

MINUTES of the meeting of the **COUNCIL OVERVIEW & SCRUTINY COMMITTEE** held at 10.00 am on 1 February 2013 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, 13 February 2013.

Members:

- * Mr Mel Few (Chairman)
- * Mr David Harmer (Vice-Chairman)
- * Mr Mark Brett-Warburton
- * Mr Stephen Cooksey
- * Mr Steve Cosser
- * Mrs Clare Curran
- * Mr Eber A Kington
- * Dr Zully Grant-Duff
- * Mrs Sally Ann B Marks
- * Mr Steve Renshaw
- * Mr Nick Skellett CBE
- * Mr Chris Townsend
- * Mrs Denise Turner-Stewart
- * Mr Richard Walsh
- * Mrs Hazel Watson

Ex-officio Members:

Mrs Lavinia Sealy, Chairman of the County Council
Mr David Munro, Vice Chairman of the County Council

Present:

Ms Denise Le Gal, Cabinet Member for Change and Efficiency
Mr W D Barker OBE
Denis Fuller
Mr Nick Harrison, Residents Association Group Leader

* = present

157/13 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

There were no apologies or substitutions.

158/13 MINUTES OF THE PREVIOUS MEETING: 5 DECEMBER 2012 [Item 2]

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

159/13 DECLARATIONS OF INTEREST [Item 3]

There were no declarations of interests.

160/13 QUESTIONS AND PETITIONS [Item 4]

There were no questions or petitions to report.

161/13 RESPONSES FROM THE CABINET TO ISSUES REFERRED BY THE SELECT COMMITTEE [Item 5]

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

162/13 BUSINESS PLANNING 2013-2018 [Item 6]

Declarations of interest: None.

Witnesses:

Sheila Little, Chief Finance Officer and Deputy Director for Change & Efficiency

Kevin Kilburn, Financial Reporting Manager

Julie Fisher, Strategic Director for Change & Efficiency

Susie Kemp, Assistant Chief Executive

Denise Le Gal, Cabinet Member for Change & Efficiency

Key points raised during the discussion:

1. The Chairman introduced the item by welcoming Members of the Audit & Governance Committee who had been invited to attend in order to scrutinise the new Treasury Strategy.
2. The Committee questioned how the events that would trigger the decision to undertake debt rescheduling were being monitored. The Chief Finance Officer and Deputy Director for Change & Efficiency confirmed that the department received daily advice from their financial advisors, Sector, as to interest rates trends. This advice would inform the decision as to when it was an appropriate time to reschedule debt.
3. The Chairman raised concerns as to an over reliance on advisors to provide such information, in particular the potential time elapsing between the information being received and the decision to act upon that information. Officers clarified that this trigger was not entirely predicated on advice from advisors, as they were also closely monitoring the market and any potential significant changes within the market. The Chairman acknowledged the processes but still believed that trigger points would avoid chasing the market when the time came to make a decision.
4. Members questioned whether consideration had been given to issuing Surrey County Council bonds onto the market. Officers stated that this had been researched as an option, and they would look at possible similar actions in the future. Members highlighted that they believed the Council would receive a AAA credit rating and would mean that they would be an attractive prospect to potential investors.
5. The Committee noted the list of approved countries for investments and commented that countries such as France and the United States should be added to the list. The view was expressed that there could

be scope to be more flexible and consider including countries that had an AA+ status, rather than just restricting to those with an AAA status.

6. The Committee questioned what implications of reducing the Minimum Revenue Provision (MRP) were, and whether the external auditors had reviewed the decision. Officers outlined that the MRP was a statutory requirement to set aside funds to repay its financial debts in the future. Officers also stated that they were confident that auditors would agree with this decision.
7. The Committee raised queries regarding the decision to reduce the level of the minimum cash balance to £49 million. Officers outlined that the decision to reduce this amount had been taken on the basis that it was unlikely that the Council would be required to meet the entirety of its potential liabilities at once. The Committee were informed that £35 million of this cash balance were needed to meet the monthly staffing costs, with a further £15 million held on the Police's behalf.
8. Members commented that they understood the rationale behind the decision to reduce the minimum level of cash balances, but also raised concerns about the proposal to reduce it by such a large amount. The Cabinet Member for Change and Efficiency commented that the intention was to work towards an improved investment strategy, and, in conjunction with this, reduce the amount of cash balances the County Council is holding. The Chairman requested a detailed cash flow be made available to provide an overview of the year's cash flow pattern.

