

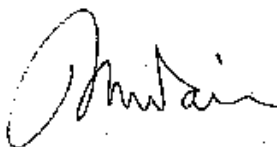
AUDIT AND GOVERNANCE COMMITTEE

**Meeting: Monday, 17th March 2014 at 18.30 hours
in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP**

ADDENDUM

The following items although provided for on the agenda front sheet were not available at the time of dispatch:

7.	<p>RESPONSE TO INTERNAL AUDIT REPORT RECOMMENDATIONS - RESPONSE REPAIRS CONTRACT (PAGES 5 - 8)</p> <p>To receive the report of the Asset Manager, as requested by the Committee, relating to the implementation of agreed internal audit recommendations.</p>
12.	<p>BUDGET MONITORING - MONTH 9 (PAGES 9 - 18)</p> <p>To receive the report of the Director of Resources which informs Members of the predicted year-end financial position based on an analysis of the year to date.</p>
17.	<p>UPDATE ON PEER REVIEW (PAGES 19 - 30)</p> <p>To receive the report of the Chief Executive.</p>
19.	<p>REVIEW OF FREQUENCY OF AUDIT AND GOVERNANCE COMMITTEE MEETINGS (PAGES 31 - 36)</p> <p>To receive the report of the Audit, Risk and Assurance Manager which looks at the current frequency of Audit and Governance Committee meetings and makes recommendations for the frequency of future meetings.</p>



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Julian Wain
Chief Executive

NOTES

Disclosable Pecuniary Interests

The duties to register, disclose and not to participate in respect of any matter in which a member has a Disclosable Pecuniary Interest are set out in Chapter 7 of the Localism Act 2011.

Disclosable pecuniary interests are defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 as follows –

<u>Interest</u>	<u>Prescribed description</u>
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the Council) made or provided within the previous 12 months (up to and including the date of notification of the interest) in respect of any expenses incurred by you carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between you, your spouse or civil partner or person with whom you are living as a spouse or civil partner (or a body in which you or they have a beneficial interest) and the Council (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged
Land	Any beneficial interest in land which is within the Council's area. For this purpose "land" includes an easement, servitude, interest or right in or over land which does not carry with it a right for you, your spouse, civil partner or person with whom you are living as a spouse or civil partner (alone or jointly with another) to occupy the land or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the Council's area for a month or longer.
Corporate tenancies	Any tenancy where (to your knowledge) – (a) the landlord is the Council; and (b) the tenant is a body in which you, your spouse or civil partner or a person you are living with as a spouse or civil partner has a beneficial interest
Securities	Any beneficial interest in securities of a body where – (a) that body (to your knowledge) has a place of business

or land in the Council's area and

- (b) either –
- i. The total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
 - ii. If the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, your spouse or civil partner or person with whom you are living as a spouse or civil partner has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

For this purpose, "securities" means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

NOTE: the requirements in respect of the registration and disclosure of Disclosable Pecuniary Interests and withdrawing from participating in respect of any matter where you have a Disclosable Pecuniary Interest apply to your interests and those of your spouse or civil partner or person with whom you are living as a spouse or civil partner where you are aware of their interest.

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For further details and enquiries about this meeting please contact Tanya Davies, 01452 396125, tanya.davies@gloucester.gov.uk.

For general enquiries about Gloucester City Council's meetings please contact Democratic Services, 01452 396126, democratic.services@gloucester.gov.uk.

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If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by council staff. It is vital that you follow their instructions:

- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building; gather at the assembly point in the car park and await further instructions;
- Do not re-enter the building until told by a member of staff or the fire brigade that it is safe to do so.

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Meeting:	Audit & Governance Committee	Date:	17 March 2014
Subject:	Response to Internal Audit Report Recommendations – Response Repairs Contract		
Report Of:	Head of Regeneration		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Richard Webb, Asset Manager		
	Email: richard.webb@gloucester.gov.uk	Tel:	396183
Appendices:	None		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 The report is an update following previous Audit & Governance Committee meeting held on 25 November 2013. The purpose of the report is to provide an update for Committee Members following a recommendation to review the current contract arrangements.

2.0 Recommendations

2.1 Audit & Governance Committee is asked to note the information contained in the report.

3.0 Background and Key Issues

3.1 Following Audit Review of the contract in August 2013 various recommendations were made and set out as high, medium or low priority.

Below is a response and update relating to each of the items raised:

3.2 High Priority Recommendations

3.2.1 We have reviewed the contract arrangements with the Contractor.

A contract review meeting was held at The Docks Offices between the City Council and the Contractor to establish whether the current contract could be deemed fit for purpose.

Through the review process it became apparent that the Contractor is keen to keep the contract and demonstrated a willingness to work with the City Council to resolve issues. The Contractor had appointed a new Contract Manager and he expressed his desire to identify and resolve outstanding issues.

When officers drilled down to the details of orders that had been raised under the MTC, it became clear that small works make up a large share of current contract arrangements. The City Council are achieving extremely competitive prices for low value works. This is due to work being priced using the National Schedule of Rates (NSR) less a discount.

Upon speaking to the Contractor it was revealed that in order for them to deliver the contract with a large volume of small/minor works they were struggling to cover costs. Without amending practices the contract was not sustainable.

It was identified that the prescribed timescales, for which works orders were to be completed following orders raised, were 4hr, 24hr or 72hr response depending upon the urgency of the job. In practice, this meant the Contractor was deploying staff to undertake work with low values of say sub £100 and then deploying a few days later to the same site or nearby for similar value. This was done to meet the requirements of the response times set out in the works order. Frequently, the works were not urgent and could be undertaken beyond the 72hr period without risk to the Council.

In order for the City Council to receive the benefit of the low value works and for the Contractor to be able to continue to deliver small works a more sustainable model would need to be adopted. It was agreed between the parties that non-urgent low value works would be clustered by timescale and geographical location. Thus, deployed operatives could undertake various works in a cost effective manner without detriment to service delivery.

- 3.2.2 In order to comply with best practice, where the Contractor is not used to undertake works where practicable Officers obtain quotes from at least three parties to ensure value for money has been achieved. In the majority of cases other firms would only be approached if the Contractor did not have capacity or expertise to undertake the works, in which case, Officers would seek email confirmation of the same.
- 3.2.3 Officers have been briefed and informed of the importance of ensuring that all work orders are raised prior to the purchase invoice. In line with good practice these measures have been adopted.
- 3.2.4 Regular review meetings have been held subsequent to the contract review in December 2013. Gloucester City Council's Contract Manager, Hayley Taylor, meets with her counterpart at the Contractor to discuss contract issues. Formal minuted meetings are scheduled on a quarterly basis and are attended by the Asset Manager.

Work has commenced on agreeing a suitable format for Key Performance Indicators (KPI's). The Contractor has produced a proposal which is to be discussed at the next quarterly meeting. Legal Services have been consulted with regard to whether a contract amendment would be required to allow works to exceed the 72hr timeframe.

3.3 Medium Risk Recommendations

- 3.3.1 Sign off sheets are now used for all procured works.
- 3.3.2 No further training has been given to contract manager.

3.4 Low Risk Recommendations

3.4.1 Contracts Register has been updated.

3.4.2 A copy of the original has been made and kept by Asset Management. The original has been lodged with Legal Services.

3.4.3 No contract variation has been issued.

4.0 Alternative Options Considered

4.1 Cease to use the current repairs and maintenance contract with the Contractor and revert to a multi supplier model.

5.0 Reasons for Recommendations

5.1 Following the recommendations provided by Audit and the previous presentation to Audit & Governance Committee significant progress has been made to improve delivery of the contract.

A change of contract manager at the Contractor has led to improved communication and a reciprocated willingness between the parties to resolve issues.

Reverting to a multi supplier model uses more officer time to procure works. There is risk that the Council would not achieve equivalent value as current arrangements allow for a discount from a recognised industry benchmark, the National Schedule of Rates (NSR).

Cost of procuring small works would increase as these would no longer be based upon the NSR but would be priced on a job by job basis where contractors would allow for travel costs, minimum call out etc.

6.0 Future Work and Conclusions

6.1 The parties to agree the exact form of KPI's to further enable continued monitoring of contract performance and suitability for delivery of repairs and maintenance.

6.2 Issue contract variation if required to reflect ability for the Contractor to complete works beyond the 72hr timeframe.

6.3 Consider appropriate training for the Council's contract manager.

7.0 Financial Implications

7.1 Continuing to use the MTC will enable the council to procure works with a single supplier offering a discount from NSR.

7.2 There are fewer large work orders of say over £5,000 than was estimated when the contract was procured. Small works are delivered very cost effectively under the terms of the MTC.

(Financial Services have been consulted in the preparation this report.)

8.0 Legal Implications

- 8.1 Legal Services have been approached and will advise whether a contract amendment is required to enable the Contractor to deliver services beyond the 72hr timeframe.
- 8.2 Legal Services will be instructed to prepare the necessary documentation to effect the agreed contract variations.

