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SCRUTINY BOARD (STRATEGY AND RESOURCES)

MONDAY, 14TH OCTOBER, 2024

PRESENT: Councillor A Khan in the Chair

Councillors E Carlisle, D Chapman,
B Flynn, P Grahame, S Hamilton,
T Hinchcliffe, A Parnham, S Seary,
E Thomson and C Timmins

36 Appeals Against Refusal of Inspection of Documents

There were no appeals.

37 Exempt Information - Possible Exclusion of the Press and Public

There was no exempt information.

38 Late Items

There were no late items.

However, member's attention was drawn to the supplementary information on Item 7 Medium Term Financial Strategy, the latest in year financial health report was circulated as supplementary information due to publication deadlines for this meeting in relation to similar papers being considered by Executive Board on 16 October 2024.

39 Declaration of Interests

There were no declarations of interest.

40 Apologies for Absence and Notification of Substitutes

Apologies received from:

Cllr Andrew Carter with Cllr Simon Seary attending as substitute
Cllr Wyn Kidger

41 Minutes - 16 September 2024

Resolved - That the minutes of the previous meeting held on 16th September 2024 be approved as a correct record.

42 Medium Term Financial Strategy

The Board considered a report from the Head of Democratic Services that set out the Council's Medium Term Financial Strategy (MTFS) 2025/26 to 2029/30 and also provided the month 5 in year financial health monitoring report.

In attendance for this item were:

- Cllr Debra Coupar Executive Member for Resources
- Victoria Bradshaw, Interim Assistant Chief Executive – Finance, Traded Services & Resources
- Andy Dodman, Interim Assistant Chief Executive – People, Digital & Change

To support this item a presentation was made covering the following key points:

- The projected budget gap over the next three years which is a total of £194.5m of which £106.7m relates to 2025/26 which is largely caused by demand and inflationary led pressures in children and families and adults and health budgets. The current financial challenge is the largest the Council has faced in recent years.
- A summary of the assumptions contained in the MTFS such as core government funding remaining frozen, assumptions around business rates growth and council tax non-collection rates and planned increases in Council Tax rates which are assumed at 2.999% for the core increase and 1.999% for the ASC precept.
- Other assumptions for 2025/26 include the staff pay award at 3.5% and Real Living Wage +£0.88/hr totalling a pressure of £18m and a further £49.1m in demand and demography pressures.
- Details on £37.4m of savings proposal for 2025/26 that were recommended to Executive Board on 16 October for consideration and approval. These proposals include further saving proposals for future years to assist with planning over a 3 year period.
- In the current financial year the position has stabilised with the projected overspend at £22m, a small reduction on the previously reported £22.2m. Work continues within directorates to continue to find savings and mitigate pressures with a focus on Staffing and critical spend only.
- If the existing staff pay award is accepted there would be an additional budget pressure of £2.3m.

Responding to comments and question from Board members the following issues were discussed:

- On the staff pay award the Board asked about how much each percentage point increase costs the authority. The Board were informed that 1% equates to £4m cost to the Council so £400K per 0.1% in salary increase. The proposed pay award for 2024/25 is actually a lump sum

offer of £1,290 per staff member so the percentage increase can vary based on the existing salary.

- The Board asked about the difference between the saving plans set when the budget was set and the pressures that have emerged which are in year pressures. The Budget is set each year in December and in between that time and the start of the financial year further pressures emerged which create in year pressures to be mitigated with further savings.
- The Board heard that if savings are not achieved on the in year pressures in 2024/25 these will be funded through the strategic contingency reserve which was established to manage unforeseen budget pressures. If the strategic contingency is fully utilised in year then there will be reduced reserve provision available for the following 2025/26 financial year.
- The Board asked about any assumptions being made linked to the new Government and additional funding. In response the Board were informed that no assumptions have been made linked to Government spending plans not least because there has been media coverage of a difficult budgetary provision at national level.
- In response to a question on multi-year funding settlement allocations the Board heard that these would be beneficial to the Council as they would enable much greater certainty on which to make financial plans. It will not necessarily provide additional funding, details on the Government's plans are expected on the 30th October when the Chancellor of the Exchequer gives her budget speech.
- Responding to a further question on the staff pay awards the Board heard that the reduction in inflation in recent months should mean that the 3.5% figure is more likely to be sufficient in future years assuming lower inflation continues.

Resolved

The Board:

- a) Noted and commented on the updated Medium Term Financial Strategy for 2025/26 to 2029/30
- b) Noted and commented on the latest in year Financial Health Monitoring report covering Month 5 of the current financial year.
- c) Noted that savings proposals will be considered at future meetings of the Executive Board and that budget proposals for 2025/26 will be the focus of a Scrutiny Working Group in December 2024, as in previous years.

