

MINUTES of the meeting of the **OVERVIEW AND BUDGET SCRUTINY COMMITTEE** held at 10.00 am on 26 January 2018 at Council Chamber, County Hall, Kingston upon Thames, Surrey KT1 2DN.

These minutes are subject to confirmation by the Committee at its meeting on Thursday, 22 March 2018.

Elected Members:

- * Mrs Kay Hammond (Chairman)
- * Mr Nick Harrison (Vice-Chairman)
- * Ms Ayesha Azad
- * Mr Jonathan Essex
- * Mr Robert Evans
- * Mr Tim Evans
- * Mr Tim Hall
- * Mr David Harmer
- * Ms Charlotte Morley
- * Mrs Hazel Watson

In attendance

David Hodge CBE, Leader of the Council
Bob Gardner, Environment and Infrastructure Select Committee Chairman
Ken Gulati, Adults and Health Select Committee Chairman
Rachael I Lake, Communities Select Committee Chairman
Dr Andrew Povey, Corporate Services Select Committee Vice-Chairman

1/18 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Robert Evans who advised due to a teaching commitment will withdraw from the meeting at 12:30pm. Apologies were also received from Ken Gulati who advised will be leaving the meeting at lunchtime.

2/18 MINUTES OF THE PREVIOUS MEETING: 16 NOVEMBER 2017 [Item 2]

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

3/18 DECLARATIONS OF INTEREST [Item 3]

There were no declarations of interest received.

4/18 QUESTIONS AND PETITIONS [Item 4]

There were no questions and petitions received.

5/18 RESPONSES FROM THE CABINET TO ISSUES REFERRED BY THE SELECT COMMITTEE [Item 5]

There were no issues referred.

6/18 BUDGET SCRUTINY [Item 6]

Declarations of interest:

None

Witnesses:

David Hodge CBE, Leader of the Council

Bob Gardner, Environment and Infrastructure Select Committee Chairman

Ken Gulati, Adults and Health Select Committee Chairman

Rachael I Lake, Communities Select Committee Chairman

Dr Andrew Povey, Corporate Services Select Committee Vice-Chairman

Kevin Kilburn, Deputy Chief Finance Officer

Key points raised during the discussion:

1. The Committee received an introductory statement from the Leader of the Council, outlining the report from Cabinet of its proposals, setting out the council tax precept for 2018/19, revenue budget for 2018/19 and Medium Term Financial Plan (MTFP) to 2020/21 which would be recommended to County Council to consider at its meeting on 6 February 2018.
2. It was noted that a refreshed version of the Corporate Strategy for 2018/19 was in progress and would be produced with the incoming Chief Executive and would be presented at the meeting of County Council in May 2018.
3. The Leader of the Council emphasised the importance of the Select Committees' work with Directors and Cabinet Members to provide scrutiny on specific service budgets and proposals. It was stressed that this was an opportunity to challenge or change priorities and steer the direction of services.
4. The Leader of the Council stated that, to aid local Members to take effective action to address local concerns and issues, a part of the additional funding from the extra 1% increase in the council tax would be allocated to new local funds. A new Member Local Highways Fund would be established from 2018/19 with £7.5k per member, as well as a Members' Community Allocation of £5k per member.
5. It was noted by Members that Local Committees will share a Revenue Highways Fund of £1.4m. The Committee was advised that guidelines would be set on how to spend these allocations by the Cabinet Member for Highways and Assistant Director of Highways following Council's approval on 6 February 2018.
6. It was highlighted that the Council was facing significant financial challenges, predominantly within social care services, special educational needs and disability services due to demand. The Budget includes forecasts totalling £107m for demand and cost pressures.
7. It was noted that market inflation, especially within the social care market and the further reduction of Government grants had intensified pressures and created additional financial challenges for balancing the budget.

