

ABERDEENSHIRE COUNCIL

BUSINESS SERVICES COMMITTEE

WOODHILL HOUSE, ABERDEEN, 8 MARCH, 2018

Present: Councillors J N Gifford (Chair), M J Roy (Vice-Chair), K I Adam, I Davidson, L Berry, A C Duncan, A C Forsyth, F C P Hood, G E Petrie, J D Hutchison, G Reid, N J Smith, I Sutherland (as substitute for Councillor H Partridge and R G Thomson).

Apologies: Councillor H Partridge.

Officers: Director of Business Services, Head of Finance, Head of HR & OD, Senior Insurance Officer (Finance), Principal Solicitor (Governance) and Committee Officer (F Brown).

1. DECLARATION OF MEMBERS' INTERESTS

No interests were declared by any member of the Committee, in terms of the Councillors' Code of Conduct.

2A. PUBLIC SECTOR EQUALITY DUTY

In taking decisions on the undernoted items of business, the Committee **agreed**, in terms of Section 149 of the Equality Act 2010:-

- (1) to have due regard to the need to:-
 - (a) eliminate discrimination, harassment and victimisation;
 - (b) advance equality of opportunity between those who share a protected characteristic and persons who do not share it; and
 - (c) foster good relations between those who share a protected characteristic and persons who do not share it, and
- (2) to consider, where an equality impact assessment has been provided, its contents and to take those into consideration when reaching a decision.

2B. EXEMPT INFORMATION

The Committee **agreed**, in terms of Section 50A (4) and (5) of the Local Government (Scotland) Act 1973, to exclude the public from the meeting during consideration of the items specified below so as to avoid disclosure of exempt information of the classes described in the undernoted paragraphs of Part 1 of Schedule 7A of the Act.

Item No	Paragraph No of Schedule 7A
6	8
7	8
8	8

3. MINUTE OF MEETING OF THE BUSINESS SERVICES COMMITTEE OF 18 JANUARY, 2018

There was circulated, and **approved** as a correct record, the Minute of Meeting of the Business Services Committee of 18 January, 2018.

4. FINANCIAL MONITORING AS AT 31 DECEMBER, 2017

There had been circulated a report, dated 19 January 2018, by the Director of Business Services, which advised the Committee that the Council's Scheme of Governance aligns service budget responsibility with Policy Committee responsibility and the report covered the forecasted outturn for the period ended 31 December 2017 for both the Revenue and Capital Budget monitoring.

The report explained that the Business Services revenue budget for monitoring purposes for 2017/18 for net revenue expenditure was £40,928,000, with the forecasted position to the end of 31 December 2017 being £42,441,000 or £1,513,000 higher than budget. The financial position as presented in detail in Appendix 1 and Appendix 2 to the report provided detailed narrative which provided the reasons for major variances to the budget, and Appendix 3 to the report presented Revenue Monitoring proposed virements as part of the planned budget process.

The Director of Business Services introduced the report, and advised the Committee that while the forecast position to the end of December, 2017 was excess of budget, the budget for capital financing charges and interest on borrowing was within budget by £280,000 so the net position in excess of budget would be £1,233,000.

The Director advised the Committee that as part of the budget forecasting, there were a number of assumptions, with risks attached to each and those, which included delivery of savings on building cleaning, vacancy management process and savings within supplies and services. It was reported that one area of risk around the rental and property income continued to be a challenge, however, significant efforts were being made by the Estates Team to secure tenants and to accelerate asset disposal. As income was still forecast to be below budget, it was reported that it would be considered as part of the 2018/19 budget process.

During discussion, the Committee acknowledged that there were still significant risks attached to the number of vacant properties within Aberdeenshire and queried whether more could be done to proactively market those properties. The Committee welcomed assurances from the Director that an update report would be presented to a future meeting of the Business Services Committee, which would consider vacant properties, and identify what efforts were being made to dispose of land or buildings which were not used or empty for over a year.

The Committee then referred to the over spend on printing and queried what was being done to reduce costs for printing and postage. The Director advised the Committee that a number of changes had already been implemented to reduce costs and to work more efficiently, however, addressing existing practice to go to a more paperless environment did require the right equipment and continued member/officer engagement. The Director advised the Committee that an options paper would be presented to a future meeting, which would present opt out options for the receipt of paper/electronic agenda packs.

The Committee then made reference to the possibilities of shared services as part of future budget savings and it was agreed that the Head of Procurement would be invited to attend a future meeting, to provide the Committee with information on what was being done in terms of cross boundary/shared services which would include the challenges and possibilities.