(Legal Services have been consulted in the preparation this report.)

9.0 Risk & Opportunity Management Implications

- 9.1 It has been identified that there is a risk that the parties cannot agree suitable KPI's and/or the contractor's future performance is unsatisfactory. The contract allows for the Council to procure works outside of the contract and is therefore not reliant on the Contractor as sole means of delivering repairs and maintenance services.
- 9.2 By adopting an approach whereby the Council works with the Contractor there is the ability to continue to procure works at less than the industry benchmark (National Schedule of Rates) which will provide savings and ensure value for money. In particular this would be true of low value work orders.

10.0 People Impact Assessment (PIA):

- 10.1 The report relates to existing contractual relationships between the Council and Gardiners.
- 10.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

11.0 Other Corporate Implications

Community Safety

- 11.1 N/A

Sustainability

- 11.2 N/A

Staffing & Trade Union

- 11.3 N/A

Background Documents: None.

Gloucester City Council

Meeting:	Audit & Governance Committee	Date:	17 March 2014
	Cabinet		2 April 2014
Subject:	Budget Monitoring at end of Month 9 2013/14		
Report Of:	Corporate Director of Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	Yes
Contact Officer:	Andrew Cummings, Management Accountant		
	Andrew.cummings@gloucester.gov.uk	Tel:	396231
Appendices:	Appendix 1 – Capital Monitoring December 2013		

1.0 Purpose of Report

- 1.1 This report summarises the expected year end position, for the period April 2013 to March 2014, for the Council against budgeted income and expenditure as a result of analysis of the position at the end of December 2013.

2.0 Introduction and Summary

- 2.1 This report is intended to give both Members and Senior Managers a clear and concise view of the current financial position of the Council and accompany this with explanations for any expected variances and, where applicable, details of any corrective action being taken to resolve differences.
- 2.2 The financial position for each directorate is presented in a summary table showing the budget for the year as well as a forecast final position against budget for the end of the 2013/14 year.
- 2.3 Financial Services have produced this report in consultation with Service Managers, whose knowledge has been combined with current financial data to produce the prediction for the year end position. Where significant issues have been identified, follow up contact and discussions will take place between the service manager and financial services.
- 2.4 Service expenditure includes only those items which impact on the Council's bottom line position and not charges which are removed as part of statutory accounting adjustments at the end of the financial year. It therefore contains a true view of the Council's likely surplus or deficit against the general fund for revenue expenditure.

3.0 Council Summary

	2013/14 Budget £000	Year End Forecast £000	Forecast Variance £000
Chief Exec and Regen	2,051	1,913	(138)
Services	8,125	8,500	375
Resources	(10,176)	(10,389)	(213)
GCC	0	24	24

- 3.1 The current year end estimate for the Council as a whole is to be overspent against budgets by £24k. If this position is realised at the end of the financial year then it will result in a reduction of the Council's General Fund balance of this amount.
- 3.2 In the Services and Neighbourhoods Directorate the savings on the Amey contract were achieved only part way through the year and Guildhall events are not expected to reach their budgeted level of surplus. The Services and Neighbourhoods Directorate is therefore predicted to be overspent by £4375k. Further analysis and explanation is contained on the Services and Neighbourhoods page.
- 3.3 The Resources Directorate is predicted to be underspent for the year by £213k. Again, further details are included on the page for Resources.
- 3.4 An underspend of £138k is predicted for the Chief Executive and Regeneration directorate.
- 3.5 The forecast year end variances and outturn position contained within this report are based upon best estimates at the time of production. Where unfavourable variances are predicted service managers are working to mitigate the impact and reduce the variance where possible.

4.0 Chief Executive and Regeneration

	2013/14 Budget £000	Year End Forecast £000	Forecast Variance £000
Chief Exec	160	217	57
Regeneration and Economic Development	560	823	263
Development Services	(1)	(539)	(538)
Legal and Democratic Services	1,122	1,174	52
Marketing Gloucester	210	238	28
Total	2,051	1,913	(138)

- 4.1 The Directorate of Chief Executive and Regeneration is currently forecasting to spend under its budgeted total by £138k.
- 4.2 Development Services are forecasting positive variances in the area of parking, details of which are explained below. Also within this area a saving of £100k is expected on building control due to lower than budgeted employee costs whilst maintaining income levels on target with budgets. Overall, this has resulted in a saving against budget this year of £538k.
- 4.3 Off Street Parking is predicted to overachieve against budget for the year. Income levels are predicted to be approximately on target but third party payments and premises related costs are currently projected to be below budget by £156k and £143k respectively. These variances will be monitored closely over the coming months with the Asset Manager in order to determine the true level of savings at the end of the year.
- 4.4 Regeneration and Economic Development is predicted to over spend by £263k. This includes the cost of utilities for Council buildings which have a forecast overspend of £106k. The projections for utilities incorporate an allowance for the estimated additional cost of utilities over the winter months. Utilities will be monitored closely in the coming months and the position updated in future reports. Investment Properties are currently predicted to be under their targeted income level by approximately £143k. This is a similar position to last year.
- 4.5 The figure of £57k on the Chief Executive's Line relates to costs incurred as part of the Senior Management restructuring process.

5.0 Services and Neighbourhoods

	2013/14 Budget £000	Year End Forecast £000	Forecast Variance £000
Director (includes Rugby World Cup)	276	284	8
Public Protection	(396)	(511)	(115)
Neighbourhood Services	5,744	6,028	284
Housing Services	967	916	(51)
Commercial Services	878	1,078	200
Contact Centre and Customer Services	656	705	49
Total	8,125	8,500	375

- 5.1 The Directorate is currently predicted to be overspent by a total of £375k.
- 5.2 The Amey contract for Neighbourhood Services achieved its budgeted savings part way through the year. The result of this is that the full year impact of the savings is not realised in 2013/14. This was the expected outcome but it allows there to be a full

year's impact in 2014/15. The impact in 2013/14 is a forecast overspend against budgets for this contract of £214k.

- 5.3 The income target for Bulky Waste collections is not going to be met this year. Predications for the end of the year indicate an income shortfall of approximately £95k. Analysis of the financial position in previous years suggests that this shortfall is historic and is therefore indicative of a possible future budget pressure.
- 5.4 The events programme at the Guildhall, within Commercial Services, remains a significant budget pressure. The original budget for 2013/14 budgeted the Guildhall to achieve a surplus of £240k in the events sector. The current projection as at the end of Month 9 is that the events will indeed achieve a surplus but of £20k, a shortfall of £220k. The Guildhall manager is looking to improve the programming of events to go some way to stabilising this situation in the future. A new events programmer, who has recently begun work at the Guildhall, will help to better co-ordinate events planning and improve the financial results. Financial Services have been working with staff at the Guildhall and are improving the monitoring of financial performance and looking to work towards challenging but achievable income budgets.
- 5.5 The Contact Centre has expanded in the year as a result of a review of the service and this has resulted in a small projected overspend on employee costs. The current prediction is for this to be approximately £49k.

6.0 Resources

	2013/14 Budget £000	Year End Forecast £000	Forecast Variance £000
Audit	161	167	6
Business Improvement	1,846	1,901	55
BT & T	1,111	1,149	38
Director	107	124	17
HR and OD	299	326	27
Finance and Corporate Expenditure	(13,700)	(14,056)	(356)
Resources	(10,176)	(10,389)	(213)

- 6.1 An underspend of £213k is currently forecast for the directorate.
- 6.2 Finance and Corporate Expenditure includes expenditure on the finance function as well as expenditure and income not attributable to service areas, including Central Government Funding. Indications suggest that income from the business rates retention scheme will be higher than originally anticipated. This increased income means that this area is expected to under spend by £356k. This will be used to offset other budgetary pressures across the Council. In this particular area the most significant budgetary pressure is the reduction in investment interest earned by the council given the current challenging economic conditions. The current Treasury

management strategy is to redeem investments when they have matured and repay external borrowing. This will create a saving for the Council as the repaid borrowing will have been at higher interest rates than those that would have been achieved had the matured sums been reinvested. It does, however, inevitably contribute to a decline in investment income. This is predicted to fall short of targets by approximately £180k in the current year. The budget setting process for 2014/15 has taken account of this issue so this will not recur as a budget pressure in future years.

- 6.3 The Council has received permission from the Department for Communities and Local Government to charge some restructuring costs to capital funding sources. This relieves the pressure on budgets by £55k in the area of corporate expenditure.
- 6.4 Financial Services has incurred additional costs of the necessary interim staff who have been helping to deliver the Financial Services Improvement Plan during the restructuring of the department. The future use of interim staff in this area is expected to be more limited so the position is not expected to recur.
- 6.5 The Human Resources and Organisational Development have incurred additional costs as a result of tribunals which have occurred during the year. This has resulted in a predicted overspend of £27k. These costs are not going to continue at their current rate and will not therefore create an ongoing pressure.
- 6.6 Within Business Transformation and Technology the cost of computer software maintenance is expected to exceed budgets by £85k over the course of the year but savings are predicted in other areas to compensate. One area of saving is the purchase of computer hardware which is under the threshold for capitalisation. That is expected to generate a saving of approximately £25k. The forecast for the whole section for the year is an overspend of £38k.