8. It was noted that although the Council had identified additional savings of £66m in 2018/19, a shortfall of £39m in the budget remained. To meet the overall shortfall of funding and to produce a balanced budget for 2018/19 the Cabinet proposed the following one-off measures: the use of capital receipts, the use of up to £24m of earmarked reserves and the participation in the Government's 100% Business Rate Retention pilot.
9. The Deputy Chief Finance Officer was pleased to report that Surrey's Business Rate Pilot application had been successful and the projected impact of this would be an estimated extra £20m for the Council in 2018/19 from its share of retained business rates growth.
10. It was explained that, following proposed further increase in the council tax precept of 1% (2.99% in total) and the Adult Social Care precept by 3%, the two increases in the precept would provide a further £42m to support the growth in demand for services.
11. It was explained the use of capital receipts allowed local authorities to spend up to 100% of their capital receipts received since 1 April 2016 on the revenue costs of reform projects. It was noted since 1 April 2016, the Council has received £32m capital receipts, which it could use to fund this strategy.
12. The Leader of the Council addressed Members' concerns relating to restrictions on Member Allocations by advising the Committee that, subject to County Council agreeing the budget on 6 February, guidance on Member Allocation spending will be published to advise how to best to utilise these new local funds.
13. The Committee raised concerns about the level of reserves now held by the Council and questioned how and when these could be replenished. The Deputy Chief Finance Officer assured the Committee that future budget planning for the MTFP will seek to replenish the reserve levels and informed members it would be considered going forward.
14. It was reported that the initial use of £15m of capital receipts to fund projects would produce an ongoing saving of £26m annually and the Cabinet can vary this amount during the year with approval of County Council.
15. The Deputy Chief Finance Officer highlighted that the Council's earmarked reserves were low in comparison to other local authorities however, to balance the budget it was necessary to use this resource.

Meeting adjourned 10:50am

Holocaust Memorial Day Ceremony

Meeting resumed 11:40am

16. Members sought clarification as to what was deemed a 'vital service' under the Corporate Strategy. The Leader of the Council explained that vital services were linked to the Council's statutory duties.
17. The Committee discussed the transformation projects to be funded by flexible use of capital receipts, emphasising the need for both service specific and cross-cutting initiatives at the Council and in partnership with other organisations to help realise a sustainable budget. It was noted that a number of these projects included Orbis investment, Finance Transformation Team and SEN transport.
18. The Leader of the Council informed the Committee that delivering these transformation projects were the responsibility of the Strategic Directors' and the Cabinet Member who will oversee them will be addressed at the Annual General Meeting in May.
19. It was mentioned that the November budget papers reported a £19m overspend and Members asked how this will be managed going forward to balance the budget. The Deputy Chief Finance Officer explained that reserves would be reduced further to balance the budget if expenditure was not reduced or delayed over the next few months.
20. The Leader of the Council acknowledged flooding concerns and explained that work was in progress to discuss matters further with the Minister of Housing and Environment Secretary to lobby for funding in this area.
21. It was explained that the Government could potentially introduce new legislation against charging at Community Recycling centres and acquiring property for Investments out of County, as a result the Council could potentially face an additional pressure of £6m.
22. It was noted that the Leader of the Council had written to the Secretary of State in relation to the transition allowance and a business case has been put forward for funding, however there was no indication that this has been received or whether the Council will receive the £12m transition grant as of January 2018.
23. Committee members were advised that a detailed report on the interest rates in relation to the Council's loans could be found in the Audit and Governance meeting held on 22 January 2018.
24. It was highlighted that the Council were putting forward a strong case to local MP's with regards to reducing future repayment of £17.3m (negative RSG) to the Treasury as this pressure intensified financial challenges.
25. The Overview and Budget Scrutiny Committee Chairman invited Select Committee Chairmen to lead discussions around their respective directorates, an opportunity to ask more detailed, service specific enquiries.
26. The Chairman for Adults and Health Select Committee highlighted two areas of focus, the efficiency of the services and controlling the

volumes of care packages. The Leader of the Council recognised these issues and also highlighted the concerns with the cost of care homes and assured the Committee discussions were underway with providers to manage prices.