Members suggested that the cash holdings at year end, should specifically have an accompanying note showing all cash held on behalf of police and schools separate from that of the Council.

9. The Committee asked for details regarding the recovery of money held in Icelandic banks. The Chief Finance Officer confirmed that £14 million of the £20 million invested had been recovered to date, and it was anticipated that the full amount would be received in due course as a result of the outcome of the legal case.

Budget Planning 2013-18

10. The Committee was informed that the budget figures had been based upon the provisional financial settlement made in December, and subject to the final financial settlement from Central Government. It was anticipated only minor adjustments would result following the announcement of the final settlement. The Chief Finance Officer commented that the recommendations had been scrutinised by the Head of Legal and Democratic Services and the Leader to ensure that any necessary adjustments could be made in a legally sound manner following Council's agreement of the budget.
11. The Committee noted that there were proposals to review the Medium Term Financial Plan (MTFP) for 2013-18 at the end of the first quarter of 2013/14. The Chief Finance Officer clarified that this was due to the

uncertainty over changed funding arrangements (business rates and Local Council Tax Support Schemes).

12. The Committee queried the likely impact if the Council was unable to increase raise the Council Tax by 2.5% on a year by year basis from 2014/15 onwards. Officers confirmed that a 0% increase would leave £15 million gap in the budget each year. The Committee raised a further concern as to the Council's dependence on council tax Compared to the Council's objective of reducing its dependence on Council Tax over the MTFP. The Chief Finance Officer confirmed that a reduction in this reliance was an aspiration of the Financial Strategy.
13. Members questioned why the council tax yield had decreased from £580 million in 2012/13 to £550 million in 2013/14. Officers clarified that this was in part due to Central Government's changes in the arrangements with regards to council tax benefits. This would have a potential impact of £45 million; however some of this had been compensated by a £38 million grant. When a number of other factors, including changes within the council tax base, were taken into account this lead to a council tax yield of £550 million.
14. Members asked for further clarity regarding the methodology that had led to the findings of the SIMALTO survey. The view was expressed that it seemed to favour face-to-face respondents, and officers agreed to provide further details as to how the survey's findings were formulated. This matter was to be followed up by the Service
15. Members raised a question if and what impact of incremental salary grades were on staffing budgets. Officers confirmed that the practice of incremental grade increases were not currently in effect at the Council, and therefore had no impact on staffing budgets.
16. The Committee queried the figures for property income, in particular the increase of £5 million projected in 2017/18. Officers confirmed that there were a number of investments being made in property. It was clarified that it was anticipated that these projects would see an income return from 2017 onwards, and that the five year figures did not reflect fully the predicted long-term benefits of these investments. It was reported that there were ear-marked reserves to meet the borrowing costs of these capital investments. The Chief Finance Officer went on to clarify that each capital project would be required to present a sound business case before proceeding.
17. The Committee discussed the rationale behind the allocation of budgets across the directorates. It was recognised that there had been significant increases in volume demand in both Children's Services and Adult Services during 2011/12, and again in 2012/13 and questioned whether adequate provision had been made to meet these pressures in 2013/14 financial year. Officers clarified that they had been directed by Cabinet to follow the MTFP as far as possible.
18. The Committee requested that whether the details of any proposed carry-forwards across service budgets were included in the year-end figures for 2012/13. The officers responded that at this stage in the year, carry forward requests had not been received.

