

MINUTES of the meeting of the **COUNCIL OVERVIEW BOARD** held at 10.00 am on 27 March 2017 at Committee Room C, County Hall, Kingston upon Thames, Surrey KT1 2DN.

These minutes are subject to confirmation by the Committee at its meeting on Wednesday, 28 June 2017.

Elected Members:

* present

- * Mr Steve Cosser (Chairman)
- * 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
- * Ms Hazel Watson
- * Mr Keith Witham

Members in attendance

Ms Denise Le Gal, Cabinet Member for Business Services and Resident Experience
Mr Tim Evans, Cabinet Associate for Adult Social Care, Wellbeing and Independence
Mrs Mary Lewis, Cabinet Associate for Children, Schools and Families Wellbeing

31/17 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from David Ivison, Mark Brett-Warburton, Bill Chapman, Nick Harrison and David Harmer.

32/17 MINUTES OF THE PREVIOUS MEETING: 1 MARCH 2017 [Item 2]

The minutes were agreed as an accurate record of the meeting.

33/17 DECLARATIONS OF INTEREST [Item 3]

There were no declaration of interest made.

34/17 QUESTIONS AND PETITIONS [Item 4]

There were no questions or petitions submitted to the Board.

35/17 RESPONSES FROM THE CABINET TO ISSUES REFERRED BY THE SCRUTINY BOARD [Item 5]

It was noted the Scrutiny in a New Environment Task Group's recommendations would be considered by Cabinet on Tuesday 28 March 2017.

36/17 RECOMMENDATIONS TRACKER [Item 6]

The Board noted and agreed with the Recommendations Tracker.

37/17 PROGRESS OF THE SUSTAINABILITY REVIEW BOARD & THE MEDIUM TERM FINANCIAL PLAN 2017-22 [Item 7]

Declarations of interest:

None

Witnesses:

Tim Evans, Cabinet Associate for Adult Social Care, Wellbeing & Independence, Sustainability Review Board Member
Mary Lewis, Cabinet Associate for Children, Schools and Families, Sustainability Review Board Member

Kevin Kilburn, Deputy Director of Finance

Key points raised during the discussions:

1. The Board were informed that the following report on the Medium Term Financial Plan (MTFP) would be considered by Cabinet on Tuesday 28 March and also incorporated the progress report of the Sustainability Review Board (SRB).
2. The Chairman showed gratitude to the Cabinet Associates in attendance, however expressed disappointment in the absence of senior Cabinet representation which was necessary for the meeting as

it involved views on Council leadership and advised Members that this would be reflected in the report to Cabinet from this Board.

3. It was noted that the SRB was formed to identify £30m permanent service reductions and up to a further £22m one-off reductions required to achieve a balanced budget in 2017/18. SRB Members explained that it had not been possible to identify these savings in the short period of time the SRB has been working.
4. Members were concerned with proposals to abolish Members allocations and Local Highways funds and argued this would reduce Members ability to resolve issues and respond to resident concerns in their own division effectively diminishing their role as Councillors. It was suggested that the proposals to stop these functions be amended to reduce the amount rather than stop it in its entirety. SRB Members noted these concerns and assured the Board they would be communicated to Cabinet.
5. SRB Members further responded that a narrative of the Council's situation needed to be endorsed by all Members to make sure residents understand why some local matters could not be responded to. It was further advised that a place-based approach would need to be established and developed at a local level in order to start delivering savings and mitigate the concerns to stop Members Allocations and Local Highways funds.
6. The SRB report indicated that £3-5m in savings were achievable, SRB Members were asked where this saving was recognised in the MTFP and whether it was an immediate saving. Members were advised that the £3-5m in savings was identified in a number of themes and service areas and these proposals were subject to approval by Cabinet. The Board were informed that the unsuccessful delivery of these proposals from the start of the financial year would mean falling back on reserves to achieve a sustainable target.
7. Members raised concern with inconsistencies in the MTFP report in relation to the identified savings and when these savings would be delivered. The Deputy Director of Finance advised the Board that the identified savings of £170m in the MTFP were subject to approval and would be delivered from 2017/18, over three years. The MTFP was developed in parallel with the SRB therefore there are some differences in where savings had been identified.
8. The Chairman commended SRB Members and officers for putting the report together in a short period and under such circumstances, however shared the view that proposals should be applied where appropriate and at pace to commence some real progress against considerable savings targets
9. Reference was made to the table in Annex 1 of the SRB report and SRB Members were questioned what the value was in identifying these potential savings in particularly with the Heritage, Arts and Music functions when it is noted further in the report that these figures would not be achievable. SRB Members explained that although these figures were considered not to be achievable to balance the budget for

2017/18, it was necessary to make a note of the potential savings these services could provide in the future.