27. Members raised concerns with the savings aspirations and the lack of improvement in Children's Services, particularly with Ofsted returning to inspect soon. The Leader of the Council informed the Committee that the new Chief Executive was noted for previously improving Children's Services at Essex County Council and was confident Children's Services in Surrey would benefit similarly.
28. It was noted that the Children and Education Select Committee Chairman was carrying out investigative work to review whether other local authorities were delivering services for a lesser cost and if so review how this Council could improve.
29. The Committee recognised the immediate savings produced within Orbis and supported the Corporate Services Select Committee (CSSC) recommendation around energy efficiency, particularly as the cost of electricity had increased. It was noted that CSSC were also reviewing best practices across the Orbis Partnership to improve service across the three authorities.
30. The Deputy Chief Finance Officer was confident that the savings reported under Central Income and Expenditure would be met and achieved, especially with the Minimum Revenue Provision as the use of capital receipts would reduce the amount required for borrowing.
31. The Environment and Infrastructure Select Committee Chairman stated that officers were exploring ways the service could invest in new technologies to generate future savings.
32. The Committee discussed highways and the major issue with traffic density and suggested representations to Government need to be more assertive to secure greater funding as Surrey had the highest used roads in the country outside London.
33. It was noted that the Communities Select Committee were satisfied with the progress being made with the Library Service and Fire and Rescue Service and assurances were given that close scrutiny will continue to follow the development around these services. Members complimented the Fire and Rescue Service for evolving to become a more modern fire service, particularly with trialling Immediate Response Vehicles, reducing significant costs for call outs.
34. The Committee noted the challenging situation facing this Council and the sector as a whole and therefore recommended a need for an increase in the pace of change to ensure services can continue to meet the needs of residents and save money.
35. The Committee wished to commend the Council's Finance Officers for their efforts in providing such a comprehensive and detailed report ahead of the Cabinet and Council meetings to allow for sufficient scrutiny of the proposals.

Recommendations:

The Committee agreed the following recommendations:

Corporate Services Select Committee

- a) There should be a clear five-year strategy in place to deliver savings through improved energy efficiency across the whole of the Council's estate, including an awareness campaign to influence staff behaviour in relation to lighting and heating, replacement of existing lighting with LED bulbs, installation of passive infrared detectors, and effective management of energy contracts.
- b) The Select Committee was informed that relatively little of the existing £4.2M invest-to-save reserve had been used to date to deliver the savings so far in Orbis. Consideration should be given to whether the objectives of Orbis could be achieved without spending all of the allocated reserve, allowing this money to be used to reduce the budget shortfall in 2018/2019.
- c) The Audit & Governance Committee to be asked to review the existing procurement governance arrangements, to ensure that contracts are implemented in a timely manner and managed in an efficient and cost-effective way.
- d) Additional resources to be provided in Property Services to enable a separation between those officers supporting maintenance of the Council's existing property portfolio and those identifying new opportunities for investments which support modern service delivery: this will ensure that projects in other services which will achieve savings and/or relieve service pressure can be progressed in a timelier manner.
- e) The policy of using capital investment to achieve revenue savings by bringing services back in-house (for example SEN and extra care housing) should be prioritised.

Adults and Health Select Committee

- f) The Council to work with healthcare partners to reduce the number of disputed Continuing Healthcare Cases particularly those that are not with Surrey's six CCGs, to enable resources spent on administering these cases can be put back into the frontline.
- g) Increased priority to be given to the provision of Extra Care services, in order to achieve a significant improvement in the level of delivery.
- h) The Adult Social Care Directorate develop robust digital and assistive technology strategies in order to reduce demand on the service in the short and medium term.
- i) Proposals to increase charges for the provision of adult social care services to be supported; this to be done in a sustainable way to ensure that it doesn't lead to more individuals being unable to pay for the costs of their care.

- j) Cabinet continues to argue the case for fairer funding with Central Government in respect of Surrey's Public Health allocation.
- k) The Council moves towards a targeted approach to the delivery of Public Health services to ensure that they reach those most in need of support.
- l) Cabinet remains alert to the Council being too liberal in its interpretation of those initiatives that can be shadowed funded through the Public Health budget and is alert to the danger of the shadow-funding target leading to money being taken out of Public Health that would be better spent on the delivery of services actively commissioned by Public Health.
- m) Officers investigate opportunities for collaborating with the Voluntary, Community and Faith Sector in the planning and delivery of services commissioned by Public Health.