7.0 Capital Programme

- 7.1 The Capital Programme has a budget for the year, including Housing Expenditure, of £14.02 million. At the end of December £4.56 million of this had been spent. The areas of major capital expenditure are £2.2 million on Housing (both General Fund and HRA) and £294k to date on the Kings Square project.
- 7.2 Capital projects that do not spend their allocated budgets during 2013/14 are likely to continue into 2014/15. The long term nature of capital projects mean that spending often spans different financial years.
- 7.3 Full details of the capital expenditure to the end of December can be found in Appendix 1.

8.0 Financial Implications

- 8.1 Contained in the report

(Financial Services have been consulted in the preparation this report.)

9.0 Legal Implications

9.1 There are no legal implications from this report

(Legal Services have been consulted in the preparation this report.)

10.0 Risk & Opportunity Management Implications

10.1 There are no specific risks or opportunities as a result of this report

11.0 People Impact Assessment (PIA):

11.1 A PIA screening assessment has been undertaken and the impact is neutral. A full PIA is not required.

12.0 Other Corporate Implications

Community Safety

12.1 None

Sustainability

12.2 None

Staffing & Trade Union

12.3 None

APPENDIX 1

31 DECEMBER 2013

CAPITAL EXPENDITURE & MONITORING REPORT

Based upon the Capital Budget 2013/14

Scheme	Parent	Cost Code	Original Budget 2013/14	Subsequent Approvals	Revised budget 2013/14	Actual Spend to Date	Variance B/(W)	Forecast	C/F 2014/15	Funding				
										Total	Grants	Capital Receipts	S106	Borrowing
Regeneration														
Housing Market Partnership Grant	RGNCAP	CY045	-	210,150	210,150	-	210,150	-	210,150	210,150	210,150	-	-	-
Commuted Funds- social housing	RGNCAP	CY047	-	300,000	300,000	300,000	-	300,000	-	300,000	-	300,000	-	-
MUSEUM PHASE 2 HLF	RGNCAP	GY001	-	712,500	712,500	12,220	700,280	12,220	700,280	712,500	450,000	262,500	-	-
CAR PARKS	RGNCAP	GY002	-	150,000	150,000	-	150,000	-	150,000	150,000	-	150,000	-	-
TIC RELOCATION	RGNCAP	GY005	-	97,500	97,500	3,000	94,500	10,000	87,500	97,500	-	97,500	-	-
CHRISTMAS LIGHTS	RGNCAP	GY006	-	56,250	56,250	-	56,250	-	56,250	56,250	-	56,250	-	-
BUSINESS GRANTS	RGNCAP	GY007	-	75,000	75,000	750	74,250	65,000	10,000	75,000	-	75,000	-	-
TARGETED HISTORIC GRANTS	RGNCAP	GY008	-	150,000	150,000	-	150,000	30,000	120,000	150,000	-	150,000	-	-
LIGHTING	RGNCAP	GY009	-	105,000	105,000	322	104,678	2,000	103,000	105,000	-	105,000	-	-
UGLY STRUCTURES	RGNCAP	GY010	-	112,500	112,500	-	112,500	6,000	106,500	112,500	-	112,500	-	-
HERITAGE TRAILS	RGNCAP	GY011	-	7,500	7,500	2,499	5,001	10,000	-	7,500	-	7,500	-	-
INTERPRETATION & SIGNAGE	RGNCAP	GY012	-	30,000	30,000	-	30,000	-	30,000	30,000	-	30,000	-	-
BANNER HOLDERS	RGNCAP	GY013	-	7,500	7,500	-	7,500	-	7,500	7,500	-	7,500	-	-
GATES STREETS	RGNCAP	GY014	-	75,000	75,000	-	75,000	-	75,000	75,000	-	75,000	-	-
TOILETS	RGNCAP	GY015	-	75,000	75,000	-	75,000	-	75,000	75,000	-	75,000	-	-
ST MICHAELS TOWER	RGNCAP	GY016	-	100,000	100,000	1,158	98,842	1,158	98,842	100,000	-	100,000	-	-
KINGS sQUARE	RGNCAP	GY017	-	20,000	20,000	-	20,000	-	20,000	20,000	-	20,000	-	-
WESTGATE MOSIACS	RGNCAP	GY018	-	30,000	30,000	-	30,000	-	30,000	30,000	-	30,000	-	-
CONTINGENCY	RGNCAP	GY019	-	60,000	60,000	-	60,000	-	60,000	60,000	-	60,000	-	-
Cathedral Precint Lighting	RGNCAP	LY087	-	12,680	12,680	-	12,680	-	12,680	12,680	-	-	-	12,680
City Museum new heritage Centre HLF phase1	RGNCAP	LY093	-	-	-	255	(255)	300	-	-	-	-	-	-
Eastgate Viewing Chamber	RGNCAP	LY100	18,750	-	18,750	9,023	9,727	9,023	9,727	18,750	-	-	-	18,750
Townscape	SERCAP	LY145	-	22,494	22,494	4,765	17,729	41,250	-	22,494	22,494	-	-	-
Horsebere Brook Planting	SERCAP	LY147	100,000	-	100,000	-	100,000	5,000	95,000	100,000	100,000	-	-	-
Armscroft Garden Flood Alleviation	SERCAP	LY153	155,000	-	155,000	91,728	63,272	131,560	23,440	155,000	-	-	155,000	-
Oxstalls Biomass Boiler	NA	LY128	140,000	(140,000)	-	-	-	-	-	-	-	-	-	-
Enhanced Lighting Scheme	RGNCAP	PY118	-	26,400	26,400	2,679	23,721	14,000	12,400	26,400	3,433	-	-	22,967
Alney Island Works	SERCAP	PY128	160,000	-	160,000	-	160,000	70,000	90,000	160,000	-	-	-	160,000
Kings Square Car Park Works	RGNCAP	PY277	-	-	-	9,533	(9,533)	9,533	-	-	-	-	-	-
Electrical Investigatory works	SERCAP	RY142	175,000	-	175,000	34,713	140,287	60,000	115,000	175,000	-	-	-	175,000

75/81 Eastgate	RGNCAP	RY145	350,000	-	350,000	2,744	347,256	250,000	100,000	350,000	-	-	-	350,000
Kings Square	RGNCAP	RY146	100,000	-	100,000	293,794	(193,794)	100,000	-	100,000	-	-	-	100,000
City Museum	RGNCAP	RY153	-	30,000	30,000	-	30,000	30,000	-	30,000	-	-	-	30,000
North Warehouse Works	RGNCAP	RY154	-	-	-	-	-	-	-	-	-	-	-	-
Guildhall Works	RGNCAP	RY155	83,600	4,200	87,800	60,623	27,177	70,000	17,800	87,800	-	-	-	87,800
Coneyhill Emergency Works	RGNCAP	RY157	-	-	-	(1,588)	1,588	(1,588)	-	-	-	-	-	-
Repairs Eastgate Rooftop Carpark	RGNCAP	RY159	150,000	-	150,000	44,643	105,357	44,643	105,357	150,000	-	-	-	150,000
GL1 Emergency Repairs	RGNCAP	RY160	120,000	-	120,000	33,401	86,599	33,401	86,599	120,000	-	-	-	120,000
Kings Square Emergency Paving	RGNCAP	RY161	-	12,000	12,000	2,575	9,425	2,575	9,425	12,000	-	-	-	12,000
HKP Accomodation Review	RGNCAP	RY163	-	207,000	207,000	51,434	155,566	190,000	17,000	207,000	-	-	-	207,000
Docks Office Works	RGNCAP	RY165	-	-	-	5,030	(5,030)	5,030	-	-	-	-	-	-
Renovation Robinswood	RGNCAP	RY167	162,000	-	162,000	86,982	75,018	162,000	-	162,000	162,000	-	-	-
SWRDA Asset Transfer	RGNCAP	RY184	181,500	-	181,500	297,149	(115,649)	120,000	61,500	181,500	-	-	-	181,500
Blackfriars Inn	RGNCAP	RY191	181,500	(181,500)	-	-	-	-	-	-	-	-	-	-
Herbert Reception	RGNCAP	RY201	190,000	-	190,000	114,804	75,196	190,000	-	190,000	-	-	-	190,000
Repairs	SERCAP	RY203	450,000	(4,200)	445,800	58,650	387,150	250,000	195,800	445,800	-	-	-	445,800
HCA Grant Money	RGNCAP	RY205	241,140	(103,370)	137,770	55,287	82,483	100,000	37,770	137,770	137,770	-	-	-
Potential City Centre Fund	RGNCAP	RY206	2,000,000	(1,970,000)	30,000	-	30,000	-	30,000	30,000	-	30,000	-	-
Blackfriars Priority	RGNCAP	RY207	-	37,850	37,850	2,088	35,762	37,850	-	37,850	11,710	-	-	26,140
3rd Floor North Warehouse	RGNCAP	RY210	-	-	-	47,791	(47,791)	47,791	-	-	-	-	-	-
Robinswood SITA	RGNCAP	RY211	-	9,680	9,680	9,256	424	9,680	-	9,680	9,680	-	-	-
Glos Airport - Asset Review	RGNCAP	RY215	-	25,200	25,200	25,188	12	22,188	3,012	25,200	-	-	-	25,200
CPO 134 Reservoir Road	RGNCAP	RY216	-	80,000	80,000	465	79,535	80,000	-	80,000	-	80,000	-	-
Other			515,110	(515,110)	-	-	-	-	-	-	-	-	-	-
Regeneration Total			5,473,600	(72,776)	5,400,824	1,662,958	3,737,866	2,520,614	2,962,532	5,400,824	945,237	1,985,750	155,000	2,314,837

