

MINUTES of the meeting of the **COUNCIL OVERVIEW BOARD** held at 10.00 am on Wednesday 6 July 2016 at Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN.

These minutes are subject to confirmation by the Committee at its meeting on Wednesday, 21 September 2016.

Elected Members:

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

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 Jonathan Essex
- * Mrs Margaret Hicks
- * Mr Richard Wilson

46/16 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Denise Saliagopoulos, Hazel Watson and Keith Witham.

Margaret Hicks substituted for Keith Witham, Richard Wilson substituted for Denise Saliagopoulos and Jonathan Essex substituted for Hazel Watson

47/16 MINUTES OF THE PREVIOUS MEETING: 1 JUNE 2016 [Item 2]

The minutes of the previous meeting were approved as a true and accurate record of proceedings.

48/16 DECLARATIONS OF INTEREST [Item 3]

There were no declarations of interest made.

49/16 QUESTIONS AND PETITIONS [Item 4]

There were no questions or petitions submitted to the Board.

50/16 RESPONSES FROM THE CABINET TO ISSUES REFERRED BY THE SELECT COMMITTEE [Item 5]

Key points of discussion:

1. **Investment Strategy: Property Portfolio** - The Board expressed disappointment with the response provided by the Cabinet to the recommendation submitted to the Board. It was agreed that the Chairman should consider how best to take forward the Board's concerns with the Cabinet.
2. **Annual Report of the Shareholder Board** - The Board noted that, while it had obtained some financial information from the Shareholder Board, the sensitive nature of the reports created some difficulties in the publication of information. The creation of trading companies presented a problem for open and accountable scrutiny within the existing structure, and this was an issue which would be reviewed by the Council Overview Board. It was requested that confirmation be provided about the existing powers for scrutiny boards to hold the directors of trading companies to account.
3. **Trust Fund Task Group Report** - The Board noted the progress of the Henrietta Parker Trust (HPT) and the Tulk Fund Trust and agreed that these trusts should not be destabilised by incorporating them into the Community Foundation for Surrey at this time, with the caveat that they be subject to a annual review.

Resolved:

- (a) That the Chairman consider whether any further discussion with the Cabinet was appropriate in the light of the Cabinet's response to the recommendation on the Investment Strategy Property Portfolio.
Action by: Steve Cosser

- (b) That information be provided about the existing powers for scrutiny boards to hold the directors of the Council's 'arm's-length' companies to account.

Action by: Ross Pike

51/16 RECOMMENDATIONS TRACKER AND FORWARD WORK PROGRAMME [Item 6]

Key points of discussion:

Recommendations Tracker

1. It was noted by the Board that the Babcock 4S pension information was imminently available and that this information would be circulated to the Board for scrutiny as part of the next Bulletin.

Forward Work Programme

2. It was agreed that the review of the priorities for the Cabinet Member for Business Services and Resident Experience would be added to the agenda for September 2016. The Public Value Transformation item had been included in the list of items in error, as it would be discussed at his meeting.
3. The Recommendations Tracker and Forward Work Programme were agreed to by the Board.

52/16 AGENCY STAFFING UPDATE [Item 7]

Witnesses:

Ken Akers, Head of Human Resources & Organisational Development
Indiana Pearce, Senior Human Resources Advisor - Contract Management

Key points of discussion:

1. Officers outlined that the report illustrated continuing improvement and control of the recruitment of agency staff, but that the service was committed to further improvements to the system and continual work towards making savings. It was also noted that the financial outturn of agency staff for the Council was only 5% of the overall staffing budget, but that this did not lessen the service aspiration to improve efficiencies in this area.
2. The Board queried Officers regarding the large increase in payments for qualified social workers in Adult Social Care and for the Chief Executive's Office. Officers responded that the figures regarding Adult Social Care Service was reliant upon information from Manpower and that the information provided was felt to be incorrect, noting that the higher figure could most likely be attributed to the erroneous addition of £1.2 million costs for unqualified care workers. The service would provide the Board with the correct figures. It was noted that the increased cost for the Chief Executive's Office was due to demand for

locum lawyers.