19. The Committee held a discussion on the proposed 2013/14 budgets for the Change & Efficiency and Chief Executive Directorates. A query was raised as to role and benefits of the Transformational Change service. Officers explained that Transformational Change service was an ongoing function and delivered a number of benefits across the entire of the Council, this included activities such as Rapid Improvement Events.
20. The Committee questioned the change in overall budget figures from 2012/13 to 2013/14, which proposed the Change & Efficiency directorate would reduce from £84.5 million to £82.5 million. Officers clarified that the reduction was anticipated to be a result of identified Public Value Review (PVR) savings.
21. The Committee asked a question regarding the overspend in the IMT budget for 2012/13, and how this would be managed in 2013/14. It was clarified that part of this overspend was due to delays in the change over from Cable and Wireless to the new provider and the slow uptake by partners in utilising the Redhill data centre, but it was anticipated that the savings and income through the centre would begin to be made in the year ahead.
22. The Committee asked for clarification regarding the increase to the Legal & Democratic Services budget in 2013/14. It was clarified that this was in part due to meeting the additional costs of the 2013 County Council election.
23. The Committee discussed the procedure for individual Select Committees scrutinising the directorate budgets that fell within their terms of reference. It was clarified that this would be undertaken after the budget had been approved by full Council in February 2013.
24. The Chairman thanked officers for their report.

Recommendations:

Treasury Management Strategy

- (a) That an investment cap of £20M be applied to corporate bond pooled funds, and that a report on the risks associated with these funds be submitted to the Audit & Governance Committee for consideration in advance of any further investment decisions.

Action by: Sheila Little

- (b) That consideration be given to establishing a set of criteria to assist with the timeliness of borrowing and investment decisions, for example by specifying that a decision to borrow should be triggered by interest rates falling to a particular level.

Action by: Sheila Little

- (c) That the Audit & Governance Committee review the list of approved countries for investments and consider the inclusion of traditional trading partners who do not currently have AAA status but could still be considered safe, such as France and the USA.

Action by: Sheila Little/Nick Harrison

Revenue and Capital Budget 2013/2014 to 2017/2018

- (d) That the Cabinet note and comment upon the Committee's concerns on the achievability of the MTFP, given its projections are based on an annual increase in council tax of 2.5% from 2014/15

Action by: Mel Few/Bryan Searle

- (e) That, whilst the Committee supports the proposed reduction in cash balances in principle, the Cabinet review the decision to make the full reduction in the next financial year, in order to provide the flexibility to use a proportion of the reserves to meet future capital or revenue expenditure which might otherwise incur borrowing costs.

Action by: Mel Few/Bryan Searle

- (f) That information provided to the public about the Council's level of cash held should explain that a significant proportion of the total is held on behalf of schools and the police.

Action by: Sheila Little

- (g) That clarification be provided about the weighting given to the responses to the budget public survey depending on whether they resulted from face-to-face or on-line contacts.

Action by: Julie Fisher

- (h) That, following the agreement of the budget allocations by the Council at its meeting on 12 March 2013, Select Committees review the detailed proposals for the services within their remit and make recommendations to the Cabinet at its meeting on 26 March as appropriate.

Action by: Select Committee Chairmen/Democratic Services

Actions/further information to be provided:

None.

Committee Next Steps:

None.

163/13 BUDGET MONITORING REPORT [Item 7]

Declarations of interest: None.

Witnesses: None.

Key points raised during the discussion:

1. The Committee noted the Budget Monitoring Report for December 2012 and this formed part of the discussions in Item 6: Business Planning 2013/18.

Recommendations:

None.

Actions/further information to be provided:

None.

Committee Next Steps:

The Committee will consider the budget monitoring report for January 2013 at its meeting in March 2013.

164/13 RECOMMENDATION TRACKER [Item 8]

Declarations of interest: None.

Witnesses: None.

Key points raised during the discussion:

1. The Committee noted the recommendations tracker.

Recommendations:

None.

Actions/further information to be provided:

None.

Committee Next Steps:

None.

165/13 FORWARD WORK PROGRAMME [Item 9]

Declarations of interest: None.

Witnesses: None.

Key points raised during the discussion:

1. The Committee noted the Forward Work Programme.

Recommendations:

None.

Actions/further information to be provided:

None.

Committee Next Steps:

None.

166/13 COMPLETED AUDIT REPORTS [Item 10]

This item was deferred to the Council Overview & Scrutiny Committee meeting on 13 February 2013.

167/13 CHANGE & EFFICIENCY SERVICE REVIEW - IMT [Item 11]

Declarations of interest: None.