APPENDIX 1

31 DECEMBER 2013

CAPITAL EXPENDITURE & MONITORING REPORT (CONTINUED)

Based upon the Capital Budget 2013/14

Scheme	Parent	Cost Code	Original Budget 2013/14	Subsequent Approvals	Revised budget 2013/14	Actual Spend to Date	Variance B/(W)	Forecast	C/F 2014/15	Funding				
										Total	Grants	Capital Receipts	S106	Borrowing
Services and Neighbourhoods														
Depot	SERCAP	PY109	57,530	-	57,530	-	57,530	-	57,530	57,530				57,530
Refurbish Play Areas	SERCAP	LY071	60,000	-	60,000	4,195	55,805	60,000	-	60,000				60,000
Flood Works	SERCAP	PY241	209,810	(12,680)	197,130	55,133	141,997	91,100	106,030	197,130				197,130
Plock Court Surface Water	SERCAP	PY271	-	2,810	2,810	975	1,835	1,735	1,075	2,810	2,810			
Saddlers Road	SERCAP	PY226	-	-	-	(947)	947	(947)	-	-				
Flood Defence Grants	SERCAP	CY011	-	9,870	9,870	9,868	2	9,868	-	9,870				
	SERCAP	HY043	-	-	-	-	-	-	-	-				
Crem Works	SERCAP	HY045	45,000	(6,355)	38,645	38,645	-	37,087	1,558	38,645				38,645
Crem Abatement	SERCAP	HY038	-	-	-	330	(330)	330	-	-				
Refurb crem Toilets	SERCAP	HY046	-	-	-	809	(809)	809	-	-				
Memorial Garden		HY047	-	4,770	4,770	5,861	(1,091)	5,861	-	-				4,770
Childrens Play Programme			22,420	(22,420)	-	-	-	-	-	-				
Paygrove Lane	SERCAP	LY110	-	13,420	13,420	13,407	13	13,407	-	13,420	13,420			
Glevum Way Play Area	SERCAP	LY111	-	2,640	2,640	-	2,640	2,640	-	2,640	2,640			
S106 Brionne Way	SERCAP	LY081	3,000	-	3,000	2,779	221	2,779	221	3,000				3,000
S106 Coneyhill School Dev	SERCAP	LY098	4,880	-	4,880	4,859	21	4,880	-	4,880				4,880
S106 Hillfield Gardens	SERCAP	LY112	19,100	23,840	42,940	22,285	20,655	33,230	9,710	42,940				42,940
King George V Pavillion	SERCAP	LY116	2,200	-	2,200	55	2,145	1,868	332	2,200				2,200
S106 Trees Macdonalds	SERCAP	LY118	2,530	-	2,530	(68)	2,598	845	1,685	2,530				2,530
S106 Daniels Brook	SERCAP	LY120	53,630	-	53,630	2,343	51,287	8,000	45,630	53,630				53,630
S106 Bodium Ave	SERCAP	LY123	35,000	-	35,000	-	35,000	-	35,000	35,000				35,000
S106 Grange Infants	SERCAP	LY124	6,770	-	6,770	-	6,770	-	6,770	6,770				6,770
S106 Waterwells Play Equipment	SERCAP	LY127	1,080	-	1,080	-	1,080	-	1,080	1,080				1,080
Sebert Street Repairs	SERCAP	LY138	-	5,000	5,000	5,000	-	-	5,000	5,000				5,000
S106 Armscroft Gardens Works	SERCAP	LY143	18,700	-	18,700	17,078	1,622	17,078	1,622	18,700				18,700
S106 Hempsted Way Play Area	SERCAP	LY156	-	30,000	30,000	-	30,000	-	30,000	30,000				30,000
Greenways Adoption Works	SERCAP	LY157	-	1,080	1,080	1,080	-	1,080	-	1,080				1,080
S106 Monk Meadow POS	SERCAP	LY158	-	5,750	5,750	-	5,750	1,000	4,750	5,750				5,750
S106 St Oswalds railings	RGNCAP	PY113	780	-	780	807	(27)	807	-	780				780
S106 Green Farm	RGNCAP	LY122	75,000	-	75,000	-	75,000	-	75,000	75,000				75,000
S106 Matsonand Robinswood Play	SERCAP	LY151	-	36,010	36,010	-	36,010	-	36,010	36,010				36,010
S106 Westgate Leisure Area	SERCAP	LY155	-	133,720	133,720	5,243	128,477	10,000	123,720	133,720				133,720
Other projects			173,500	(173,500)	-	-	-	-	-	-				
Kingsholm Kids at Play	SERCAP	LY131	-	200	200	-	200	-	200	200	200			