3. A question was raised by Members querying costs listed in paragraph 29 suggesting that annualised figures do not correspond with those listed in the table. Officers responded that the figures available were a snapshot for the month of May 2016 and could not be extrapolated to provide a complete annual picture. Members suggested that a more accurate investigation could be undertaken with an analysis of quarter two and three figures for 2016. Officers suggested that the Board could be supplied with more comprehensive data later in the year.
4. Members noted that there was currently no policy framework in place to guide the use of agency workers. It was suggested that there was a need to create a policy framework to address any issues that may arise from this. Officers agreed with the necessity to draft a policy for the improvement of contractual arrangements. It was noted, however, that, due to the wide ranging nature of agency staff, that a “one size fits all” approach would not be the ideal method. Officers suggested that multiple avenues of approach to resolving this issue were being considered, and the aim was to have a policy in place by October 2016.
5. Members put a question to officers regarding permanent staff recruitment and retention as an alternative to agency staffing, and whether there has been improvement regarding this. It was noted that improved staff retention was an aim of the Pay and Reward Strategy. It was also noted that the offer of competitive pay and attraction benefits had improved the prospects for permanent recruitment. It was noted, however, that some issues were still difficult to tackle, particularly emphasising the issues raised by staff of a lack of work/life balance and high levels of case work. The service was, however, seeking long term solutions to these problems.
6. The Board questioned whether there was an adequate level of staffing, particularly in areas of high pressure. Officers responded that levels of staff appeared adequate in these areas; however, for a more detailed analysis, it would be necessary to discuss this with specific services.
7. A question was raised by members regarding the mark-ups for qualified agency workers. It was noted that these were significantly higher than other staff bands. It was also observed that this area had seen the greatest increase in costs. The Board questioned whether it would be appropriate to reduce staff levels in this area and focus on permanent recruitment as a means of cost reduction. Officers noted that, while there was a significant mark-up rate, there was also a high on-boarding cost for permanently recruited staff which needed to be taken into account when comparing overall costs. However, that there were probable savings available and that these would be explored by the service. It was agreed that a comparison of the full costs of employing agency and permanent staff would be provided, showing figures posts at the low, medium and high ends of the salary scale.

[Stephen Cooksey left the meeting at 10.50am and returned at

10.56am]

8. The Board questioned officers regarding who were the signatories of the Memorandum of Understanding regarding agency staffing. It was explained that signatories included a large range of authorities in south east England, and that a full list would be provided to the Board for examination.
9. The Board thanked the team for their work regarding the Pay and Reward Strategy and noted the hard work undertaken by the service.

Resolved:

1. That the policy for the use of agency staff and the data from the first two quarterly monitoring reports for the Adecco contract be reviewed by the Council Overview Board at its meeting in November 2016.

Further Information to be Provided:

1. Comparison of the full costs of employing agency and permanent staff would be provided, showing figures posts at the low, medium and high ends of the salary scale.
2. Details of the Memorandum of Understanding regarding agency staffing.

Action by: Ken Akers/Indiana Pearce

53/16 MUNICIPAL BONDS AGENCY [Item 9]

Witnesses:

Sheila Little, Director of Finance
Phil Triggs, Strategic Finance Manager

Key points of discussion:

1. The Board considered the report on the Municipal Bonds Agency (MBA) Framework Agreement and Guarantee and sought clarification from officers regarding the operation of the proposed arrangements. The Board was keen to understand more about the knowledge and experience of the MBA Board members, as well as the risks and benefits of seeking loans from the MBA compared to other existing options.
2. Officers reported that Surrey County Council had access to a number wide range of options to fund capital projects and that the MBA was one such option. While it was noted that this option was not risk-free, it was noted that there was a probability of lower interest rates on future long term loans.
3. The Board raised the concern over who was ultimately responsible for the triggering process regarding bonds purchased from the MBA. It was noted that, in the treasury management strategy, the Director of Finance had delegated power to make borrowing decisions but, for the

purposes of loans from the MBA, consultation was to take place with the Cabinet Member for Business Services and Resident Experience prior to a loan decision. It was felt that for practical reasons relating to possible absences, it may be better if the delegation of borrowing decisions to the Director of Finance should be after consultation with either the Leader of the Council or the Cabinet Member for Business Services and Resident Experience, rather than just the Cabinet Member.

4. The Board queried whether a special control should be put in place to limit the risk of borrowing from the MBA. Officers responded that the MBA had its own rigorous scrutiny and assessment and would only allow authorities on its lending list if it felt that they were capable of future repayment. It was suggested that their scrutiny processes amounted to a sufficient safeguard to minimise risk without unduly hindering process.