10. Members sought more clarification on the staffing budget as the report did not address the particulars around the reduction of 101 full time equivalents (FTEs). The Deputy Director of Finance explained that agency staff was employed to cover gaps particularly in care services, however FTE's had not reduced due to new local government responsibilities.
11. The Chairman requested whether a list of capital schemes that would not progress as per the MTFP could be provided to members as the report did not incorporate this information.
12. There was a discussion around Equality Impact Assessments (EIA) and officers assured the Board that the saving proposals were assessed to ensure that any proposals that would have negative impacts would be tracked and to make sure remedial action would be taken..
13. The Deputy Director of Finance was asked whether the monthly monitoring reports tracking the implications of the savings were available to scrutiny boards and the officer advised that the monthly cabinet report included a summary of this tracking and that further analysis of these reports could be made available to scrutiny boards upon request.
14. Members made reference to the fact that delivery of only statutory responsibilities was missing from the SRB report and suggested the Council considered meeting its legal and statutory duties only to minimise costs. SRB Members acknowledged this and explained that the services should not to be judged on this criteria alone when considering how the Council delivers savings as removing non-statutory services could increase the demand on statutory ones.
15. Members raised concerns with that the COB recommendation to reduce council buildings and review the Policy and Performance and Communications Team had not been addressed by the Cabinet. The Board were assured that work was underway within the Council to develop a Surrey-wide view of assets and to develop options for how the council uses it assets most effectively. In relation to the Policy & Performance and Communications teams, the SRB have proposed a more streamlined, matrix management approach to prevent duplication of roles within the directorates.
16. It was noted that the Revolving Infrastructure and Investment Fund (Annex 1, Appendix 1) was forecasted to remain the same despite the time between the investment starting to produce returns and the funding costs the council incurs. Members further noted that the £1.8m of funds produced by investments were allocated into the budget to reduce budget overspends.
17. In an effort to draw recommendations from the discussions the Chairman expressed the view that the pace and intent of the exercise before the Council needs to change significantly to deliver good

services to Surrey residents within budget. The Chairman acknowledged Members reluctance with the proposals on local Members allocations and local Highways funds and agreed the proposals would have a detriment effect on communities.

18. It was also highlighted that budget scrutiny processes would need to be improved, suggesting that early discussions need to take place with the new council to support fundamental change.
19. The Vice-Chairman expressed the view that the recommendation should also reflect the need to re-affirm the fundamental review of back office functions of what the council does and whether it needs to be carried out within the totality of buildings the council currently holds.
20. Members showed disagreement with some of the proposals put forward on the MTFP and did not support the report in its entirety especially with the proposals in cutting frontline services.
21. Members could not reach a consensus on the inclusion of specific requests in its recommendations therefore a vote was cast to resolve the debate on what the report to Cabinet should read. Five Members voted in favour of the Chairman's proposed comments which urged the Cabinet to increase the scale and pace of change. Four Members of the Board voted against this.
22. The Council Overview Board recognises and shares the desire of the Cabinet to provide the best services possible for Surrey residents and understands the difficulties that there have had in reducing this offer. However, all the evidence the Board has considered confirms that the pace of change must accelerate significantly in the new Council and that there must be a fundamental review of how frontline and support services are provided and the use and retention of council owned assets.

Recommendations:

The Board recommends that:

1. Cabinet notes the very strong resistance of the Council Overview Board to the notion that local member allocation and local committee highways schemes should be completely removed because of its disproportionate and detrimental impact on local communities and asks the Cabinet to not to proceed with this proposal.
2. That the Cabinet provide a commitment to early discussions in the new Council to improve the scrutiny process so as to afford all members a role and sense of ownership in the savings process required to achieve a sustainable budget.
3. Cabinet provides assurance that the enhanced tracking of savings, consultations and equality impact assessments in budget monitoring reports will be available to scrutiny boards.