Oxstall Tennis Court Refurb	SERCAP	LY132	-	-	2,978	(2,978)	7,698	-	-	-	-	-	-	-
Perennial Planting Enterprise	SERCAP	LY133	9,180	9,180	8,366	814	8,366	-	9,180	-	-	-	-	9,180
Blackbridge Athletics Track	SERCAP	LY134	-	-	2,900	(2,900)	11,803	-	-	-	-	-	-	-
Oxstalls all weather Pitch	SERCAP	LY136	-	-	9,092	(9,092)	9,092	-	-	-	-	-	-	-
Oxstalls soft play area	SERCAP	LY137	-	-	4,003	(4,003)	5,088	-	-	-	-	-	-	-
Hillfield Sensory Garden	SERCAP	LY146	41,370	41,370	15,298	26,072	40,000	1,370	41,370	41,370	-	-	-	-
Westgate Car Park Planting	SERCAP	LY148	7,020	7,020	7,023	(3)	7,023	-	7,020	-	-	-	-	7,020
Active Space at Abbeydale	SERCAP	LY149	28,020	28,020	27,968	52	25,302	2,718	28,020	28,020	-	-	-	-
Tree Planting Forestry Commission	SERCAP	LY150	8,610	8,610	1,000	7,610	5,000	3,610	8,610	8,610	-	-	-	-
GL1 Pool air handling system	SERCAP	LY152	100,000	100,000	1,546	98,454	100,000	-	100,000	-	-	-	-	100,000
Guildhall Cinema	SERCAP	LY154	27,000	27,000	16,579	10,422	27,000	-	27,000	-	-	-	-	27,000
Flats Bins	SERCAP	PY132	9,660	9,660	-	9,660	-	9,660	9,660	-	-	-	-	9,660
City Centre CCTV	SERCAP	PY275	365,000	365,000	-	365,000	11,000	354,000	365,000	-	-	-	-	365,000
Street Cleaning Machine	SERCAP	PY279	9,970	9,970	9,970	-	9,970	-	9,970	-	-	-	-	9,970
Retaining Wall Alney Terrace	SERCAP	PY280	26,244	26,244	-	26,244	-	26,244	26,244	-	-	-	-	26,244
Netheridge Market	SERCAP	RY132	5,076	5,076	(5,750)	10,826	-	5,076	-	-	-	-	-	5,076
All Mains Buildings Voltage Optimisation	SERCAP	RY180	74,000	74,000	18,492	55,508	30,000	44,000	-	-	-	-	-	74,000
Services and Neighbourhoods Total			790,930	765,305	1,556,235	309,205	1,247,030	600,800	989,601	1,556,235	106,940	-	453,070	996,225
Resources														
ITC Projects	RESCAP		200,000	(200,000)	-	-	-	-	-	-	-	-	-	-
Unallocated IT	RESCAP	RY525	-	18,460	18,460	32,059	(13,599)	32,059	-	18,460	-	-	-	18,460
Cedar Upgrade	RESCAP	RY250	-	75,000	75,000	8,448	66,552	8,448	66,552	75,000	-	-	-	75,000
Disaster Recovery	RESCAP	RY532	-	59,400	59,400	65,357	(5,957)	65,357	-	59,400	-	-	-	59,400
GIS Development	RESCAP	RY555	-	32,630	32,630	40,875	(8,245)	40,875	-	32,630	-	-	-	32,630
Door Entry System	RESCAP	RY572	-	1,550	1,550	499	1,051	499	1,051	1,550	-	-	-	1,550
Website Rebuild	RESCAP	RY573	-	62,960	62,960	68,904	(5,944)	68,904	-	62,960	-	-	-	62,960
North Warehouse BT & T	RESCAP	RY574	-	-	-	-	-	-	-	-	-	-	-	-
Various Projects 2012-13	RESCAP	RY575	-	-	-	48,363	(48,363)	48,363	-	-	-	-	-	-
Members ICT Provision	RESCAP	RY577	-	20,000	20,000	45,201	(25,201)	45,201	-	20,000	-	-	-	20,000
Allotment Software	RESCAP	RY578	-	6,680	6,680	4,462	2,218	4,462	2,218	6,680	-	-	-	6,680
Govnet Engaging Gloucester	RESCAP	RY579	-	7,000	7,000	3,498	3,502	3,498	3,502	7,000	-	-	-	7,000
Resources Total			200,000	83,680	283,680	317,665	(33,985)	317,666	73,323	283,680	-	-	-	283,680
TOTAL GENERAL FUND EXCLUDING HOUSING			6,464,530	776,209	7,240,739	2,289,828	4,950,911	3,439,080	4,025,456	7,240,739	1,052,177	1,985,750	608,070	3,594,742
Housing General Fund														
DFGS	SERCAP	CY013	684,000	684,000	479,262	204,738	200,000	484,000	-	684,000	384,000	-	-	300,000
Decent Homes Grants	SERCAP	CY018	-	5,760	5,760	9,452	(3,692)	9,452	-	5,760	5,760	-	-	-
Decent Homes Loans	SERCAP	CY042	-	60,000	60,000	4,708	55,293	15,000	45,000	60,000	-	-	-	60,000
Safe at Home Grants	SERCAP	CY012	60,000	60,000	60,000	-	60,000	20,000	40,000	60,000	-	-	-	60,000
Warm and Well	SERCAP	CY048	-	30,000	30,000	10,561	19,439	10,000	20,000	30,000	-	-	-	30,000
Total Housing General Fund			744,000	95,760	839,760	503,982	335,778	254,452	589,000	839,760	389,760	-	-	450,000
TOTAL GENERAL FUND			7,208,530	871,969	8,080,499	2,793,810	5,286,689	3,693,532	4,614,456	8,080,499	1,441,937	1,985,750	608,070	4,044,742
Housing HRA	HRA	BY008 BY006	5,065,950	874,050	5,940,000	1,706,841	4,233,159	5,940,000	-	5,940,000	-	-	-	5,940,000
			-	-	-	56,939	(56,939)	53,539	-	-	-	-	-	-
TOTAL CAPITAL PROGRAMME			12,274,480	1,746,019	14,020,499	4,557,589	9,462,909	9,633,532	4,614,456	14,020,499	1,441,937	1,985,750	608,070	9,984,742



Corporate Peer Challenge

Gloucester City Council

11th to 13th December 2013

Report

1. Background and scope of the peer challenge

On behalf of the team, I would just like to say what a pleasure and privilege it was to be invited in to Gloucester to deliver the recent corporate peer challenge. The team very much appreciated the efforts that went into preparing for the visit and looking after us whilst we were on site and the participation of elected members, staff and partners in the process.

This was one of the corporate peer challenges delivered by the Local Government Association as part of the approach to sector led improvement. Peer challenges are managed and delivered by experienced elected member and officer peers. The peers who delivered the peer challenge were:

Steve Packham, Chief Executive, Chelmsford City Council
Councillor William Nunn, former Leader, Breckland District Council (Conservative)
Sir Stephen Houghton, Leader, Barnsley Metropolitan Borough Council (Labour)
Gerald Almeroth, Strategic Director of Resources, London Borough of Sutton
Vicky Cook, Performance Adviser, Bury Council (shadowing role)
Chris Bowron, Peer Challenge Manager, Local Government Association

It is important to stress that this was not an inspection. Peer challenges are improvement-orientated and tailored to meet individual councils' needs. Indeed they are designed to complement and add value to a council's own performance and improvement focus. The peers used their experience and knowledge to reflect on the evidence presented to them by people they met, things they saw and material that they read.

The guiding questions for all corporate peer challenges are:

- Does the council understand its local context and has it established a clear set of priorities?
- Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
- Does the council have effective political and managerial leadership and is it a constructive partnership?
- Are effective governance and decision-making arrangements in place to respond to key challenges and manage change, transformation and disinvestment?

- Are organisational capacity and resources focused in the right areas in order to deliver the agreed priorities?

To tailor the challenge to the needs of Gloucester, the council asked us to also:

- Consider its approach to regeneration and economic development
- Look in depth at issues of organisational culture and the change agenda

As you will recall, we undertook to write to you to confirm the team's findings, building on the feedback provided to you on the final day of the peer challenge and, in particular, expanding upon those areas that we highlighted as likely to benefit from some further attention. This report sets out those findings.

2. Executive summary

There has been a huge amount of regeneration and development activity in Gloucester over recent years and the council can be proud of what has been achieved in this regard. There seems to be a successful balancing of the regeneration and economic growth agenda with preserving the heritage and history of the city.

The 'City Vision' has a focus on prosperity and emphasises the importance of the economy, regeneration and economic development. The council recognises the need for a strategic economic plan to sit behind the 'City Vision' to help map the future out in more detail. There is much good work taking place on both physical and social regeneration in Gloucester, although we suggest these two strands need to be more closely integrated.

Whilst the ambitions for further growth and development of the city continue to be high, it is important to ensure there is sufficient capacity to fulfil them. There has been a lot of change recently in relation to the way regeneration is managed and funded. The key question that needs to be answered is whether changes that have taken place have led to a reduction in capacity and resources. If the answer is 'yes', then there will inevitably be a requirement for re-prioritisation in some form.

There is good cross-party working politically and mutual respect between elected members. Council staff are committed and conscientious and clearly want to do their best for Gloucester and the council. The council is valued by external partners and it is seen as good to work with. There are occasional tensions with some 'arms-length' partner organisations but the council is committed to working to maintain what have been traditionally good relationships with them.

The council has dealt successfully with the financial challenges to date. Going forward, we see it as being important to develop a better understanding across the elected membership of the scale of the future financial challenge. The savings achieved thus far have been significant and the impact on 'frontline services' has been minimised. However, the delivery of those savings means there is reduced scope for the future and therefore the impact is likely to be greater and the decisions more difficult.

The council's budget setting process needs to be further developed in future years. There must be better involvement and engagement in developing options, aligning of options and decisions with priorities, analysis of the likely impact and timely and appropriate communication of decisions. To assist in all of this, elected members need to agree a clear set of priorities that can be used to help frame thinking around how a reduced level of resources can best be utilised to achieve the biggest impact on what matters.

Following difficulties that it had experienced in relation to aspects of financial management, culminating in major difficulties in the closure of the 2011/12 accounts, the council developed a Financial Services Improvement Plan. This has been externally assessed in recent months, is seen to be sound and is currently being implemented. The external auditor has subsequently "noted improvement" in the council's financial management.

There is seen to have been almost constant organisational change over recent years and there is substantial anxiety and uncertainty amongst staff. The situation has been compounded by a lack of clarity about the future shape and priorities of the council. The issue has been further exacerbated by what staff feel is insufficient communication generally about the situation facing the council and potential or proposed changes. That is not to say that effort does not go in to communication – indeed there are a range of well-established mechanisms including an annual staff event, team meetings and regular communications from the senior management team. Despite this, staff generally still feel there is insufficient communication and information. The Chief Executive has recognised this issue and has recently undertaken a series of discussion sessions with staff across the organisation which have been welcomed, but people still feel the need for more communication and engagement.

The council was in a very difficult and challenging situation in late 2012. A series of issues came together which culminated in a number of officer suspensions and some people subsequently leaving the employment of the council, with the approach that was taken to address the situation causing further unease. What took place then is still having an adverse effect on the functioning of the authority now.

Day to day relationships between people across the council and the general atmosphere as people go about their work are good again following a significant dip when the issues arose twelve months ago. However, relationships within the collective senior leadership of the council, politically and managerially, are clearly still tense, albeit less so than in late 2012. This situation is not easy to resolve but the anxieties and tensions will not simply disappear. The council cannot afford to wait – a tremendous strength of leadership is required now as the council faces up to the future. In order to help things move forward, we see it as important to focus and apply effort in a few key areas as follows:

- Elected members and officers at all levels need to better understand their respective roles and responsibilities and adhere to them. The senior political and managerial leadership need to lead the way on this.
- The Leader and Chief Executive need to continue to be willing to invest the time and effort to re-build relations and adapt their styles and approaches. They also need to take the lead in fostering the leadership style and approach that is desired across the council.

