with Standing Order 19, Councillor Wallace agreed to vary the order of business as printed on the agenda in order to facilitate the conduct of the meeting.

CHAIR’S REPORT

894. The following matters were discussed during the Chair’s report:-

(i) Liaison with Other Areas

Under reference to the Minute of the meeting of 7 November 2013 (Page 759, Item 798(i) refers) when it had been noted that members of Renfrewshire Council’s Audit, Scrutiny and Petitions Board had expressed interest in visiting East Renfrewshire to see how the Audit and Scrutiny Committee conducted its business, Councillor Wallace reported that the visit was now being arranged, referred to the normal format of such discussions, and confirmed that the Clerk would provide further details to Members in due course.

(ii) Internal Audit Report on Tender Evaluation

Under reference to the Minute of the meeting of 27 June 2013 (Page 608, Item 646 refers) when it had been agreed that the Chief Auditor would send a copy of the internal audit report on contract evaluation and management to the Clerk on completion for circulation to members of the committee, Councillor Wallace referred to the memorandum on this issue issued by the Chief Auditor to the Director of Environment and Chief Solicitor and related management response both of which had been circulated as agreed.

Having commented that the memorandum had concluded that tender evaluation processes previously undertaken by Property and Technical Services (P&TS) were neither sufficiently transparent nor robust and referred to related issues, he clarified that 19 recommendations made had been taken on board and that operational improvements had been made, which included the recruitment of an officer with dedicated responsibility for procurement within P&TS.

Councillor Wallace suggested that this was an area that the committee might wish to revisit at some stage to ensure that the recommendations had been implemented satisfactorily.

(iii) Capital Asset - Valuation and Related Issues

Under reference to the Minute of the meeting of 7 November 2013 (Page 759, Item 798(ii) refers) when it had been noted that Councillor Wallace had sought feedback from the Director of Finance on control measures in place within the authority to ensure transparency in the valuation of Council assets intended for disposal, Councillor Wallace reported that he intended to ask the Clerk to forward to Members some information on how the Council valued its assets and related procedures for asset disposal in a manner that protected officers' integrity and ensured best value was obtained. He clarified that he would provide a covering letter outlining what had instigated the original request for information and related documentation to enable members of the committee to decide if there was a need or not to progress anything further on this issue.

The committee:-

- (a) noted that discussions were ongoing with Renfrewshire Council regarding the visit by members of their Audit, Scrutiny and Petitions Board to East Renfrewshire to discuss how the Audit and Scrutiny Committee conducted its business and that further information on the arrangements would be provided;
- (b) noted that recommendations made by the Chief Auditor on tender evaluation issues had been accepted and that the committee might wish to revisit this matter in due course to ensure that they had been implemented satisfactorily; and
- (c) agreed that information on how the Council valued its assets and related procedures be forwarded to members of the committee by the Clerk under cover of correspondence from the Chair to allow members to determine whether or not they wished to progress anything further on this issue.

TREASURY MANAGEMENT STRATEGY REPORT 2014/15

895. The committee considered a report by the Director of Finance explaining that, in line with the revised CIPFA Treasury Management Code of Practice 2009, the Audit and Scrutiny Committee was responsible for ensuring effective scrutiny of the treasury management strategy and policies. In accordance with that requirement, a copy of the Treasury Strategy Statement Report for the financial year 2014/15 was attached to the report for consideration.

Having heard the Chief Accountant comment on the report including interest rate forecasts and clarify the Council's investment priorities having regard to relevant regulations, codes of practice and guidance notes, Councillor Wallace commended the report which he considered to be well written and clear.

In response to questions, the Chief Accountant clarified how Capita Asset Services had been appointed as treasury advisor to the Council following an open tender exercise; that the company was regarded as a market leader and advised various other local authorities; and that although advice on matters was sought and provided decisions made were ultimately the Council's responsibility. Regarding the creditworthiness policy, she confirmed what the iTraxx benchmark was, that the Council no longer made use of credit default swaps, the position on investments outwith the United Kingdom and position on credit rating issues. She concluded by providing clarification on other issues including short-term fund movements and transaction limits in respect of the investment of surplus funds.

