

MINUTES of the meeting of the **RESOURCES AND PERFORMANCE SELECT COMMITTEE** held at 10.00 am on 18 October 2023 at Council Chamber, Woodhatch Place, Reigate, Surrey, RH2 8EF.

These minutes are subject to confirmation by the Committee at its meeting on Friday, 8 December 2023.

Elected Members:

- Nick Darby
- * Will Forster
- * Tim Hall
- * David Harmer
- * Edward Hawkins
- * Robert Hughes (Chairman)
- * Robert King
- * Steven McCormick (Vice-Chairman)
- * John O'Reilly
- Becky Rush
- Lance Spencer
- * Lesley Steeds (Vice-Chairman)
- * Hazel Watson

(* =present at the meeting)

28/23 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Lance Spencer, Becky Rush and Nick Darby.

29/23 MINUTES OF THE PREVIOUS MEETINGS: 22 JUNE 2023 [Item 2]

The minutes of the Resources and Performance Select Committee held on 22 June 2023 were formally agreed as a true and accurate record of the meeting.

30/23 DECLARATIONS OF INTEREST [Item 3]

Hazel Watson declared a non-pecuniary interest that she was a governor for The Ashcombe School.

Edward Hawkins declared a non-pecuniary interest that he had previously been appointed as Director of Halsey Garton Property Ltd. Cllr Hawkins confirmed that he was no longer appointed to the position. Cllr Hawkins further declared that he had previously been appointed as Deputy Cabinet Member responsible for property. Cllr Hawkins confirmed that he was no longer appointed to the position.

31/23 QUESTIONS AND PETITIONS [Item 4]

No petitions or questions received.

32/23 DIGITAL BUSINESS & INSIGHTS (DB&I) – STATUS REPORT AND LESSONS LEARNT APPROACH [Item 5]

Witnesses:

David Lewis, Cabinet Member for Finance & Resources

Leigh Whitehouse, Deputy Chief Executive and Executive Director of Resources

Anna D'Alessandro, Director of Finance – Corporate and Commercial

Key points raised during the discussion:

1. The Deputy Chief Executive and Executive Director of Resources introduced the report and provided Members with a brief outline. It was noted that the purpose of the report was to provide a status update following the MySurrey 'go live' date and particularly to focus on the process for capturing lessons learnt. Members noted that the Digital Business and Insights Programme (DB&I) was to implement a new Unit4 Enterprise Resource Planning (ERP) system (now known as "MySurrey"), as a replacement for the previous SAP system. Details on the context of the item were included within the published report.
2. A Member noted that the Council's plan was to discontinue the use of SAP in December 2023. With regard to external organisations, such as multi-academy trusts, which were being transitioned from the Council's SAP system to other providers, the Members asked whether Officers were on track for the transition to be completed by the end of December 2023. The Director of Finance – Corporate and Commercial confirmed that in May Cabinet had made the decision to off-board the multi-academy trusts and academies from the council's payroll system and that they would be supported by the Council with the onboarding of their own payroll system. The Director stated that the project was on track with agreed timeliness and that the Council continued to support the programme by providing essential resources and expertise.
3. The Chairman asked the witnesses for their view on whether the SAP contract would need to be extended beyond December 2023. The Deputy Chief Executive and Executive Director of Resources responded that the Council held a perpetual licence for the software, which would allow it to use the software on an ongoing basis. However, there was an additional annual fee to

have software support available which was due to end in December 2023. The witness explained that SAP was currently only being used for school payrolls during their transition to other providers, as previously noted, and that the SAP software would become redundant once those transitions were complete. In relation to a contingency plan in the event that the software was required following December 2023, Members noted that the replacement software, MySurrey, went live in June 2023 and so the SAP system would only need to be used during the transitional phase for external organisations and for data archiving purposes.

4. The Deputy Chief Executive and Executive Director of Resources explained a 'Lessons Learnt' exercise would be completed as part of the transition to 'business as usual' and the closure of the DB&I programme.
5. Members noted the explanation that the main reason for school payroll issues in September 2023 was due to a technical issue related to incomplete forms relating to data capture being entered into the system. Members also noted that the main issues with the new system related to technical issues, familiarisation/process, and potential changes/refinements as noted within the report.
6. Members discussed the new requirement for Officers to submit receipts when making an expenses claim. Some Members stated that they were unsure why the previous process did not require receipts as evidence for a claim. SAP required expense receipts to be kept for internal audit purposes but were not required to be attached to claims on the system.
7. A Member queried the process followed to procure the new system. The Deputy Chief Executive and Executive Director of Resources explained that, following testing, the decision was made to seek a cloud-based system that was based on a set of detailed requirements which suppliers then responded to and then a preferred provider was selected.
8. A Member asked whether witnesses could quantify the additional financial spend on MySurrey to date for the Committee and any other costs incurred by other Council services as a result of its implementation. The Deputy Chief Executive and Executive Director of Resources explained that the total estimated cost of the programme was initially submitted to Cabinet and then further subsequent revised estimates were submitted. It was noted that impacts in some other Council services were not able to be quantified as they had manifested themselves in different ways. The original programme budget that was considered by Cabinet in 2020 was around £17 million

and then, following two subsequent increases, the total was around £27 million. A Member said that they consider an overspend of around £10 million as staggering and asked for detail around accountability for the overspend. The witness explained a programme stakeholder board and Programme Director governed the programme, but the ultimate responsibility sat with the Programme Sponsor.