- The senior political and managerial leadership of the council needs to improve the dialogue between them and with the wider organisation.

Through the leadership focusing on these aspects we believe it is possible to re-establish a constructive climate within the organisation and ensure the council successfully addresses the challenges it faces and goes from strength to strength.

3. Detailed findings

3.1 Successes in Gloucester

The 'City Vision' covers the period from 2012 to 2022 and defines Gloucester as 'a city ambitious for its future and proud of its past'. The vision provides a broad framework that helps to shape direction and ambition, with two key strands relating to 'prosperity and community'. The prosperity aspect focuses on a flourishing economy and city centre, a vibrant evening economy and ensuring the city improves through regeneration and development. The community dimension centres on a city where people feel safe and happy in their community and a healthy city with opportunities available to all. The city is seen to have 'bucked the trend' on the recession of recent years, with people indicating Gloucester hasn't experienced the same level of economic impact and social hardships as other places.

There has been a huge amount of regeneration and development activity in the city over recent years. Examples include the re-development of the Docks, the creation of the Gloucester Quays retail outlet and the developments at St Oswald's Park and the Railway Triangle. The council seems to be successfully balancing the regeneration and economic growth agenda with preserving, and indeed even enhancing, the heritage and history of the city, as seen with the Robert Raikes pub and The Fleece. Further regeneration work currently underway includes the King's Quarter, Blackfriars and Eastgate Market. A lot of work is currently going in to arranging the transfer of the council's housing stock, which represents a major project.

The council is valued by external partners and it is seen as good to work with. One local authority described it as "the best partner council it works with" and commercial partners see it as a pragmatic and professional organisation. The story, however, is slightly different with partners who are more closely linked to the council – those that might be described as 'arms-length' organisations – where there are felt to be occasional tensions. This is the result of recent experiences regarding the way the council has gone about the budget-setting process for 2014/15 and must be seen in a context of traditionally good relationships between them, which the council is committed to working to maintain.

Within the council, there is good cross-party working politically and mutual respect between elected members. Council staff are committed and conscientious and clearly want to do their best for Gloucester and the council. There are good areas of performance within the authority, with examples including homelessness prevention, Revenues and Benefits and Planning. The council knows those areas of service provision and performance where improvement needs to be made and they include enhancing waste

recycling and increasing commercial revenue. There is a mixed economy of service provision by the council, reflecting a pragmatic philosophy of 'what matters is what works'.

The council has delivered cumulative savings of £7.5m over the last four years. In planning for and achieving this, it has worked to minimise the impact on 'frontline services' and people feel that this has been achieved. New avenues are being explored to help address the financial challenge going forward, including looking at the potential for sharing further services with other councils, with Building Control being a prime live example, and progressing commercial opportunities.

3.2 Financial challenge

The council's net budget for 2013/14 was set at £16.6m, and included a reduction of £1.9m from the year before. The savings requirement for 2014/15 is £800,000. In the year after that, 2015/16, the challenge is much greater – with it being expected that further reductions of £2.2m will be required. We see it as being important for the council to develop a better understanding across the elected membership of the scale of the financial challenge being faced. The savings achieved to date have been significant and the impact on 'frontline services' has been minimised. However, the delivery of those savings means there is reduced scope going forward and therefore the impact is likely to be greater and the decisions more difficult.

The council is not unique in needing to develop increased understanding amongst the elected membership of both the scale of the challenge and the likely impact. There have been efforts to communicate this but there would be benefit in looking to find a different way of framing the problem, outlining the position in a way that brings things to life and makes them real by setting them in a context that people can relate to – rather than as pure numbers in more complex formats. There would also be benefit in looking to implement savings as early as possible – so, for example, whilst something might be identified as a saving for 2015/16, if there is scope for earlier in-roads to be made then doing so would make good sense. The council also recognises the need to move away from placing too great a reliance upon New Homes Bonus funding to balance its budget, given the uncertainty around the future of this scheme.

The budget setting process needs to be further developed in future years. There must be better involvement and engagement in developing options, aligning of options and decisions with priorities, analysis of the likely impact and timely and appropriate communication of decisions. It would be good to follow the example of the preparatory work undertaken recently regarding the budget for the Guildhall, which has seen elected members, officers and other stakeholders working together to consider options for the future and their potential implications.

The reports to Overview and Scrutiny and Cabinet in December on the 'Draft Money Plan 2014 – 2019 and Budget Proposals for Consultation for 2014/15' highlight significant sums of money to be saved in 2014/15 and 2015/16 in key areas such as grants and service level agreements with the voluntary sector (£200,000), the Aspire Leisure Trust (£100,000 next year and £400,000 the year after) and the Amey contract for waste and street care services (£500,000 next year and £1m the following year). The information presented on these and the other proposals in the reports is limited and contains nothing in the way of an evidence-base, risks and implications, although we recognise that further detail, which

had been prepared closely with senior management and Cabinet members, was outlined verbally by Portfolio Holders when presenting the report to Overview and Scrutiny. In future years, the set of budget options for elected members that are evidence-based and clearly outline the likely impact, should feature fully in related written reports earlier in the process.

The communication of budget proposals and decisions also needs improved handling in the future. Whilst there was engagement with services in the council and with partner organisations regarding budget options over a period of several months through the summer and autumn, with the proposals that ultimately featured in the Overview and Scrutiny and Cabinet reports referred to above being publicly available and the services and organisations that would be impacted upon being involved in discussions around them, the actual proposals put out to consultation were different in some instances to what people had been expecting. Whilst communications on developing budget options featured as a standing item on the monthly trade union consultation meetings and was the subject of corporate staff updates, there were examples of council staff learning about the proposals in the newspaper, with the negative impact of this being compounded by them being asked by the public to explain what was happening when they themselves did not know any detail.

For officers to develop budget options in the future that are appropriate and sufficiently well worked up, elected members need to agree a clear set of priorities that can be used by officers to help frame their thinking around how a reduced level of resources can best be utilised to achieve the biggest impact on what matters. This fits well with the fact that the 'Council Plan' covers the period from 2011 to 2014, therefore necessitating the development of the next iteration of such a guiding framework – a piece of work that is already underway. In developing this, a more narrowly defined set of priorities will be required to replace what exists currently:

- Prosperity – strengthening Gloucester's economy
- People – a city for everyone
- Place – creating pride in the city

'Customer service' is an example of a clear priority, with investment being made by the council in this area, including the revamp of the main public reception area and 'channel shift' activity. What is required going forward is the mapping out of what the council currently delivers and what local people need, which is then narrowed into a set of tangible priorities that enable staff and citizens to clearly see where the council is going to focus its resources and effort.

In undertaking this, elected members will need to be clear about those services and activities where disinvestment can take place. Where this happens, their expectations will need to be revised accordingly. This observation stems from reflections being shared with us by officers that there were instances of a few elected members, despite changes having been made to the council's policy or budget framework in recent years, still expecting things to happen as before.

All of this throws up a number of over-arching questions that the council needs to address. These include what type of organisation does Gloucester City Council want or need to be going forward, how is that being shaped and, in turn, how is it informing budget thinking? What will its priorities be and what is the process for determining how the council's future purpose, shape and size will be settled?

Following difficulties that it had experienced in relation to aspects of financial management, culminating in major difficulties in the closure of the 2011/12 accounts, the council developed a Financial Services Improvement Plan. This has been externally assessed in recent months, is seen to be sound and is currently being implemented. This has seen the council's finance team being strengthened and the authority has also recognised the need to make extra support and training available to managers around budget management and financial understanding. The external auditor has subsequently "noted improvement" in the council's financial management. The conclusions we have reached in this area are that financial planning and budget monitoring need to be further strengthened going forward and business and financial planning need to be integrated – which the council has recognised and put steps in place to achieve during 2014.

3.3 Regeneration and economic development

There has been a huge amount of regeneration and economic development activity in Gloucester over the years, as we outlined earlier under 'Successes in Gloucester'. As we have also already outlined, the 'City Vision' has a focus on prosperity and emphasises the importance of the economy, regeneration and economic development. The council recognises the need for a strategic economic plan, covering both Gloucester as a whole and the city centre, to sit behind the 'City Vision' to help map the future out in more detail.

As an example, there is a sense currently that regeneration is seen simply as a good thing in and of itself. However, it is important for the future of the city that regeneration is channelled and enabled, rather than being left to its own devices. What type of regeneration is being sought and where? How can the wealth that it generates be maximised? Where does that wealth most need to go to? How can local people's skills best be developed in order to enable them to take advantage of forthcoming opportunities?