Communities Select Committee

- n) Encourages the Library Service to progress its development of community supported libraries.
- o) Recommends that the Library Service undertakes appropriate public consultation regarding future changes to libraries in early 2018.
- p) Recommends that Surrey Fire and Rescue Service investigates using a portion of its overtime budget to employ permanent, full-time staff to mitigate risks related staff resilience.
- q) Encourages a more proactive approach to collaborating with East and West Sussex fire authorities as detailed in Surrey Fire & Rescue Service's Public Safety Plan to deliver on potential savings that can be achieved through effective collaboration.

Cross Service

- r) A Cabinet Member is given responsibility for the delivery of the transformation projects outlined in the Revenue and Capital Budget for 2018/19 to 2020/21 complemented by a similar role for a specific Officer.
- s) The Council's travel policy to be reviewed and updated as necessary to ensure that it supports the aim of minimising costs by:
 - Influencing staff behaviour (for example, encouraging the use of video conferencing, discouraging unnecessary travel and identifying whether lower cost alternatives are available), and
 - Encouraging services to review operational arrangements (for example the frequency and level of attendance by fire crews in response to automatic alarms).

Scrutiny Next Steps:

1. The Budget-Sub Group continues to regularly monitor the Council's budget identifying priority areas for scrutiny and undertaking in depth investigative work as necessary.
2. Additional to the above, the Budget Sub-Group further investigate the costs and benefits of the council developing a range of in-house residential services for children and adults that require social care to reduce the amount of spend on external providers and report back to this Committee with their findings as agreed in November 2017.
3. Select Committees to undertake reviews of the fees & charges schedules and savings plans in their remits in order to comment on these plans and the overall direction set by the Cabinet prior to the adoption of a refreshed Medium Term Financial Plan. These findings will be communicated to Cabinet on 27 March 2017 by the Overview & Budget Scrutiny Committee.

7/18 RECOMMENDATIONS TRACKER AND FORWARD WORK PROGRAMME [Item 7]

Key point raised during the discussion:

1. The Committee reviewed its Recommendations tracker and commented on the response received in relation to Item 9, Investment Strategy, Investment Board Annual Report where it was stated that 'some information will remain confidential'. The Chairman advised that future review of the annual report could be considered in Part 2 Private to comply with exempt information. Member concerns were noted that the information should be available in the public domain.
2. The Chairman notified members that the wording of the control for L3 in the newest Leadership risk register was changed to: 'We are working with Surrey Safeguarding Adults Board and our partners to revise our adult safeguarding policies, procedures and guidance, associated tools such as the competency framework and our learning and development offer to support these. It is anticipated that these will be completed by April 2018'.
3. It was noted that new items on the Select Committee Forward Work Programmes (FWP) were highlighted for Member's attention and details of Select Committee task groups had also been incorporated into the FWP for reference.
4. Members were informed that all the items on the Overview and Budget Scrutiny Committee plan were provisional and the proposed timing of the new Chief Executive item was subject to change.
5. It was highlighted that the Children and Education FWP would be reviewed for further development at its February meeting of the Committee.

6. It was further highlighted that the Communities Select Committee plan included joint scrutiny work of the Blue Light Collaboration item with the Adults and Health Select Committee.
7. Members asked whether the workshops on the Corporate Services Select Committee plan were open to members outside of the Committee to attend. Chairman advised that Members could attend any meeting of the Council.
8. Members requested revision to the wording of the Street Lighting item on the Environment and Infrastructure Select Committee (EISC) plan to incorporate the review of both existing and proposed changes.
9. It was suggested that the Committee should also review the revenue budget to assess whether this can add value to maintaining public rights of way.
10. It was noted that the EISC plan did not mention the waste task group and for officers to update the Select Committee FWP accordingly.

8/18 DATE OF NEXT MEETING [Item 8]

The Committee noted its next meeting would be held on Thursday 22 March 2018.

Meeting ended at: 1.15 pm

Chairman

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