

MINUTES of the meeting of the **COUNCIL OVERVIEW BOARD** held at 10.00 am on 1 June 2016 at Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN.

Elected Members:

- * Mr Steve Cosser
- * Mr Eber A Kington (Vice-Chairman)
- * Mr Mark Brett-Warburton
- Mr Bill Chapman
- * Mr Stephen Cooksey
- * Mr Bob Gardner
- * Mr Michael Gosling
- * Dr Zully Grant-Duff
- * Mr David Harmer
- * Mr Nick Harrison
- Mr David Ivison
- * Mr Colin Kemp
- * Mrs Denise Saliagopoulos
- * Mrs Hazel Watson
- * Mr Keith Witham

Ex officio Members:

Mrs Sally Ann B Marks, Chairman of the County Council
Mr Nick Skellett CBE, Vice-Chairman of the County Council

Substitute Members:

Mr Ben Carasco

In attendance

Mr David Hodge, Leader of the Council
Mr Peter Martin, Deputy Leader and Cabinet Member for Economic Prosperity

33/16 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Bill Chapman and David Ivison. Ben Carasco attended as a substitute for Bill Chapman.

It was noted that the membership list on the front page of the agenda was incorrect, and should show Steve Cosser as the Chairman of the Board and Denise Saliagopoulos as a member. David Munro was no longer a member of the Board.

34/16 MINUTES OF THE PREVIOUS MEETING: 13 APRIL 2016 [Item 2]

The Minutes were approved as an accurate record of the meeting.

35/16 DECLARATIONS OF INTEREST [Item 3]

In relation to the Shareholder Board Annual Report (Item 9), Colin Kemp declared that he was a member of the Cabinet at Woking Borough Council and was therefore involved in decisions relating to Bandstand Square Developments, one of the companies overseen by the Shareholder Board.

36/16 QUESTIONS AND PETITIONS [Item 4]

There were no questions or petitions.

37/16 RESPONSES FROM THE CABINET TO ISSUES REFERRED BY THE SCRUTINY BOARD [Item 5]

No issues were referred by the Board at its last meeting, so there were no responses to report.

38/16 RECOMMENDATIONS TRACKER AND FORWARD WORK PROGRAMME [Item 6]

Key points raised in the discussion:

Recommendations Tracker

- It was noted that the actions from 1 October and 5 November 2015 relating to the Carbon & Energy Policy and the HR&OD Service had been completed and information would be circulated as part of the next Council Overview Board Bulletin.

Forward Work Programme

- It was agreed that the Municipal Bond Agency item would be considered at the meeting in July 2017 even if it was not felt necessary to call in the Cabinet decision, as this was an issue of interest to Members.
- The Chairman would consider the addition of an item on the Council's Asset Management Strategy to the Board's forward work plan.
- It was agreed that the Board would add an item on consultations to its September meeting.
- The Chairman would report back to the Board on the proposed next steps in relation to the Transformation Sub-Group.

39/16 RESIDENT EXPERIENCE BOARD TASK GROUP SCOPING REPORT [Item 7]

Declarations of interests:

None.

Key points raised during the discussion:

- 1 The Board was supportive of the proposed Task Group to review the Libraries Strategy for 2010, and requested that the following issues be taken into account as part of the review:
 - The need for the overall purpose of libraries to reflect changing requirements and optimise new opportunities.
 - The findings from previous Library Service reviews.
 - The need to obtain the views of residents not currently using the service.
 - The scope of work being undertaken by the New Models of Delivery Network on library transformation.
 - The role of libraries in providing IT access for residents receiving Universal Credit.

- 2 It was also agreed that the list of witnesses should include those involved with running community partnered libraries.

Actions/further information to be provided:

None.

Resolved:

That the scoping document for the review of the Libraries Strategy for 2020, amended to take account of the points in paragraphs 1 and 2 above, be approved.

Action by: Dominic Mackie

Board Next Steps:

The Board to be kept informed of progress and outcomes as appropriate.

40/16 TRUST FUND TASK GROUP REPORT [Item 8]

Declarations of interests:

None

Witnesses:

Kevin Kilburn, Deputy Chief Finance Officer

Key points raised during the discussion:

- 1 The Chairman introduced the report and thanked the members of the Task Group and the supporting officers for their work in achieving a successful outcome.