The council is well engaged with the Local Enterprise Partnership (LEP) and recognises the importance of aligning the ambitions for Gloucester and its priorities with the LEP's emerging strategic economic plan. The Joint Core Strategy with Cheltenham and Tewkesbury councils is currently being consulted upon and the underpinning City (Local) Plan for Gloucester is in development. The formal adoption of both of these will provide certainty in terms of spatial planning and protect the area from unwanted development.

Whilst the ambitions for further growth and development of the city continue to be high, it is important to ensure there is sufficient capacity to fulfil them. There has been a lot of change recently in relation to the way regeneration is managed and funded – as a result of revisions made at both the national and more local level. Examples include the cessation of the Regional Development Agency and Gloucester Heritage Urban Regeneration Company and the imminent commencement in post of a new Head of Regeneration and Economic Development. The key question that needs to be answered is whether changes that have taken place have led to a reduction in capacity and resources. If the answer is 'yes', then the council and other stakeholders need to work through how this is responded

to – which will inevitably require re-prioritisation in some form. In considering the capacity issue, we would urge people to bear in mind that this isn't just an issue concerning readily apparent regeneration and economic development resources – such work also places a set of requirements on other council resources, such as Planning, legal and finance.

There is much good work taking place on both physical and social regeneration in Gloucester. Social regeneration is very important given Gloucester has five 'Super Output Areas' which feature within the most deprived ten per cent nationally. Examples of the good work involved include the 'Great Expectations' initiative aimed at young people at risk of becoming involved in crime and the creation, through funding from various partnership groupings, of 'Community Builder' posts with a remit of identifying key social issues, and appropriate solutions, within specific geographical communities and generally enhancing the spirit within those communities.

However, we would suggest the two strands of regeneration – the physical and the social – need to be more closely integrated and the link between them made more explicit and obvious. An example of local regeneration activity which is likely to have a significant impact because of its targeted nature, and in which the council has been involved, is the recruitment centre established in one of the more deprived communities in Gloucester by Westmorland Ltd. They will run the Gloucestershire Gateway motorway service station on the M5, which is currently under construction, and have set up the centre to help recruit local people who can be trained up to work there. The council has provided advice to Westmorland on local suppliers and helped to facilitate access to potential employees.

The council's Deputy Leader, who is the Cabinet Member for Communities and Neighbourhoods, is a strong champion for the work on social deprivation and regeneration. She is clearly dedicated and is widely respected both within and beyond the council for her work in this regard. It is important going forward, however, that the council's efforts to address social deprivation are led more widely, particularly amongst elected members, and the responsibility more broadly shared.

3.4 Performance management

The authority is currently developing the next Council Plan for the period from 2014. In doing so, the council is clear that it needs to align more with the 'City Vision' priorities and is working to achieve this. It also needs to be firmly evidence-based. The current plan outlines what the authority is seeking to achieve, what it is going to do and what it will measure to assess progress. However, there is no analysis as to the reasons behind what it sets out nor are there specific targets outlined in the document – although we recognise they are set out elsewhere and are measured through the council's performance management framework. The intention is for the council to feature clear performance targets in the next Council Plan document.

The authority recognises the need to further develop the performance culture within the organisation. The council's performance management framework will need to be revised in order to reflect the new Council Plan, ensure the authority is focused on the agreed priorities and outline how the council contributes to the achievement of them. It will also need to include a refreshed set of performance indicators that measure what matters in the city. Indicators will also need to be included that reflect the council's organisational health, such as sickness absence levels and staff turnover rates, which are already monitored,

and we understand the authority is intending to do this under a newly-expressed priority of 'performance'.

Moving forward, budget monitoring and performance reporting need to be undertaken together to provide a more comprehensive picture to inform decision-making both politically and managerially within the organisation. At present, the two are disconnected from one another and reporting them together would provide a clearer picture of what is happening.

3.5 Organisational capacity and culture

There is seen to have been almost constant organisational change over recent years. With the budget reductions that have been required in the past, and those needed going forward, change has been and continues to be inevitable – along with the uncertainty that it generates. However, the situation has been compounded by a lack of clarity about the future shape and priorities of the council – the creation of which would provide people with a sense of direction and enable them to form a view as to what the future potentially holds for them. The issue has been further exacerbated by what staff feel is insufficient communication generally about the situation facing the council and potential or proposed changes.

The Chief Executive has recognised the communications issue and has recently undertaken a series of discussion sessions with staff across the organisation in an effort to improve things, including understanding and engagement around the strategic agenda. These sessions have very much been welcomed by people. Such sessions are in addition to a number of well-established internal communications mechanisms, including staff newsletters and team meetings/briefings. Despite all of these activities, people still feel a need for better communication. People also feel the opportunities to input their views and ideas are too limited – something which the council could look to benefit positively from by involving staff more in thinking about the future and how to help address the financial challenges.

Amongst staff that we met morale seemed to be higher than elected members and senior managers had indicated might be the case. However, that should not hide the fact that there is substantial anxiety and uncertainty. Additionally, having only met a relatively small number of staff we would not claim that our findings are truly representative. The authority will wish to monitor the situation carefully and rely on more detailed analysis, for example in the form of a staff survey, to assess the position and how it might respond. Sickness absence levels increased significantly between 2011/12 (5.5 days per full time equivalent (FTE) member of staff and 2012/13 (8.1 days) and although it has dropped back this year (6.9 days is the projected figure based on information to date) this situation should also be carefully monitored.

Strategic and organisational capacity is stretched and things are beginning to creak – the risks around this need to be monitored and a revision of capacity might be required in some areas in response. Given the level of staffing changes made in councils across the country in recent times, Gloucester is not alone in experiencing such capacity challenges and needing to be prepared to make amendments over time. This will, however, be made significantly easier once the council's priorities are more narrowly defined. Given the

stretched strategic capacity, we urge the council to think very carefully about the proposal to make further savings at the senior leadership level.

Weaknesses around ICT are recognised and the council is currently running a 'business transformation and technology' outsourcing process in an effort to resolve the situation and help achieve a step change in this area of its operation.

3.6 Moving forward - relationships

The council was in a very difficult and challenging situation in late 2012. A series of issues came together which culminated in a number of officer suspensions and some people subsequently leaving the employment of the council, with the approach that was taken to address the situation causing further unease. We do not intend to rehearse the history of all of this here. However, the 'issues of 12 months ago' (as people refer to the situation) have had a major impact on the organisation and led to matters of trust and confidence within the council. This is still having an adverse effect on the functioning of the authority. As an example, one of the consequential impacts is staff being apprehensive and reluctant to take decisions for fear of getting them wrong and undermining their future with the organisation as a result. They instead escalate them up the organisational hierarchy, with bottlenecks and slowed decision-making resulting

Day to day relationships between people across the council and the general atmosphere as people go about their work are good again following a significant dip when the issues arose twelve months ago. However, relationships within the collective senior leadership of the council, politically and managerially, are clearly still tense, albeit less so than in late 2012. Whilst there seems to be good engagement on a one to one and day to day basis between senior managers and Cabinet members, things are much more limited when it comes to collective discussions at that level regarding key strategic issues. There were sessions held to develop budget proposals and there was also an away day for the senior leadership and we suggest more of this type of activity and engagement is undertaken.

The situation that exists is not easy to resolve but the anxieties and tensions will not simply disappear in a matter of months or even years. The council cannot afford to wait – a tremendous strength of leadership is required now as the council faces up to the future. This requires the political and managerial leadership to work extremely closely together to help shape decisions over priorities, diminishing resources and organisational shape and form.

In order to help things move forward, we see it as important to focus and apply effort in a few key areas as follows:

- Elected members and officers at all levels need to better understand their respective roles and responsibilities and adhere to them. The senior political and managerial leadership need to lead the way on this.
- The Leader and Chief Executive need to continue to be willing to invest the time and effort to re-build relations and adapt their styles and approaches. They also need to take the lead in fostering the leadership style and approach that is desired across the council.

- The senior political and managerial leadership of the council needs to improve the dialogue between them and with the wider organisation.

Through the leadership focusing on these aspects we believe it is possible to re-establish a constructive climate within the organisation and ensure the council successfully addresses the challenges it faces and goes from strength to strength. We strongly recommend the council seeks some external support as it looks to move forward on these issues over the coming months – and the authority has indicated that this is something that it is keen to do.

Through the peer challenge process we have sought to highlight the many positive aspects of the council and Gloucester but we have also outlined some difficult challenges. It has been our aim to provide some detail on them through this report in order to help the council understand and consider them. The council's senior political and managerial leadership will therefore undoubtedly want to reflect further on the findings before determining how they wish to take things forward.

Members of the team would be happy to contribute to any further improvement activity in the future and/or to return to the authority in due course to undertake a short progress review. Paul Clarke, as the Local Government Association's Senior Adviser for the region within which the council sits, will continue to act as the main contact between the council and the Local Government Association, particularly in relation to improvement. Hopefully this provides you with a convenient route of access to the organisation, its resources and packages of support going forward, which we know the council is keen to tap in to.