Further information requested:

A list of capital projects that will not progress now as per the MTFP (Kevin Kilburn)

38/17 INVESTMENT STRATEGY REVIEW [Item 8]

Declarations of interest:

None

Witnesses:

Denise Le Gal, Cabinet Member for Business Services & Resident Experience

Susan Smyth, Strategic Finance Manager and Secretary to the Investment Advisory Board

Peter Hall, Asset Investment and Disposal Manager

Key points raised during the discussions:

Keith Witham and Michael Gosling briefly left the meeting during this item

1. The Chairman began discussions by informing Members that he was pleased the report included the annual report proposal previously put forward by the Council Overview Board as a recommendation to Cabinet.
2. It was noted that the new Investment Board (IB) would provide an update of decisions made to Cabinet each month, as a confidential agenda item and a summary investment position would continue to be reported as part of the monthly budget monitoring report considered by Cabinet.
3. Members questioned whether these monthly reports and summaries would be available to the Scrutiny Board, as the Council Overview Board had the responsibility to hold the Cabinet to account for progress in relation to achieving the stated aims of the Investment Strategy. The Cabinet Member for Business Services and Resident Experience explained that arrangements on this matter were unclear and assured the Members a review on the scrutiny process was in place to resolve this. It was further advised due to the competitive nature, proposed investments were time sensitive and until they were secure and complete, disclosure will need to be restricted to prevent leaks that could jeopardize the investment opportunity.
4. The Board noted that one of the justifications in delegating to the IB with the authority to take decisions was to allow investments to progress quickly and secure the opportunity against competition in the market. The Chairman requested that Officers inform the Board about one example where under the existing arrangements, an investment opportunity was lost. Officers provided the example of, a warehouse in Banbury which had interest from 6 other institutions and SCC was

unsuccessful as heads of terms could not be agreed with the vendor due to Cabinet's timetable in approving the acquisition.

5. Officers noted that the Evaluation Criteria at paragraph 14 in the Investment Board terms of reference would be better served under Scrutiny, paragraph 11, to clearly identify the criteria the Council Overview Board would need to take into consideration when scrutinising the IB on the aims of the Investment Strategy.

Bob Gardner left the meeting at 11:44am

6. The Chairman expressed the view that the rates of return should be included in paragraph 1, page 2 of the Investment Board terms of reference as part of the advice on how each investment proposal could be taken forward. It was explained that the rates of return were not specified as there was a broad list of criteria of which rate of return was one but the Strategic Finance Manager would include this.
7. The Cabinet Member stated that the growth of the portfolio was dependent on the opportunities available and had the potential to reach £2bn going forward. Officers further advised the Board that that the portfolio was a mix of low and high risk investments, ensuring the portfolio was balanced by taking a diversified approach.
8. Members acknowledged the current achievable returns in the market with the table provided in the report and asked whether return of investments were tracked. Officers advised that returns were recorded and were shared in part 2 in the reports provided to Cabinet.
9. There was a discussion around approving finance for property investments via the council's property company and the Board noted that this authority was also proposed to be delegated to the IB. Members expressed the view that COB's capacity to scrutinise the IB as per the Investment Strategy was dependent on the information available and raised concern for review in this area to ensure public money was being managed efficiently.
10. Officers clarified that the procurement of a property investment advisor would be funded by the income generated by the Investment Strategy and assured the burden would not fall on tax payers.
11. , The Cabinet Member for Business Services and Resident Experience was asked about the results of investing to support economic growth. The Cabinet Member informed the Board of the recent agreement to invest in the Brightwells regeneration scheme in Farnham. It was highlighted that this investment would produce 400 jobs and would also bring major community benefits to residents, visitors and local businesses.
12. Officers explained that once the IB took a decision regarding an acquisition, its is reported as part of a monthly, confidential paper to Cabinet. COB could then scrutinise the details of the report to Cabinet. The Cabinet Members added that the Scrutiny Board would have to demonstrate a need to know as these matter could become political.

13. Members suggested that the proposed membership of the Investment Board should reflect a broader make up of members with the right skills and expertise which is not always reflected by the Member in the specific position referenced in the Terms of Reference. The Cabinet Member for Business Services and Resident Experience noted the suggestion to have the IB membership include non-cabinet members and assured the Board that this would be expressed to Cabinet for consideration.
14. The Chairman felt that the key issue was with the governance in the proposal to delegate authority solely to the IB to take decisions in relation to property acquisitions. The Board voted in favour of a recommendation to allow COB to retain the ability to scrutinise these decisions before they are made.

Recommendations:

1. The Council Overview Board welcomes the proposal to produce an annual report on the investment portfolio as previously suggested to the Cabinet by the Board.
2. Recommends that COB retains the right to scrutinise individual investment proposals on property acquisitions before decisions are taken.
3. Cabinet review the proposed membership of the Investment Board to:
 - a) replace the two specified Cabinet posts with two members of the Cabinet with appropriate knowledge
 - b) include a Members of the Council who is not a member of the Cabinet

39/17 DATE OF NEXT MEETING [Item 9]

The Board noted that its next meeting would be held on 28 June 2017.

Meeting ended at: 12.28 pm

Chairman