Thereafter, the Committee **agreed**:-

- (1) to **note** the revenue and capital budget monitoring as at 31 December, 2017; and
- (2) to **approve** the revenue budget virements as set out in Appendix 3 to the report;
- (3) to **note** that officers would present a report to Committee on the options for members to opt out of receiving printed copies of agenda papers; and
- (4) to **note** that the Head of Procurement, would be invited to talk to the Committee on shared services and cross boundary procurement.

5. TREASURY MANGEMENT STRATEGY STATEMENT AND PRUDENTIAL INDICATORS 2018/19

There had been circulated a report, dated 14 February 2018, by the Director of Business Services, which reported, that Local Government Scotland Act 2003 and supporting regulations, require the Council to 'have regard' to the Prudential Code to set Prudential Indicators for the next three years to ensure the Council's capital investment plans were affordable, prudent and sustainable and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and Public Services also required the Council to set out its treasury management strategy for borrowing and investment with specific references included as presented in Appendix 1 to the report.

It was further reported that CIPFA had recently made revisions to the Prudential Code and the Treasury Management Code and the most significant change requires all local authorities to produce detailed Capital Strategies and the Finance Service would work with the Capital Plan Group, Treasury Advisors and External Audit during 2018/19 to ensure that the strategy document would comply with the revised code.

The Head of Finance introduced the report and brought to the attention of the Committee, specific key points contained within the report. The Committee queried why, within the recommendations to the report, there was no mention of raising investment limits from £10 to £15m. The Head of Finance referred members' to Annual Investment Strategy 2018/19 as contained in Appendix C to the report (Section 3.2e) and advised the Committee that raising investment limits was contained within that section to the report and the Committee agreed that the wording should form an additional recommendation, 1.4 to the report.

The Committee then queried the Council's investment in North East Credit Union (NESCU) which had recently gone into administration. The Head of Finance advised the Committee that the Council were currently in active dialogue with NESCU and an update report would be presented to the Business Services Committee at a future meeting.

Thereafter, the Committee **agreed**:

- (1) to **approve** the revised Treasury Management Strategy Statement for 2018/19 as summarised in paragraph 2.2, and detailed on ward pages;

- (2) to **note** Prudential Indicators for 2018-2021 as referenced in paragraph 2.2, and detailed on ward pages;
- (3) to **note** that as per paragraph 2.3, the new Capital Strategy report would be presented to the Business Services Committee for approval and implementation in the financial year 2019-20;
- (4) to **note** that no more than £10m will be lent to and be outstanding with any one borrower at one time, with the exception of (i) the Debt Management Office where the limit will not be capped and (ii) UK government backed institutions and the Councils bankers, where the limit will be £20 million. The borrower group limit is also £20m; and
- (5) to **note** that the Head of Finance should present an update report to the Business Services Committee on the status of North East Scotland Credit Union.

6. EMPLOYEE RELATIONSHIP MANAGEMENT PROJECT

There had been circulated a report, dated 14 February 2018, by the Director of Business Services, which advised the Committee that the Strategic Management Team (SMT) had agreed the implementation of a fully integrated HR & Payroll solution and an Employee Service Centre in the Council in January 2010, known as the Employee Relationship Management Project (ERM) and in April 2011 the SMT has approved the business case for a new system to replace the EMIS payroll system. It was reported that the ERM Project had been approved by the former Policy and Resources Committee in February 2012 (Item 23) and the report presented the project success to-date (including the Employee Service Centre, Process Improvements and the HR/Payroll System iTrent) and which sought consideration to take up the option to extend the existing contract for a maximum of four years to allow the Council sufficient time to explore entering into a new contract for a period of five years.

The Head of Service (HR & OD) introduced the report, and advised the Committee that there were a lot of positive successes to report for the implementation of the ERM project which were contained within the content of report, however, there had also been some challenges with payroll functionality and the project had experienced significant slippage with payroll going live in April 2016. Progress had been made by the iTrent Project Team and it was considered that further development would deliver organisational efficiencies/cashable savings and as such it was recommended that the development of the iTrent system should continue to deliver a full range of system functionality as contained within the original project scope by June 2019.

During discussion the Committee welcomed and a system which would support a paperless environment, and queried whether the system developments had been able to address issues surrounding the submission of electronic timesheets/mileage/payroll slips for the whole organisation. The Committee were advised that the development of timesheet recording was still ongoing, however, it was envisaged that that it would be completed by December 2018.