Andy Bates, the Local Government Association's Principal Adviser for your region, is also available for support and advice to the authority.

All of us connected with the peer challenge would like to wish Gloucester, both as a council and a place, every success in the future.

Yours sincerely

Chris Bowron
Programme Manager – Peer Support
Local Government Association

Gloucester City Council

Meeting:	Audit & Governance Committee Constitutional & Electoral Working Group Council	Date:	17 March 2014 25 March 2014 27 March 2014
Subject:	Review of Frequency of Audit and Governance Committee meetings		
Report Of:	Audit, Risk & Assurance Manager		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Terry Rodway, Audit, Risk & Assurance Manager		
	Email: Terry.Rodway@gloucester.gov.uk	Tel:	396430
Appendices:	1. List of 'standard' reports to Audit & Governance Committee 2. Suggested Frequency of meetings/Agenda Items		

1.0 Purpose of Report

- 1.1 To consider a review of the frequency of Audit and Governance Committee meetings and to make recommendations on meeting frequency for adoption by the Council.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RECOMMEND** to Constitutional and Electoral Working Group and Council that the frequency of meetings for the Audit and Governance Committee at Appendix 2 be approved.
- 2.2 Constitutional and Electoral Working Group is asked to **RECOMMEND** to Council that the frequency of meetings for the Audit and Governance Committee at Appendix 2 be approved.
- 2.3 Council is asked to **RESOLVE** that the frequency of meetings for the Audit and Governance Committee at Appendix 2 be approved.

3.0 Background and Key Issues

- 3.1 The Audit & Governance Committee's current frequency of meetings, as per the Constitution, is "4 meetings per annum together with such other meetings as the Committee Chair shall consider necessary or appropriate". The 4 scheduled meetings have, in previous years, tended to be held in March, June, September, and December.

- 3.2 The latest CIPFA guidance 'Audit Committees Practical Guidance for Local Authorities and Police – 2013 Edition' states:-
- To fit with planning, monitoring and annual reporting arrangements, most organisations will find they will require at least 4 meetings a year.
 - Aspects of the audit committee agenda will be determined by statutory requirements related to the accounts and matters related to the financial year.
 - Outside of these agenda items, the audit committee should aim to manage its agenda according to its assurance needs to fulfil its terms of reference.
- 3.3 Following the Committee meeting on 25 November 2013, a Working Group was formed to consider, amongst other things, the frequency of committee meetings. The Working Group met on 6 March 2014 and considered the table shown at Appendix 1. The Working Group requested that the details be re-presented in a format that readily identified the number of reports to be presented to each scheduled meeting and to review whether further additional meetings were required. This revised format is shown at Appendix 2. In order to try and have a balanced agenda, in terms of number of reports for each meeting, an additional meeting has been suggested. It is this suggested frequency of meetings shown at Appendix 2, which is being recommended for adoption.
- 3.4 The list of reports identified in the Appendices is based on the 'standard' reports routinely presented to Committee. In accordance with the Committee's terms of reference, additional reports will be presented to Committee as and when required, e.g. a review of the Council's anti-fraud policies. However, as these are reported less frequent than the 'standard' reports, it is suggested that, these reports are timetabled for review by the Committee at the meetings that have fewer agenda items (i.e. currently the proposed January meeting).
- 3.5 The Committee is asked to note that the calendar of meetings for this civic year only includes 3 meetings of this Committee. Consideration of a suitable date for a 4th meeting during this civic year will be discussed at this meeting.

4.0 Alternative Options Considered

- 4.1 No other options have been considered.

5.0 Reasons for Recommendations

- 5.1 It is good practice to regularly review the frequency of meetings for the Committee to ensure that they remain up-to-date and reflect best practice.

6.0 Future Work and Conclusions

- 6.1 As has been identified in the report.

7.0 Financial Implications

- 7.1 There are no direct financial implications arising out of this report.

(Financial Services have been consulted in the preparation this report.)

8.0 Legal Implications

- 8.1 Under the Local Government Act 2000, the Council is required to have a Constitution setting out its governance arrangements. CIPFA guidance also requires the Committee to regularly review its effectiveness and this includes ensuring that its frequency of meetings helps to ensure it can operate effectively and fulfil its purpose.

(Legal Services have been consulted in the preparation this report.)

9.0 Risk & Opportunity Management Implications

- 9.1 If the frequency of meetings for the Committee is not reviewed, there is a risk that they will cease to reflect best practice or be appropriate for the functions the Committee needs to perform.

10.0 People Impact Assessment (PIA):

- 10.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, there a full PIA was not required.

11.0 Other Corporate Implications

Community Safety

- 11.1 There are no specific Community Safety implications relating to the recommendation made in this report.

Sustainability

- 11.2 There are no specific Sustainability implications relating to the recommendation made in this report.

Staffing & Trade Union

- 11.3 There are no staffing or trade union implications arising from this report.

Background Documents: None.

List of ‘Standard’ reports to Audit & Governance Committee

Matter	Set time of year? (Y/N)	Set Frequency? (Y/N)	Comments
Internal Audit			
Internal Audit Plan – Monitoring report	N	N	Has been quarterly, but could go to every meeting.
Internal Audit Annual report	Y	Y (Annual)	Makes sense for this to go in June after end of financial year.
Review of Effectiveness of Internal Audit	N	Y (Annual)	Legislative requirement for an annual review. Makes sense for this to go in June after end of financial year.
Internal Audit Plan – forthcoming year	Y	Y (Annual)	Makes sense for this to go in March as it relates to planned audit work in the following financial year.
Risk Management Strategy	N	N (Current strategy states ‘subject to regular review’)	Makes sense for this to go to the meeting following formal review.
Financial Management			
Treasury Management Strategy – forthcoming year	Y	Y	Makes sense for this to go in March as it relates the Treasury Management Strategy for the following financial year.
Treasury Management -performance report	Y	Y	Best practice is for quarterly reporting.
Draft Statement of Accounts	Y	Y	Legislative requirement for Draft Statement of Accounts to be signed off by s151 Officer by end of June.
Audited Statement of Accounts	Y	Y	Legislative requirement for Audited Statement of Accounts to be signed off by end September.
Business Rates Pooling annual report	Y	Y	Completed September/October as part of annual budget setting process.

External Audit			
External Audit Plan	Y	Y (Annual)	In 2012, 2013 and 2014 this report was presented to the March meeting.
Annual Audit letter	Y	Y (Annual)	For the 2012/13 audit, this was presented to the Jan 2014 meeting.
Annual Audit fee	Y	Y (Annual)	In 2012, 2013 and 2014 this was presented as part of the External Audit Plan.
KPMG ISA260 report	Y	Y (Annual)	Presented at the same meeting as the Audited Statement of Accounts.
Certification of Grants and Returns	Y	Y (Annual)	Normally reported to the March meeting.
Standards/Other governance			
Standards refresher	N	N	Committee need to receive updates but there is flexibility on when.
Annual Governance Statement	Y	Y	Needs to be approved at the same time as the Statement of Accounts i.e. by the end of September.
Update on Annual Governance Statement	N	N	Dependent on the number of 'Significant Governance Issues' identified in the AGS.
Annual Complaints Monitoring	N	Y	Could go any time but makes sense to align with financial year end i.e. report to June meeting.
Annual Standards report	N	Y	Could go any time but makes sense to align with financial year end i.e. report to June meeting.
Annual report of the Audit Committee	N	Y	Could go any time but makes sense to align with financial year end i.e. report to June meeting.
RIPA Annual update	N	Y	Has tended to go in November as we are usually inspected in September (triennially. Next inspection due in 2015?)

Suggested Frequency of Meetings/Agenda Items

Meeting Date	Agenda Item
June	Internal Audit Plan – Monitoring Report
	Internal Audit Annual Report
	Review of Effectiveness of Internal Audit
	Treasury Management – Performance Report
	Draft Statement of Accounts
	Annual Complaints Monitoring
	Annual Standards Report
	Annual Report of the Audit Committee
September	Internal Audit Plan – Monitoring Report
	Treasury Management – Performance Report
	Audited Statement of Accounts
	External Audit ISA 260 Report
	Annual Governance Statement
November (Suggested revised date of 'December' meeting)	Risk Management Strategy
	Risk Management Annual Report
	Business Rates Pooling Annual Report
	Standards Refresher
	RIPA Annual Update
January (Suggested additional meeting date)	Internal Audit Plan – Monitoring Report
	Treasury Management – Performance Report
	External Audit Annual Audit letter
	Update on Annual Governance Statement
March	Internal Audit Plan – Monitoring Report
	Internal Audit Annual Plan
	Treasury Management Strategy
	Treasury Management – Performance Report
	External Audit Plan/Annual Audit Fee
	Certification of Grants and Returns