MINUTES of the meeting of the **RESOURCES AND PERFORMANCE SELECT COMMITTEE** held at 10.00 am on 24 January 2020 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, 1 July 2020.

Elected Members:

*	Mr Nick Harrison (Chairman)
	Mr Will Forster (Vice-Chairman)
*	Mr Graham Knight (Vice-Chairman)
*	Ms Ayesha Azad
*	Mr Chris Botten
*	Mr Mark Brett-Warburton
	Mr Graham Ellwood
*	Mr Bob Gardner
	Mr Naz Islam
*	Rachael I. Lake
*	Dr Peter Szanto
*	Mr Chris Townsend

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Graham Ellwood, Will Forster and Naz Islam.

2 MINUTES OF THE PREVIOUS MEETING: 16 DECEMBER 2019 [Item 2]

The minutes were agreed as a true record of the meeting.

3 DECLARATIONS OF INTEREST [Item 3]

None received.

4 QUESTIONS AND PETITIONS [Item 4]

None received.

Mark Brett-Warburton arrived at 10:07am.

5 SCRUTINY OF REVENUE AND CAPITAL BUDGET 2020/21 [Item 5]

Witnesses:

Michael Coughlin, Executive Director of Transformation, Partnerships and Prosperity

Anna D’Alessandro, Director of Corporate Finance

Mel Few, Cabinet Member for Finance

Zully Grant-Duff, Cabinet Member for Corporate Support

Mark Hak-Sanders, Strategic Capital Accountant

Nikki O'Connor, Strategic Finance Business Partner

Rachel Wigley, Director of Financial Insight

Key points raised during the discussion:

1. Having received the Treasury Management Strategy Statement (TMS) on the morning of the Select Committee meeting, it was agreed that the Select Committee would adjourn for a short time after discussion of the main budget to give Members of the Select Committee time to read the TMS report, following which the Select Committee would again reconvene to discuss and scrutinise the TMS. It is annexed to these minutes.
2. The Witnesses introduced the budget report. While this budget was the first in a decade to be balanced without the use of reserves, it still entailed challenges, such as growing demand in adult social care (ASC) and children's special educational needs and disabilities (SEND) services, a need for further transformation in order to achieve efficiencies, in turn resulting in savings, and the delay of the Fair Funding Review (FFR) from central government, which meant that the budget could only go so far to address the short and medium terms. The general election of December 2019 and Britain's imminent exit from the European Union had created further uncertainty.

Ayesha Azad arrived at 10:08am.

3. The Director of Corporate Finance emphasised the positive differences between the 2020/21 budget and those of previous years. Where previous budgets had been short-term and defensive, the 2020/21 budget was realistic, achievable, sustainable and medium-term. While a number of assumptions had to be relied upon, no reserves had had to be used to balance the budget, and it was not forecast that any reserves would have to be used over the medium term. Revenue was budgeted to increase incrementally, driven by a 1.99% increase in council tax and an additional 2% ASC precept, which the government had confirmed that the Council was able to levy.
4. The Select Committee was informed that the capital programme would increase to £1.4 billion over the medium term.
5. The Director of Financial Insight outlined the budget of the Resources directorate, 50% of which was to be spent on staffing costs. Long-term efficiencies in this directorate would come from changing working practices.
6. The Executive Director of Transformation, Partnerships and Prosperity (TPP) remarked that while the TPP directorate spent the least of any directorate in the Council, it acted as a catalyst for efficiencies to be made elsewhere, and multiple steps had been taken to achieve efficiencies within the directorate. He was determined to ensure that the TPP directorate had a focus on resident outcomes and was not perceived as purely transactional. Moreover, the Strategic Finance Business Partner asked Members to note that there was no capital budget in the TPP directorate.
7. A Member requested more information on progress that had been made on bringing looked-after children back into Surrey from out-of-county, which could save money. He wished to know what difficulties had been encountered and how the Council was encouraging people

to become foster carers. The Director of Financial Insight explained that there was a number of transformation programmes within the Children, Families, Lifelong Learning and Culture directorate, including corporate parenting and family resilience. A new model to encourage more families to foster was being worked on and the SEND services were being transformed with ambitious targets. The Member expressed further concerns about efficiencies within the high needs block (a part of the Dedicated Schools Grant for funding services for pupils with SEND). The Director of Financial Insight responded that the programme was indeed ambitious. The SEND team was fairly confident that they could deliver efficiencies, and one way of doing this was to introduce a 'front door' (arrangements for the Council's response to initial contact from a professional or resident) for SEND. Moreover, the Director of Financial Insight referred to the projected overspend in 2020/21. Unlike the previous year, central government would not allow a 0.5% transfer from the schools' block into the high needs block in 2020/21. The overspend, estimated at £24 million in 2020/21 after achieving £15 million efficiencies through the SEND transformation programme, would be transferred to the balance sheet. However, resilience had been built into the balance sheet by creating a separate offsetting reserve equal to the overspend on the high needs block. It was noted that other Local Authorities (LAs) also overspent on the high needs block. It was recognised that the challenge was of an ambitious scale.