Witnesses: Paul Brocklehurst, Head of Information Management and Technology

Key points raised during the discussion:

1. The Committee was provided an update on a number of Information Management and Technology (IMT) initiatives. It was clarified that, following two major failures of the Citrix system in September, there had been no repeat outages. IMT were working closely with partners to ensure any problems were being addressed.
2. The Committee was informed that the savings identified in the Public Value Review (PVR) for 2013/14 were at this stage achievable.
3. The Head of IMT outlined the work being undertaken to implement the new UNICORN Public Services Network (PSN). This network would also include District & Borough Councils, and the Committee asked whether take-up had been slow in relation to this. The Head of IMT commented that progress had been as expected, however it was necessary to co-ordinate with BT with regard to this switch-over and this could impact on the speed at which the change was implemented.
4. The Committee expressed concerns around the length of the UNICORN contract. It had been raised at the Finance sub-group that longer IMT contracts tended to be more costly for the Council as costs for technology usually declined over the longer time frame. An example of price reductions in the telecoms industry was highlighted. The Head of IMT explained that the contract was re-negotiated on an annual basis in order to ensure that the Council was receiving best

value-for-money. The UNICORN contract also functioned as a system integrated model; this meant that any change would go out to competitive tender.

5. The Committee asked for an update on the roll-out of Windows 8. The Head of IMT confirmed that some work had been undertaken to look at the compatibility of Windows 8 with current systems and it was felt that it would be best to exercise caution at this stage. The view was expressed that it would be better to look to long term developments within computing than attempt a short term refresh at this stage.
6. The Committee raised a query regarding the IMT provisions in place to track assets, particularly with the increase in the number of staff working from home. The Head of IMT stated that he was confident that the asset register was up to date, and that IMT were able to identify where and who held these assets.
7. The Committee asked for further details regarding the data centre and what work was being undertaken to encourage new customers to use it. The Head of IMT confirmed that there had been discussions with both the Police and East Sussex Council with regards to the data centre, and that there had been some expressions of interest in the private sector.
8. The Committee noted and recognised the significant progress made by IMT.

Actions/further information to be provided:

None.

Committee Next Steps:

None.

168/13 2012/13 QUARTER THREE BUSINESS REPORT [Item 12]

This item was deferred to the Council Overview & Scrutiny Committee meeting on 13 February 2013.

169/13 STAFFING BUDGET - STAFF NUMBERS AND MANAGEMENT OF VACANCIES [Item 13]

Declarations of interest: None.

Witnesses:

Carmel Millar, Head of HR and Organisational Development
Neil Bradley, HR Group Manager

Key points raised during the discussion:

1. The Committee was informed that the report had been updated following the original discussion on this item at the Council Overview & Scrutiny Committee meeting on 5 December 2012. It was noted that these updates concerned the proposed recommendations contained within the report.
2. The Head of HR and Organisation Development expressed thanks for the important work undertaken by the Task Group in preparing the report and recommendations.
3. The Committee raised the question as to what work was in place to quantify the comparative costs of agency and contracted staff. The HR Group Manager clarified that agency staff were used either to meet a shortage of supply (for example in the case of social workers), or to fill temporary needs such as sickness or vacancy cover (for example in residential care). The former would come at an increased cost compared to permanent staff, and there was an initiative in place to encourage locum staff to become permanent. In the latter case, following the introduction of the Agency Worker Regulations the remuneration of agency staff is the same as permanent workers after the initial period, but no pension contributions were required.
4. The Committee asked how long it would take to implement the recommendations of the task group. Officers confirmed that proposals on the first two recommendations could be made before the new financial year, while the third would be dependent on the method used for implementation.
5. The Committee discussed the management of staff vacancies in relation to structure charts. The view was expressed that charts should reflect accurately where vacancies were within the structure, how long they had been vacant, and where these were being covered by agency workers.

Recommendations:

- a) That a policy is formulated to define what constitutes a vacant position in the organisation structure.

Action by: Carmel Millar

- b) That criteria are established which vacant positions must meet in order to remain in the organisation structure together with the operating budget allowance.

Action by: Carmel Millar

- c) That the definition and criteria be consistently applied in all services in the management of their business plans.

Action by: Carmel Millar

Actions/further information to be provided:

None.

Committee Next Steps:

None.

170/13 DATE OF NEXT MEETING [Item 14]

It was noted that the next meeting of the Committee would be at 10.00am on 13 February 2013.

Meeting ended at: 12.45 pm

Chairman

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