43 Core Business Transformation

The Board considered a report from the Head of Democratic Services which provided an update on the progress of the Core Business Transformation Programme - a programme which aims to transform and modernise 'back office' services and is underpinned by a technology refresh; replacing essential, business-critical corporate systems that have reached 'end-of-life' in terms of contractual arrangements, support and maintenance.

In attendance for this item were:

- Cllr Debra Coupar, Executive Member for Resources
- Victoria Bradshaw, Interim Assistant Chief Executive – Finance, Traded Services & Resources
- Andy Dodman, Interim Assistant Chief Executive – People, Digital & Change
- Suzanne Hopes, CBT Programme Manager

The Core Business Transformation Programme Manager introduced the report setting the overall aims and ambitions and phases and timescales associated with the programme.

In response to comments and questions from board members the following issues were considered:

- In response to a question on the £3m contingency budget and the reasons why this has been needed the Board heard that due to the complexity of the programme, particularly around the new finance system, there has been a need to integrate over 50 other existing systems into one and as a result there has been a requirement for additional resource to make sure that the solution meets the business needs of the Council. This has also led to a need for more time to deliver the new system and a review of the timeline for the programme which has gone beyond the initial plan to deliver the finance system within 12 months.
- In addition, there has been wider workload pressures within financial services linked to audit deadlines and the wider requirement to meet the budget challenge being faced by the Council. There has been a commitment to getting the solution right and that it delivers what is needed for the Council.
- The Board asked about workload pressure and wider plans to reduce staff. The new systems will enable the Council to streamline processes and reduce overall workloads through a reduction in manual processing. The efficiencies from the new system are not expected until the system has gone live once this is operational, efficiency savings will be possible through review of workflows and a focus on efficiency.
- The Chair asked about savings that might be delivered once the new systems are operational. In response the Board were informed that the savings have not yet been fully isolated and are expected to be identified after the new systems are operational and improvements in how people work can be fully identified. It is expected that once quantified the savings will be reported through the directorate savings proposals that come through the budget setting process. The Board noted that the programme is about savings and also about the need to modernise and deliver new systems particularly in finance where the existing system was considered to have reached 'end of life.'
- Members asked about the well-being of the project team and the workload pressures they have faced. The Board were informed that this has been a focus of the team and that regular check ins take place with team members to ensure that they are not working too long hours, too often

and that leave is being taken. In addition, a stress risk assessment has taken place to deal with workload pressure and put actions in place to mitigate.

- On the go live date for the finance system the Board asked about whether the 1 December 2024 was achievable. The Board heard that this is currently being reviewed with a focus on testing to make sure the system is ready and safe to go live. That review will determine if the 1 December is viable, if it is not then the team will re-plan again in response. On the HR and payroll system this is approaching the testing and data migration phases with a target of 1 April 2025 to go live.
- Responding to questioning on the pay award and whether that might be affected by the new systems, the Board were informed that pay awards are subject to national negotiation which tends to mean pay awards are back dated so the planned 1 April 2025 date should not impact on pay awards to staff with the first pay roll for 2025/26 scheduled for 26 April 2025. For example, the 2024/25 pay award is not settled yet, in October.
- Members asked about back up plans if the new system does not work as planned. In response the Board heard that roll back plans are being developed in the event of this happening. In addition, a number of rehearsals take place on data migration and each time this takes place it is possible to identify missing data and inaccurate data. Both the finance and the HR systems have undergone this process and roll back planning is being developed to respond to any issues.
- The Board were assured that training is part of the project and that end users are provided with enough training to enable them to use the new systems. This has included a training need analysis and consideration of a variety of different training methods. There is a focus on digital training through videos and online learning but there are also ambitions to provide in person training where it is required. The timeline reviews have considered the need to build in sufficient training for end users.
- The Executive Member for Resources emphasised the holistic nature of the programme and its aims which are more than just an IT solution but a programme about how the Council does its corporate business. This has featured a Board of senior officers from across the Council including those that will use the system to ensure that when it goes live it is right for the organisation.

Resolved - The Board noted and commented on the progress update on the Core Business Transformation programme contained at Appendix 1.

44 Procurement Strategy 2025-2030

Members considered a report from the Interim Assistant Chief Executive Finance, Traded and Resources on the Council's new procurement strategy setting out progress to date and next key steps.