9. Regarding the benefits of the programme, a Member said they believed a report to Cabinet stated that there would be an annual saving of £6.5 million. As the programme was delayed by two years, the Member asked whether that meant an additional loss of savings of £13 million over a two-year period. The Deputy Chief Executive and Executive Director of Resources stated that he did not recognise the £6.5 million figure and asked to come back to the Member outside the meeting. In addition to this, the witness said that he did not want to pre-empt the lessons learnt conversations, but he believed that the original timeline for the programme was over ambitious.
10. In regard to the Intelligent Client Function (ICF) body, a Member asked for detail on its membership and proposed governance around it. The Director of Finance – Corporate and Commercial explained that the Intelligent Client Function was a best practice function established after the implementation of a large and complex system. The ICF would follow a contract management and strategic approach to support the optimisation of Unit 4. The function would sit within the Corporate Finance service but would have strong relationships with IT&D and Procurement. Officers were aiming to commence in May 2024 and interim arrangements were being considered in the meantime. A Member requested that full details of the ICF were considered by the Committee when available.
11. The Chairman stated that there was concern from Members of the Select Committee on what had been discussed during the meeting, and for future IT&D projects, and highlighted that the topic would be considered by a task and finish group.
12. The Select Committee agreed the recommendation ‘that the Resources and Performance Select Committee convene a task group of three to five Members to undertake the review of the MySurrey project with a view to report to the select committee at its first meeting of 2024’. The Chairman further noted that he expected full cooperation with the task and finish group and support from the independent consultant.

Actions/requests for further information:

Deputy Chief Executive and Executive Director of Resources to clarify the figure reported to Cabinet regarding how much MySurrey was forecast to save annually.

Resolved:

That the Resources and Performance Select Committee convene a task group of three to five Members to undertake the review of the MySurrey project with a view to report to the select committee at its first meeting of 2024.

33/23 STRATEGIC INVESTMENT BOARD ANNUAL REPORT - FINANCIAL YEAR 2022/23 [Item 6]

Witnesses:

David Lewis, Cabinet Member for Finance & Resources

Natalie Bramhall, Cabinet Member for Property, Waste and Infrastructure (online)

Leigh Whitehouse, Deputy Chief Executive and Executive Director of Resources

Anna D'Alessandro, Director – Finance and Commercial

Neil Jarvey, Strategic Finance Business Partner, Commercial

Simon Crowther, Director – Land & Property

Charles Maxlow-Tomlinson, Managing Director – Halsey Garton Property

Key points raised during the discussion:

1. The Cabinet Member for Finance & Resources introduced the report and provided a brief summary. Members noted that, as part of its strategy to innovate in developing new models of delivery and to benefit from the freedoms introduced by the Localism Act, Surrey County Council had made investments and created trading companies to deliver income and efficiencies and in doing so had established a Strategic Investment Board, which reports annually to the Council. The purpose of the Board was to safeguard the Council's interest as a shareholder and to take decisions in matters that required the approval of the council as owner of a company. The report was due to be considered by the Strategic Investment Board at its meeting in December 2023. It was previously agreed to have the annual and mid-year reports scrutinised in advance by the Resource and Performance Select Committee. Members noted briefings on the companies, for which details can be found within the published agenda.

2. The Chairman asked for details on the strategic objectives for each of the companies, how they have changed over time, what 'good' would look like in relation to Connect2Surrey, and for details on the expansion goals for Surrey Choices. With regard to ambitions for Connect2Surrey, the Strategic Finance Business Partner, Commercial explained that the approach was to reduce the spend on third-party large agency contracts and to increase the number of permanent staff using the resources contained within the council's Recruitment team. With regard to Surrey Choices, the Strategic Finance Business Partner stated that he understood that the company had some initial financial control issues but now felt confident that the company was in financial control. In relation to expansion of services, it was stated the focus was still on the residents of Surrey and to expand into community-based services to support residents with various schemes which included independent travel and employment support.
3. With regard to Halsey Garton Property, a Member noted that the company delivered a pre-tax operating profit of £1,941k and asked whether the company was still profitable post-tax. The Member further noted that no dividend was anticipated to be paid from the 2023/24 trading year. The witness stated that the company was still profitable following taxation and highlighted the benefits returned to the council through Loan Interest Arbitrage and dividends.
4. A Member stated that Government had said that councils should not enter into commercial property investments for purely investment benefits purposes. Officers agreed that new legislation would mean that the council could no longer take on these types of investments for purely commercial gain; however, officers had been advised that existing assets would not need to be disposed of.
5. A Member asked for detail on the risks in current market and forecasts for future years. The Managing Director – Halsey Garton Property stated that general agreement in the commercial property market was that the market had reached the bottom and that Average Total Return was expected to be around 7.5% annually for the next two years.
6. A Member asked for detail on the risk management strategy for loss of income, and whether there was consideration for the creation of a reserve. The Strategic Finance Business Partner, Commercial explained that Halsey Garton Property produced 10-year forecasts where the finance team, in conjunction with the managing director, were able to consider the future of each asset individually and to monitor the Council's financial position. Members noted details of an asset which was disposed of due to

increased risk. Members also noted that, in the event of an exceptional circumstance, a revolving investment and infrastructure fund was in place which contained £11.1 million and could be used if urgently required.

Actions/requests for further information:

None.

Resolved:

The Resources and Performance Select Committee noted the report.

34/23 EXCLUSION OF THE PUBLIC [Item 7]

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

35/23 STRATEGIC INVESTMENT BOARD ANNUAL REPORT 2022/23 - PROPERTY PORTFOLIO [Item 8]

Discussion took place under Part 2 conditions.

36/23 FORWARD WORK PROGRAMME AND RECOMMENDATION TRACKER [Item 9]

Resolved:

The Select Committee noted that Forward Work Programme and Recommendation Tracker.

37/23 DATE OF THE NEXT MEETING [Item 10]

The next meeting will be held on Friday, 8 December 2023.

Meeting ended at: 12.30 pm

Chairman