8. A Member asked whether the Finance team were confident that partnership working with the NHS and schools would deliver efficiencies. The Cabinet Member for Finance affirmed that he was fairly confident, and explained that there was a trend of moving away from Health services and supporting residents directly through either Children's Services or ASC. In some areas, such as Surrey Heath, there was a good relationship between NHS services and ASC services. A Member said that, to the contrary, there were flaws in families' experience of NHS, ASC and Public Health services, as these services did not always work together seamlessly and there could be confusion over the remit of each.
9. A Member asked how property estate and future investment were being coordinated in a holistic way and how Members could monitor this. The Cabinet Member for Finance responded that the new leadership of the Council had decided not to grow the Council's property portfolio, other than the new County Hall in Woking. However, so long as properties currently invested in by the Council continued to generate the revenue on which the original investment was predicated, the Council would retain its investment. A property strategy had been published regarding properties owned by the Council. Patricia Barry had now been in-post as the Director of Strategic Land and Property Assets for several months, and other vacancies in the Property team would be filled by March. The Director of Corporate Finance added that in 2019, the capital programme had been somewhat redesigned and there was no longer a growth strategy, but rather a drive to create funding to use elsewhere. Finance had demonstrated its holistic approach by looking closely at both the divestment and investment portfolios and working with Property services. The Capital Programme Panel, chaired by either the Director of Corporate Finance or the Executive Director of Resources, was examining capital investments, disposals and capital receipts, and thus creating an integrated

approach to managing capital spend. This information was also discussed at the Strategic Investment Board. There was £2.1 million assumed in the budget for additional income from the commercial portfolio; the Director added that, given that the growth strategy was no longer employed, the additional income would not be received.

10. A Member expressed concern about pressure being put on community and voluntary organisations – especially community-run libraries and faith organisations. The Cabinet Member for Finance said that voluntary libraries could be very positive and effective; the Council's aim was not to close libraries but rather to re-examine what could be done with library buildings to make full use of them. The Member acknowledged that community organisations could be valuable, but asserted that this model would not be successful for every community, and could increase cost in unsuccessful cases.
11. A Member requested more information on the mention in the report of 'mitigating efficiencies' that might need to be made in the Resources directorate. The Strategic Finance Business Partner replied that there was a £1 million efficiency in Property, but she did not have the details of exactly where these would be achieved. If these efficiencies could not be made within Property, they would be found elsewhere within the Resources directorate.
12. A Member queried whether there was any mention of the Moving Closer to Residents (MCTR) programme in the budget report, or if it was treated completely separately. He stated that MCTR was of considerable interest from a community point of view. The Executive Director of TPP responded that there were details in the budget about the acquisition of Midas House, but there was not a specific budget line for moving out of the current County Hall in Kingston upon Thames.
13. A Member asked how much of a buffer there was in the budget for unpredictable events such as the Britain's exit from the European Union. The Director of Corporate Finance stated that there was some revenue provision, which had been built in from the start of the planning process. Provision had been made in the revenue budget for the delivery of the capital programme. However, the Chairman pointed out that some of the pressures in 2020/21 came from non-achievement in 2019/21, so these did deserve scrutiny.
14. A Member asked for more information regarding the mention in the report of an enhanced staffing structure to enable the Council's ambitions. The Executive Director of TPP remarked that a Joint Strategic Chief Digital Officer had recently been recruited in conjunction with Surrey Heartlands. Also, money had been put towards recruiting staff in Insight, Analytics and Intelligence, although these were difficult posts to recruit to.
15. A Member said that given the enthusiasm for a project on 'spans and layers' (the hierarchy of staff in the Council), it was disappointing that the Council had not made savings on this front, and asked whether the programme was overambitious to start with. The Executive Director of TPP replied that the project had been beneficial and efficiencies had been achieved through other restructures across the Council. This meant that whilst savings did not appear to be realised in the TPP directorate, they had been delivered through other directorate initiatives.
16. A Member enquired what the contingency process was and how it would be controlled throughout the year. The Director of Corporate

Finance stated that use of the contingency was not something that was widely encouraged, and that Finance did not itself have overall control over whether contingencies were used. A contingency had been applied in 2019/20 to one of the directorates because of a timing issue, but it would be paid back in the following year. A contingency was important as it allowed the Council to be more ambitious with its efficiencies. Even with a contingency, the general fund reserve was quite low compared to other counties. The general fund reserve differed from the budget equalisation reserve, since the former was not earmarked, whereas the latter could only be used for some specific or large scale items such as the Eco Park waste processing facility.

17. The Director of Financial Insight informed the Select Committee that savings made from vacancies within any service would remain in the envelope for that particular service. The Director of Corporate Finance added the advantage of using envelopes was that they allowed services to have flexibility in terms of how they used their budget, as long as spend remained within the envelope.
18. The Committee discussed the use of Council-owned buildings. In previous years, the Council had underspent on the budget for maintenance of empty buildings, meaning that those buildings were sometimes unfit for lending or leasing to voluntary organisations. A Member raised concerns that offering these buildings to all voluntary organisations was unrealistic and asked whether the organisations that could use the buildings would be restricted. The Director of Corporate Finance noted that the Director of Strategic Land and Property Assets was working on uses for currently unoccupied Council property.
19. A Member expressed concern that the agile workforce transformation could entail considerable risk, and asked witnesses for their thoughts on this. The Executive Director of TPP acknowledged that the MCTR project was not without risk; however, the corporate risk register acknowledged the strategic risk, and underneath that was a more detailed risk register .There was also a programme board comprising senior officers. Under this were teams specific to particular areas that would be affected by the transformation, forming a hierarchy that would help manage risk. The Council was also seeking specialist expertise from organisations that had undergone similar transformations.