[Bill Chapman left the meeting at 11.32am and returned at 11.34am]

5. Members queried how the bonds and loans system functioned. Officers clarified that loans from the MBA could only be used to finance capital spending commitments in the Medium Term Financial Plan (MTFP). It was also noted that any debts undertaken by Surrey County Council must be accounted for by law in its MTFP and fell within its Prudential Indicators, ensuring that the authority cannot borrow more than its means allows, limiting risk to the authority.
6. The Board questioned officers regarding the relationship between Surrey County Council and the MBA, noting that the authority was an equity investor in the MBA and querying what the risks would be to the authority to acquiring long term loans in addition. It was noted by officers that the mechanism being proposed was not an amendment to Surrey County Council's status as an equity investor and the possible benefits that this entails, but an extension of treasury management policy to allow for the taking out of loans from the MBA.

[Bob Gardner left the meeting at 11.41am and returned at 11.51am]

7. The Board queried the possible benefits of being a significant equity investor in the MBA. It was noted that, while this would not effect this proposal, the authority was projected to receive dividends on its equity investment in the future.
8. A query was raised by the Board regarding the financial risk of borrowing and if this will be added as a liability on the balance sheets. Officers responded that adding any source of long term capital finance would constitute a balance sheet liability. It was also noted that adding these loans as a balance sheet liability was not necessary due to bonds purchased from the MBA being used by the authority to exclusively fund capital projects rather than to make property investments.
9. The Board asked officers to clarify the liabilities of MBA loans to the authority. It was noted that, if one investor authority defaulted on repayments relating to a loan, there was a proportional pro rata guarantee from all other local authorities forming part of the bond that

provided those loans. It was also noted that the Agency had a robust local authority credit rating system to minimise risk of local authority default. It was clarified that any risk would only relate to a specific bond taken by Surrey County Council.

10. The Board questioned the level of expertise that was present within the MBA and whether the experience of its board members and staff was sufficient to reduce failure risk. Officers responded that the level of experience of members of the Agency was high, listing key members such as Sir Merrick Cockell and Sir Stephen Houghton as having a good level of expertise in this field.
11. The Board noted the likely future changes in the administration of the Public Works Loan Board (PWLB) could result in an increased viability for the use of the MBA as an alternative funding method for capital projects.
12. Members questioned what arrangements had been put in place for monitoring MBA local authority clients. It was explained by officers that the monitoring processes were outlined in the Cabinet report and that there was emphasis on the transparency of the monitoring process. It was noted that the MBA had final responsibility to ensure that proper monitoring of client local authorities took place.

Recommended (to Cabinet):

- a) That a process be put in place to allow appropriate scrutiny of any proposal to seek a loan from the Municipal Bonds Agency, taking into account the need to review the risks involved, the terms available from any alternative sources of capital borrowing, and the need for timely decision-making.
- b) That the second recommendation of the Cabinet report be amended to read 'delegate borrowing decisions to the Director of Finance in consultation with the Leader of the Council or the Cabinet Member for Business Services and Resident Experience.

54/16 PUBLIC VALUE TRANSFORMATION PROGRAMME [Item 10]

Witnesses:

Sheila Little, Director of Finance

Kevin Kilburn, Deputy Chief Finance Officer

Key points of discussion:

1. The Board put the question to officers regarding the savings projected in the 2016/2017 Public Value Transformation Programme report and whether the projections would be met. Officers responded that it was unlikely that projected targets would be met in the projected timescale. It was noted that there was confidence in the MTFP to deliver savings, however, the longer-term vision was not expected to be fully realised. It was noted that work was being done to rectify this, highlighting

workshops that were being organised to raise new ideas.

2. The Board questioned the business model of some of the services, asking whether a commercial outlook of identifying “cost centres” and “profit centres” within services may give valuable insight into possible savings and develop new behaviours within services towards savings. Officers responded that this culture was being promoted, but that more work could be done to improve this.
3. It was asked by the Board if the Public Value Transformation team could, in future, look into new, culture shifting, opportunities for generating, rather than saving, income as a prospective option for services.
4. It was noted that the Public Value Transformation programme had, while not fully achieving its vision, accomplished a great deal, highlighting its work in re-examining strategic thinking regarding budgetary analysis and changing the organisational culture regarding cost saving. It was also noted the programme had been looking into creating a robust financial monitoring model for services.
5. The Board noted that Surrey County Council needed to work with Central Government to minimise the impact of funding cuts on its services and that there was a general concern regarding funding cuts in services. Officers recognised that there was no simple solution to this issue.
6. Members expressed the concern that there was a need for greater focus on the impact on residents with regard to possible cost saving measures, suggesting that the team consider the wider implications more. It was noted that the team does engage well currently with stakeholders and considers the wider implications of its actions fully.
7. The Board noted that the fact that the Public Value Transformation Project would not achieve the anticipated savings would need to be taken into account by Scrutiny Boards in the scrutiny of services’ current spending and the proposed budgets for 2017/2018.