- 2 The proposed management arrangement for management of the trusts through the Community Foundation for Surrey was in line with Charity Commission recommendations, and the Foundation would continue to

work closely with the Charity Commission as the arrangements progressed to ensure that, as far as possible, the trust funds were spent in accordance with their original objectives.

- 3 It was agreed that it was important to ensure that arrangements were in place to prevent the Council becoming the sole trustee of dormant funds again in the future, and it was noted that it had been the intention of the Task Group to include a recommendation to this effect. It was therefore agreed that a further recommendation would be made to the Cabinet to ensure that any future bequests which resulted in the Council becoming a sole trustee for a trust fund should be managed by the Community Foundation for Surrey under the proposed new arrangements.

Actions/further information to be provided:

None.

RECOMMENDED (to Cabinet):

- a) That trust funds for which the County Council is the sole trustee, excluding the Lingfield Guest House and Looked After Children funds, be transferred to the Community Foundation for Surrey (CFS), and that officers be authorised to begin the liaison with the CFS to ensure this is actioned at the earliest possible date.
- b) That a further report outlining the proposals in relation to those trust funds where the Council is not the sole trustee be submitted in due course, following discussions with the other trustees.
- c) That, where a new trust fund is bequeathed to the Council, the presumption should be that the trust fund is transferred - under the same principles recommended for the current trust funds - to the Community Foundation for Surrey.

Board Next Steps:

Subject to Cabinet agreement to the above recommendations, the Council Overview Board will monitor these arrangements on an ongoing basis and make recommendations to the Cabinet as appropriate.

A progress report to be submitted to the Board in December 2016.

41/16 ANNUAL REPORT OF THE SHAREHOLDER BOARD [Item 9]

Declarations of interests:

Colin Kemp declared that he was a member of the Cabinet at Woking Borough Council and was therefore involved in decisions relating to Bandstand Square Developments Ltd, one of the companies overseen by the Shareholder Board. He remained in the room but took no part in the discussion on that part of the report.

Witnesses:

David Hodge, Leader of the Council
Peter Martin, Deputy Leader of the Council
Julie Fisher, Deputy Chief Executive
Susan Smyth, Strategic Finance Manager

Key points raised during the discussion:

- 1 It was noted that it was the role of the Investment Advisory Board to make recommendations about whether or not to invest in opportunities which arose, whereas the Shareholder Board took a strategic view of the investments and reviewed the financial performance of the companies in which the Council owned shares. Both Boards were effectively sub-groups of the Cabinet, and final investment decisions were taken by Cabinet. The directors of individual companies decided on the support they required, including finance officer support.
- 2 The Council Overview Board's role was to scrutinise the Cabinet decisions and the work of the Shareholder Board, but it was not able to directly scrutinise the performance of individual arm's-length companies in which the Council was a shareholder. This was an issue which the Board would discuss further as part of the review of the 'scrutiny in a new environment' item at its next meeting.
- 3 It was felt that the presentation of the financial information in Annex C could be improved, including the addition of a column showing the return on the investment/capital.
- 4 In relation to Surrey Choices, it was reported that the Shareholder Board had deferred its scheduled review of the company's business plan review at its last meeting following the resignation of the Managing Director. No decision had therefore been taken in relation to the provision of additional funding for Surrey Choices. The Leader of the Council reported that the reasons for creating the company were sound, and that the organisation had delivered better services for residents. It was commented that the company summary on page 48 of the report didn't list loans provided by the Council, and it was agreed that this would be addressed in future reports. The Board also commented that the assertion that the company was providing services at a lower cost than the previous arrangements needed to be verified.
- 5 A question was asked about why Halsey Garton Property Ltd invested in property outside Surrey, and it was noted that a key objective was to achieve a broad spread of investment types to optimise returns and resilience, and that could not be achieved by only investing within the County.

Bob Gardner left the meeting at 11.25am and returned at 11.27am.

- 6 It was noted that there was a need to review the business strategy of Babcock 4S Ltd as a result of academisation. Further details were requested about the company's unrealised pension liability loss, and it was agreed that an explanatory note would be circulated to Board members.

- 7 It was reported that 50% of the Council's investment in Future Gov was in the form of a loan and 50% was share capital. The company had been successful in marketing its software outside the UK, notably in Australia, but had not had the domestic success it had expected. It was therefore refocusing its activity more on the consultancy side.