The Committee then requested that an update report be presented to Committee which would provide the background to major pieces of work which were ongoing within the ERM/iTrent system, with timescales for completion, to allow the Committee to monitor and scrutinise the progress.

The Committee also requested a further report which would identify the complex issues related to time sheet recording, and to highlight how the ERM project would simplify the process for all employees while still ensuring accurate time recording.

Thereafter, the Committee **agreed**:

- (1) to **note** the background to and progress made in implementing the Employee Relationship Management Project;
- (2) to **note** the current status of the iTrent system including the projected timeframe for delivering full system functionality and the associated benefits to be realised;
- (3) to **note** the intention to take up the option of extending the existing contract with MHR (supplier of the iTrent system) for the maximum 4 year period (ie up to 2021) and during this time the plans to explore entering into a new contract for a further 5 year period via a Direct Award, in accordance with Scheme of Governance – Financial Regulations (paragraph 5.3.25);
- (4) to **approve** the proposed financing of the iTrent system for 2017/18, including capitalisation and the virement of monies from the Business Transformation Fund;
- (5) to **approve** the proposed financing of the iTrent system for 2018/19 onwards, including the use of projected cashable savings to meet revenue costs and to repay the capital costs incurred;
- (6) to **note** that an update report would be presented to the Business Services Committee in June 2018 which would set out the timescale for major pieces of work being progressed on the ERM project, and detail of what could be capitalised going forward; and
- (7) to **note**, that a report would be presented to the Business Services Committee in June 2018, which would identify the complex issues related to time sheet recording, and to highlight how the ERM project would simplify the process for all employees while still ensuring accurate time recording.

7. ANNUAL WORK PLAN 2018/19 FOR BUSINESS SERVICES DIRECTORATE – PROCUREMENT APPROVAL

There had been circulated a report, dated 20 February 2018, by the Director of Business Services, which advised the Committee that the Council's Scheme of Governance financial management arrangements, require that each Director should report to the relevant Committee prior to the beginning of the financial year with a proposed work plan for all procurements falling within the jurisdiction of the Committee with a contract value of £50,000 or more.

Consideration was given to the Annual Work Plan for 2018/19 for the Business Services Directorate as presented in Appendix 1 to the report, which provided the Directorate's forecasted expenditure on new contracts for goods and services for the next financial year, however, it was noted that unexpected procurements or emergency situations may arise during the financial year and for those situations offices would submit a Supplementary Work Plan for Committee approval.

Following discussion relating to Advertising Contracts, in particular what would be classified as statutory public information notices (which the Council had an obligation to fulfil) and what would be classified discretionary notices, the Committee agreed that officers should submit a report to a future meeting to provide greater clarity on that matter.

Following consideration, the Committee **agreed**:-

- (1) to **agree** that they had considered the Directorate Work Plan as detailed in Appendix 1 to the report;
- (2) to **approve** the items on the Work Plan, identified as falling within the remit of the Committee;
- (3) to **agree** that they had considered and decided not to reserve approval of the Business Case for any item on the Work Plan where the value of the matter was between £50,000 and £1,000,000; and
- (4) to **note**, that the Committee would receive the Business Case for approval for any item on the Work Plan, which was within the Committee's remit, and the value of the matter was over £1,000,000.
- (5) to **note**, that the an update report would come back to the Business Services Committee, which would identify the Council responsibility in terms of Statutory Public Information Notices and what would be considered as discretionary.

8. INSURANCE CONTRACT EXTENSION

Reference was made to the Minute of the Business Services Committee meeting of 15 January, 2015 (Item 23, Page 1379) where the former Policy and Resources Committee had approved the award of a contract for the Council's insurance programme for a period of 5 years (3 years, plus 2 year extension long term agreement).

The Committee were advised, that the Finance Service had reviewed the options available for the insurance programme for the Council, and with its current claims history, had determined that it was highly likely that Aberdeenshire Council would not be considered as an attractive risk proposal for insurers, and as such, an extension to the existing insurance provider would allow time for the claims experience to stabilise, and it would present the Council as a more attractive insurance prospect when the insurance tender was issued in late 2019.

Following consideration, the Committee **agreed**:-

- (1) to **agree** to exercise the option to extend the Council's existing Insurance arrangements, for a further two years, from 1 April, 2018; and
- (2) to **approve** the projected contract value of 2 year extension of £3,333,372.