The committee agreed:-

- (a) to recommend to the Council that the Treasury Strategy Statement Report 2014/15 be approved, including the amendment of treasury management practices in accordance with Appendix B to the report; and
- (b) otherwise, to note the report.

Resolution to Exclude Press and Public

At this point in the meeting, on the motion of the Chair, the committee unanimously resolved that in accordance with the provisions of Section 50A(4) of the Local Government (Scotland) Act 1973, as amended, the press and public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 1 of Part I of Schedule 7A to the Act.

SUMMARY OF EARLY RETIREMENT/REDUNDANCY COSTS TO 30 SEPTEMBER 2013

896. The committee considered a report by the Deputy Chief Executive summarising the position on early retirement costs for the period from 1 October 2012 to 30 September 2013 and related issues, including the strain on the pension fund. A detailed breakdown of early retirement/redundancy cases processed within each department and identifying the costs incurred and projected savings was appended to the report. It was explained that the Council was continuing to review its workforce to ensure that potential efficiency savings were explored and that through workforce planning the Chief Executive had offered the opportunity of early retirement to officers Grade 16 and above as a result of which 2 Chief Officers would be retiring in 2014.

The Human Resources Manager commented on the report during which, in response to questions, she clarified why pay in lieu of notice had been paid in 2 cases and when the most recent general trawl had been undertaken to determine who might wish to leave the Council and the outcome. She also referred to the current more targeted approach to this through service restructuring exercises, succession planning and the current approach to redundancy payment levels which had not changed recently, explaining how levels compared to other local authorities and that this was being considered.

The committee agreed to note the report and comments made.

The meeting was re-opened to the press and public at this point.

LOCAL HOUSING ISSUES - PRESENTATION

897. Under reference to the Minute of the meeting of 7 November 2013 (Page 762, Item 800 refers) when representatives of Audit Scotland had made a presentation on the national Audit Scotland report *Housing in Scotland* and it had been noted that the Housing Services Manager would attend this meeting to comment on and discuss local housing issues, Councillor Wallace welcomed the Housing Services Manager to the meeting and invited him to make a presentation to the committee.

Against the background of the high level overview of housing issues across the country presented at the previous meeting, the Housing Services Manager explained that his presentation would focus on more specific housing issues facing East Renfrewshire Council. Having referred to the findings of the Audit Scotland report and highlighted that The Scottish Government's vision to provide an affordable home for all by 2020 was unlikely to be met, he summarised key local housing issues, including, amongst others, demand created by demographic changes; difficulties calculating the exact amount of houses needed; problems associated with the type and location of some houses including those in need of adaptation; and the impact of the financial downturn on social landlords and their ability to build sufficient homes. He also outlined how lack of investment and antisocial behaviour made some existing areas and stock appear undesirable; and the impact of welfare reform.

During an in-depth presentation these and other issues were commented on in detail, including the lack of affordable houses in the area; the increase in the number of smaller households; decrease in larger households; and demand for one bedroom accommodation. Whilst referring to social rented housing supply, the Housing Services Manager commented that there was a relatively small supply across the Council's area and that, whereas 75% of the Council's housing stock was in the Levern Valley area, 66% of the population lived in Eastwood. It was highlighted that the proportion of housing stock that was tenement in style and less attractive to some relative to other accommodation, was high, at twice the Scottish average. A number of specific problems relating to the rapidly increasing proportion of the population over the age of 64 were highlighted, including the need for level access to properties; possible adaptations to take account of restricted mobility; and the need for a range of housing services such as basic repairs and maintenance to enable older residents to remain in their own homes.

Regarding demand for new housing, the Housing Services Manager referred to annual demand in the Eastwood area and how that demand far exceeded supply, clarifying that there were sufficient houses in the Levern Valley, but that there was a mismatch between housing needs and the size and type of housing available. A range of difficulties calculating the exact

number of houses required were itemised, including in terms of predicting demand and need. Related issues were outlined, including the lead time from planning to inception; matters relating to infrastructure; and peoples' expectations and their ability to fund them, including maintenance and repair to properties.