In attendance for this item were:

- Cllr Debra Coupar, Executive Member for Resources

- Victoria Bradshaw, Interim Assistant Chief Executive – Finance, Traded Services & Resources
- Andy Dodman, Interim Assistant Chief Executive – People, Digital & Change
- Lewis Sinkala, Head of Procurement

To introduce this item a presentation was made by the Head of Procurement which covered the following points:

- Key principles of the existing procurement strategy which are Value for money and efficiency, Governance, Social Value, Commercial Opportunities, Strategic Supplier Engagement and Contract Management. These are underpinned by Procurement Enablers such as training and support for staff through qualifications, exploiting digital technology such as the procurement system and P2P, embracing innovation in procurement and embedding change into the organisation.
- The work done to date on reviewing the procurement strategy including an assessment of progress made since the current strategy was launched in 2019. The assessment has identified that there has been progress in key areas since the launch of the existing strategy.
- A SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis on the team and the new procurement strategy.
- The new procurement strategy will build on key areas from the existing strategy but is likely to include key principles such as continuous improvement and culture, recruitment and retention.
- The timelines for the new strategy with rollout planned for May-June 2025 which will include an opportunity to review and reflect any adjustment made to the new Procurement Act by the new Government.

In response to comments and questions from the Board the following issues were covered:

- Members asked about training for staff on contract management and procurement and the need to increase professional training for those doing contract management. It was agreed that this would come back and feature in follow up reports to the Board. In addition, the board is developing contract management training to support staff which will cover all contract managers.
- The Chair asked about the delay in the implementation of the Procurement Act and what impact that will have on the service. In response the board heard that the Council is moving ahead with plans to respond to the Act and although there is now a four month delay the service is still working on it and is on a par in terms of comparison with other local authorities in the region in terms of being prepared.
- A member raised concerns about the contracts for street lighting and Christmas tree provision through community committee funds. It was agreed that this would be picked up outside the meeting to get the specifics of the concern.
- Members asked about savings targets given that external procurement totals approximately £1bn annually. In response the Board were informed

that work is ongoing with directorates on contracts and there is an estimate that a 1% saving would generate £11m in savings. The Procurement Team is currently working with services on their directorate plans to deliver savings, and these are expected to come forward as part of the directorate savings proposals programme when ready.

- The Board asked about commercial opportunities linked to the new strategy and whether it will support staff with information to see potential commercial opportunities and deliver savings. In response the board heard that the new system will assist with this and enhance assessments of contracts as they are coming up for renewal to consider possible savings. The work on the 1% savings is also linked to contract renewals and consideration for savings, efficiencies and social value
- In response to a question on work with WYCA, the Board heard that the Council participates in a regional working group, which includes WYCA, that looks at collaboration opportunities as well as also working with anchor network partners and core cities.
- The Chair asked about the self-assessment of 'minimum' on use of digital technology presented in the report and whether this was linked to Core Business Transformation (CBT). In response members were informed that yes that is part of the reason but also work is ongoing to utilise opportunities on technology. An example of this is through M365t to increase information gathering from contract managers through the use of dashboards. This work along with the new procurement system that is part of CBT will hopefully lead to improved performance in this area.
- A question was raised on training for social value and in response the meeting heard that Leeds has its own social value team, and the Head of Procurement chairs the Yorkshire and Humber regional group that works on this, so the authority is performing well in this area.
- Members questioned some of the pricing that the Council appears to pay for some supplies and services and also asked about opportunities to reduce prices and sell the authority as a good organisation to be an official or registered supplier to. The Board heard that the new procurement legislation has a new procedure known as competitive flexible which will potentially allow for more dynamic procurement processes. However, it was noted that where the council has used an open market procurement process, this represents the pricing at that time.
- It was agreed that the new procurement strategy will come back to the Board in the New Year.
- The Executive Board Member for Resources thanked the Board for its comments today. In addition, it was also noted that the comments on specific contracts are welcome and further feedback was encouraged where contractual issues arise locally. The work on social value by the authority was referenced as a real positive with the Council leading the way on this issue and the importance of delivering social value to Leeds residents was also highlighted.

Resolved

The Board:

- a) Noted the contents of the report

Draft minutes to be approved at the meeting
to be held on Monday, 9th December, 2024

- b) Endorsed the work underway to refresh the Council's Procurement Strategy
- c) Agreed that a further report on the development of the new Procurement Strategy be brought forward in the New Year.

45 Work Programme

The Board considered the Scrutiny Board's work programme for the 2024/25 municipal year.

The Principal Scrutiny Adviser introduced the report setting out the Work Programme at Appendix 1 and September Executive Board minutes at Appendix 2.

In addition, a budget working group has been set up for 9 December 2024 to follow the next public meeting of the Board on the same day.

Resolved - Members noted the Board's work programme for the 2024/25 municipal year.

46 Date and Time of Next Meeting

The next public meeting of the Board will take place on 9 December 2024 at 10.15am. There will be a pre-meeting for all board members at 10.00am.