Colin Kemp left the meeting at 11.35am and returned at 11.38am.

Resolved:

- (a) That the issue of ensuring effective scrutiny of arm's-length companies be addressed by the Council Overview Board as part of the review of 'scrutiny in a new environment' in July 2016.
- (b) That further scrutiny in relation to Surrey Choices be scheduled once the Shareholder Board had completed the review of its business plan.

Action by: Ross Pike

RECOMMENDED (to Cabinet):

- (a) That that the future presentation of financial information to the Council Overview Board should be improved, including the addition of a column showing the return on the investment/capital for each company.

Actions/further information to be provided:

Further details to be provided about the unrealised pension liability loss incurred by Babcock 4S.

Action by: Susan Smyth

Board Next Steps:

Scrutiny of arm's-length companies to be addressed by the Council Overview Board as part of the review of 'scrutiny in a new environment' in July 2016, and further scrutiny in relation to Surrey Choices be scheduled once the Shareholder Board had completed the review of the business plan.

42/16 EXCLUSION OF THE PUBLIC [Item 11]

RESOLVED: That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act.

43/16 INVESTMENT STRATEGY: PROPERTY PORTFOLIO [Item 10]

Declarations of interests:

None

Witnesses:

David Hodge, Leader of the Council
Peter Martin, Deputy Leader of the Council
Julie Fisher, Deputy Chief Executive
Susan Smyth, Strategic Finance Manager
John Stebbings, Chief Property Officer

[NOTE: THE BOARD CONSIDERED THIS ITEM IN PRIVATE AT THE MEETING. HOWEVER, THE INFORMATION SET OUT BELOW IS NOT CONFIDENTIAL.]

Key points raised during the discussion:

- 1 The revenue target from investments had been scaled down to reflect the competition from institutional investors in the market, but the key driver remained to provide a source of income to assist in the Council's aim of financial sustainability in the long-term. Whilst the total returns so far had not been in line with the original expectations, progress was being made. Capital gains were not a key driver for investment decisions, as the capital values varied over time according to the length of tenancies and the condition of buildings. The Investment Advisory Board looked at scenarios for each potential investment, taking into account the age of the building, timing of refurbishment and the length of tenancies, prior to making any recommendations to Cabinet.
- 2 It was reported that the level of detail in the Investment Advisory Board and Cabinet reports on investments was the same, and Members of the Board were encouraged to look at the Cabinet papers in order to gain a full understanding of individual investments. However, the Board did not feel that the figures reflected in the confidential annex were easy to understand without a comparison. It would therefore be helpful to have a clear analysis of what the Cabinet had originally anticipated in terms of income and what had been realised on a year by year basis.

Ben Carasco left the meeting at 12.25pm.

- 3 In relation to consideration of individual investment decisions, a lower return may be accepted on a Surrey-based scheme which provided regeneration benefit, but it would still need to be viable in terms of its contribution to the Council's long-term income-generation target. Whilst the aim of achieving a balanced portfolio was noted, it was queried why there had been no investment in residential properties. It was reported that the provision of key worker housing was an important consideration for the Council, and there was an opportunity to make provision for this as part of a mixed development with two of the properties purchased.
- 4 In conclusion, the Board supported the principle of a broad portfolio of investments to provide a revenue stream for the Council, but expressed some disappointment with the returns achieved to date. It was felt that the information on investment returns should be presented in a more transparent and accessible way to ensure rigorous scrutiny could be undertaken by the Cabinet. It was therefore

RECOMMENDED (to Cabinet):

That a report be presented to the Cabinet on an at least annual basis with a transparent and accessible summary of actual income compared to anticipated returns, to enable the Cabinet to review the performance of the investments made and consider whether any adjustments need to be made to the investment strategy.

Actions/further information to be provided:

None.

Board Next Steps:

The Board will consider the Cabinet response at its meeting on 6 July 2016.

44/16 INVESTMENT STRATEGY: PROPERTY PORTFOLIO [Item 12]

This Annex was considered at the meeting in conjunction with Item 10.

45/16 DATE OF NEXT MEETING [Item 13]

Noted that the next meeting would be held at 10.00am on Wednesday 6 July 2016.

Meeting ended at: 12.54 pm

Chairman