Having outlined reasons why houses were in the wrong place, of the wrong type or in need of adapting and repair, the Housing Services Manager summarised reasons why social landlords could not afford to build sufficient houses in the area, referring to issues such as risk and land costs. He also referred to rent levels charged by the Council relative to other providers, including other local authorities, clarified why the Housing Revenue Account (HRA) could not fund the building of many new homes, and explained that Council rent levels had to be both affordable and sufficient to run a service which provided quality homes, not just houses. Reference was made to why some areas or stock appeared undesirable, antisocial behaviour and welfare reform pressures and their impact on social landlords.

The Housing Services Manager concluded his presentation by highlighting a range of actions underway to address housing related issues. These included joint working with the CHCP on issues relating to older people and those with particular needs; joint work with planning, developers and others on house building and land release; and work with colleagues on regeneration of estates. He also referred to the initial success of the Council's mixed tenure scheme and its focus on reducing antisocial behaviour which had resulted in an improved environment for residents and demand for some vacant properties in some previously hard to let areas; procurement related efficiencies; and the use of technology for local cost service delivery.

Whilst responding to a wide range of questions, the Housing Services Manager confirmed that commuted sums in-gathered in the Eastwood area required to be spent in that area and that such funds from developers in lieu of affordable housing provision could be aggregated with appropriate Scottish Government funds and loans to build new homes, but that such funds were insufficient to fund anything other than a very small number of new properties. He also referred to the possibility of a "missing shares" initiative being funded, the number and reasons for void properties, a range of issues linked to tenement properties, and the possibility of introducing a non-profit factor charge initiative to help maintain properties through opportunities presented under property factor legislation in respect of which a bid had been made to the Modernisation Fund. On a further matter, it was confirmed that consideration had been given to selling local authority properties to developers, but that related restrictions existed and there were other issues to consider including control matters.

During further discussion, reference was made to the impact of the Private Landlord Registration scheme and related legislation and the concept and operation of the mixed tenure scheme in Barrhead which it was hoped would lead to sustainable long term environmental and other improvements and help increase demand for previously hard to let properties. Some steps being taken by the Council and its partners to reduce the incidence of antisocial behaviour were outlined and the results being achieved through the weekly Greater Results in Partnership (GRIP) meetings were commended, including the level of partnership working involved.

Referring to rent level increases, including those of other providers, the Housing Services Manager clarified that an increase of 5% was regarded as the minimum required for maintaining the housing stock at a basic level and would not necessarily even cover essential maintenance. He referred to the significant drop in income from right to buy sales and related implications. The Housing Services Manager also confirmed that the Cabinet had recently approved the creation of a new post within the Housing Service to examine the issue of joint tenancy arrangements with a view to helping to alleviate the current shortage of 1 bedroom apartments.

On a more general issue and in response to Councillor Wallace, he advised that, together with many local authorities, the Council was a member of the Scottish Housing Benchmarking Service, although making direct comparisons through benchmarking was not always straightforward. He clarified that some data on this could be made available for circulation to members of the committee.

The committee, having heard Councillor Wallace thank the Housing Services Manager for a very interesting and informative presentation, agreed:-

- (a) that the Housing Services Manager forward a range of housing related data collated through the Scottish Housing Benchmarking Service to the Clerk for circulation to Members; and
- (b) otherwise, to note the position.

EXTERNAL AUDIT REPORT – 2012/13 BENEFITS PERFORMANCE AUDIT ANNUAL UPDATE

898. The committee considered a report by the Clerk on the publication of the Audit Scotland report prepared for the Accounts Commission on the *2012/13 Benefits Performance Audit Annual Update* which, under the committee's specialisation arrangements for dealing with external audit reports, had been sent to Councillors Wallace and O'Kane for review. The Head of Revenues had been asked to provide comments and a copy of his feedback was attached to the report.