Having received the TMS report on the morning of the Select Committee meeting, the meeting adjourned at 11:44am to give Members time to read it, following which the meeting was re-convened at 12:04pm to discuss the TMS.

20. The Director of Corporate Finance informed the Select Committee that the Council worked closely with treasury advice company Arlingclose. On their advice, the Council had decided to adhere to a short-term borrowing strategy so as not to have to commit to long-term borrowing. A number of other LAs had become locked in to higher rates, causing them to pay more interest than necessary. This strategy would be re-examined continually and changed if it was deemed necessary.
21. Different funds from which to borrow were discussed. The Strategic Capital Accountant explained that the Public Works Loan Board (PWLB) had previously had low interest rates and little bureaucracy; however, PWLB had increased their rates. The Director of Corporate

Finance mentioned that since borrowing from other LAs had a lower interest rate than other sources, they were proving to be a good source of funds. The Cabinet Member for Finance noted that there were pension funds with large funds available. Arlingclose were continuously advising the Council on the best alternatives to the PWLB.

22. A Member requested more information on how much the Council was paying Arlingclose, how often their contract was reviewed, and whether other companies were considered. The Strategic Capital Accountant informed Members that the contract with Arlingclose ran on a five-year basis from 1 January 2016 to 31 December 2020. Arlingclose were the company of choice due to their good reputation and positive track record with the Council.
23. The Chairman asked what the differentials were between the issue of public bonds and the new PWLB rates. The Cabinet Member for Finance would advise against using public bonds due to the expense of obtaining a rating and the penalties that could apply. The Strategic Capital Accountant explained that using the UK Municipal Bonds Agency would mean that the administration costs of developing a bond issue would be reflected in the rate that the Council would be given if using bonds. This would need to be checked to see if it was competitive against the PWLB. The Director of Corporate Finance assured the Committee that this was not something that the Council would embark upon lightly.
24. A Member expressed concern about an anticipated increase in borrowing between 2020 and 2025. The Director of Corporate Finance detailed the workings of the planning of the capital budget, which was long-term and open to review in future years. The Cabinet Member for Finance added that a report going to Cabinet contained a full breakdown of capital expenditure.
25. The Chairman queried how an efficiency for interest cost would be realised. The Director of Corporate Finance responded that since the investment portfolio had not grown, a saving had been made, which would be put into an interest rate risk reserve to protect against fluctuations. This did not represent an expansion of the investment portfolio.
26. The Select Committee emphasised the value of training on the TMS, which had been provided a few days before the current meeting. However, some Members lamented the fact that they had not been informed of the training, so the Director of Corporate Finance agreed that this training could be repeated soon. There was also a suggestion that the timing of the training could be reconsidered so as not to take place in the middle of the scrutiny process.
27. A Member requested that the cost of redeeming and re-financing older higher-rate loans was investigated. The Director of Corporate Finance agreed that this would be queried with Arlingclose.
28. The Select Committee agreed that in light of having only received the TMS on the morning of the meeting, it had had a limited amount of time at its disposal to read and digest it and noted that in that context, it endorsed the content of the strategy.

Recommendations:
The Select Committee noted the 2020/21 Revenue and Capital Budget report and the TMS report.

Actions/further information required:

1. For the Chairman and officers to compose a report with key comments for consideration at the upcoming Cabinet meetings. Observations from the other three scrutiny committees would also be included in the submission;
2. For the Director of Corporate Finance to organise for TMS training to be repeated;
3. For the Director of Corporate Finance to query with Arlingclose the cost of redeeming and re-financing older higher-rate loans.

6 RECOMMENDATIONS TRACKER AND FORWARD WORK PROGRAMME [Item 6]

Key points raised during the discussion:

1. Members were updated on the planned programme of work of the Customer Experience Task Group.
2. It was agreed that the Select Committee would examine the conclusions of the Budget and Assets Task Group, rather than trying to obtain month-by-month budget RAG (red, amber, green) ratings.
3. The Select Committee was updated on the Budget and Assets Task Group. The group would specifically be looking at the property portfolio, and would meet the Director of Strategic Land and Property Assets, who had now been in-post for some months.
4. Members were keen on the prospect of scrutinising the Coroner's service in a future meeting.
5. Members were reminded that the MCTR Task Group would be meeting soon and would present a report to the next Select Committee meeting.

7 DATE OF THE NEXT MEETING [Item 7]

The next meeting of the Resources and Performance Select Committee would be held on 23 April 2020 in the Ashcombe Suite, County Hall at 10:00am.

Meeting ended at: 12.50 pm

Chairman

This page is intentionally left blank