55/16 BUDGET SCRUTINY [Item 11]

Witnesses:

Sheila Little, Director of Finance

Kevin Kilburn, Deputy Chief Finance Officer

Key points of discussion:

1. The Chairman reported that he had met the Leader of the Council and the Chief Executive to discuss the role of scrutiny in the budget-setting process, and they recognised the importance of effective and timely involvement.
2. The Board recommended that all Scrutiny Boards within Surrey County Council should put a greater emphasis on monitoring whether

current agreed savings targets were being achieved, and that this process should be incorporated within the scrutiny work of all of the Boards.

3. It was suggested by the Board that figures relating to financial savings should be made more transparent for scrutiny. It was suggested that officers should be doing more to provide suggestions to Scrutiny Boards as to where savings could be made and the implications involved in any proposal. Officers informed the Board that there was an internally available "Efficiency Tracker" which was currently being used by the service which could be offered to Boards as a scrutiny tool in the future.
4. There was a concern raised by members that financial information was unclear for ordinary Members and that budget scrutiny could be overly fragmented over several Boards and services.
5. It was suggested that Member briefings regarding the impact of the MTFP could be a valuable information tool for members to gain insight into budget scrutiny and provide support. Officers responded that they were happy to work with Members to ensure that any further briefs were more inclusive.
6. Members raised a concern regarding the lack of Member input on saving opportunities. Officers responded that they were working on opportunities to help Members provide input. It was also noted that there was an advantage in Scrutiny Board Chairmen working with Cabinet Members to forward ideas.
7. The Board suggested that any information on budgetary matters should be supplied to scrutiny boards when requested and that data could be analysed in public or private depending on its nature. The concern was raised that some information was being withheld on occasion, owing to the sensitivity of some financial information, making budgetary scrutiny difficult.
8. The Board noted that the formulation of a good working relationship between the scrutiny board Chairman and the relevant Cabinet Member was a crucial aspect of future good budgetary scrutiny and that current Chairmen should work to foster a positive relationship.

Resolved:

1. That Scrutiny Boards give greater emphasis to challenging whether the savings identified for their service areas in 2016/17 were being met, and that Chairmen decide the most appropriate way for their Board to achieve this.

56/16 SCRUTINY IN A NEW ENVIRONMENT [Item 8]

Key points of discussion:

1. The Board questioned whether other authorities had experienced issues in conducting scrutiny as a result of the changing role of local government and whether any solutions had been outlined that could be applicable for Surrey County Council. It was noted that while there were similar problems in other authorities, no answers to these problems had yet been established. It was suggested that Surrey County Council seek to lead the way in ascertaining a new scrutiny framework.
2. The Board noted that Scrutiny Boards should not be limited from the acquisition of any relevant information that they request from services.
3. It was noted that many positive aspects of current scrutiny arrangements existed and that statutory requirements were being met. However, it was noted there was room for improvement regarding financial scrutiny.
4. There was a concern raised regarding the transparency of partnerships working with Surrey County Council as well as Local Enterprise Partnerships (LEPs). It was noted that it should be more closely examined how to scrutinise these entities better in future.
5. It was noted that the presence of Cabinet Members at Scrutiny Boards was critical to the legitimacy and relevance of the Boards' work. It was noted that some Cabinet Member attendance has been sporadic and that this could be improved upon to improve future scrutiny and ensure that any discussion was informed and relevant.

Resolved:

- (a) That a Task Group be established with the aim of reviewing the effectiveness of the Council's existing scrutiny arrangements in the light of changes to methods of service delivery.
- (b) That the draft terms of reference for the task group be circulated to Members of the Council Overview Board for comment.

Action by: Ross Pike.

57/16 DATE OF NEXT MEETING [Item 12]

The next public meeting of the Board will be held on Wednesday 21 September 2016, 10.00am in the Ashcombe Suite.

Meeting ended at: 1.26 pm

Chairman