It was explained that the Council's benefits service had been inspected in November 2012 and that some information from that inspection had been included in the Audit Scotland report published in August 2013. Having referred to areas of concern identified by Audit Scotland being experienced across the country and issues identified locally, the report explained that Audit Scotland had produced a risk assessment report identifying 13 risks concerning the Council's service on which an action plan had been prepared and accepted by Audit Scotland. Implementation progress had been monitored regularly through the Council's corporate performance management system. It was clarified that many actions had already been completed and that good progress was being made with most of the remainder. A copy of the updated action plan accompanied the feedback report.

Councillor O'Kane commented that it was reassuring that many actions had been completed, but that it would be useful to monitor progress on those that remained.

The committee agreed:-

- (a) at this stage to seek clarification from the Head of Revenues if the methodology for selecting cases for management check was now considered adequate following the review on this completed in March 2013;
- (b) that the Head of Revenue Services provide a further update in 6 months on the elements of the action plan that remained to be completed; and
- (c) otherwise, to note the report.

EXTERNAL AUDIT REPORT – CHARGING FOR SERVICES: ARE YOU GETTING IT RIGHT?

899. The committee considered a report by the Clerk on the publication of a report by the Accounts Commission entitled *Charging for Services: Are You Getting It Right?* which, under the committee's specialisation arrangements for dealing with external audit reports, had been sent to Councillors Wallace and Grant for review. The Head of Revenues had been asked to provide comments and a copy of his feedback was attached to the report.

It was explained that the report by Audit Scotland was the sixth in a series of reports looking at how councils worked and acknowledged the extent to which charges for services were an important source of income over which councils had control or influence. Audit Scotland had suggested that councils should have a clear basis for their charges and commended the service review programme in East Renfrewshire as an example of a structured approach to reviews. The level of consultation locally with service users was also cited as an example of good practice. It was confirmed that the report's recommendations would be discussed with departmental charging co-ordinators and any agreed improvements would be included in the Council's approach to its 2015/16 charging exercise.

During discussion Councillor Wallace referred to the importance of the Council's charges and how they were set being both transparent and readily accessible, adding that he had not always found it easy to access charging information on the Council's website and that it would be useful to compare how it was presented on the site with such information on the websites of other local authorities. Having heard Councillor O'Kane express the view that information on the Council's concessions and policy could be clearer, on a related issue Councillor Grant highlighted the importance of service quality. Referring to income from charges as a percentage of Council Tax income locally and compared to elsewhere, Councillor Wallace questioned if charges set by the Council sufficiently maximised income following which Councillor Reilly referred to the importance of services providing value for money. Councillor Robertson also suggested that there was merit in considering a review of days on which some services were provided, citing the example of swimming pools being closed on days when members of the public may expect them to be open. It was suggested that the views expressed by members of the committee be collated and relayed to appropriate officers.

Referring to the commercial waste collection service in which the committee was maintaining an ongoing interest, Councillor Robertson referred to the new Waste (Scotland) Regulations which had come into force on 1 January 2014, commenting briefly on the authority's commercial waste service and related revenue generated, including relative to such services provided by the private sector. It was suggested that the Operations Manager (Cleansing) be invited to a future meeting to provide an update on the service and related issues.

The committee agreed:-

- (a) that a list of the views expressed on charging for services and related issues be collated and forwarded to members of the CMT for information and consideration;
- (b) that the Operations Manager (Cleansing) attend a future meeting to provide an update on the commercial waste management service with particular reference to the implementation of the Waste (Scotland) Regulations in respect of which a list of issues on which Members of the Committee wished to seek clarification would be collated by the Clerk and forwarded to the Operations Manager (Cleansing) in advance of the meeting; and

- (c) otherwise, to note the report.

INVESTIGATION ON PROCEDURAL ISSUES

900. Under reference to the Minute of the meeting of 7 November 2013 (Page 767, Item 805 refers) when it had been noted that the final draft of the report on the committee's procedural investigation would be submitted to this meeting for consideration prior to being submitted to the Cabinet, the committee considered the draft report it had prepared. During discussion a few minor amendments and an additional recommendation on the use of cars on council business were proposed.

The committee agreed to approve the report, subject to the amendments proposed at the meeting, which would be submitted to the Cabinet on 20 February for consideration.

CHAIR