

Performance and Finance Select Committee

4 October 2013 – At a meeting of the Select Committee held at 10.30 a.m. at County Hall, Chichester.

Present:	Mrs Urquhart (Chairman)	
Mr Burrett*	Mr Patel	Mr Waight
Ms James	Mr Rae	Mr Watson
Mr Lamb	Mr R T Rogers	Mrs Whitehead
Mr Metcalfe*	Mr Turner (V-Ch)	

In attendance by invitation: Ms Goldsmith (Leader), Mr Brown (Cabinet Member for Finance), Mrs Field (Cabinet Member for Community Wellbeing and Deputy Leader) and Mr Griffiths (Cabinet Member for Corporate Relations)

Apologies for absence were received from Mr Glennon and Mrs Millson. Mr de Mierre was absent.

*Mr Burrett arrived at 10.50am and Mr Metcalfe at 12.45pm

Declarations of Interest

38. In accordance with the code of conduct, the following personal interests were declared:

- Mr Turner as a member of Worthing Borough Council and as a Governor of Northbrook College in relation to the Review of County Council Income report.
- Mr Brown as having a relative who works at Deloittes in relation to the Review of County Council Income report.
- Mr Lamb as a member of Crawley Borough Council in relation to the West Sussex Strategic Estate: Selective Acquisitions and Development Activities report.

Minutes

39. Resolved – that the minutes of the Performance and Finance Select Committee held on 5 July 2013 be approved as a correct record, and that they be signed by the Chairman.

Financial Landscape and Strategy

40. The Committee considered a report by the Director of Finance and Assurance (copy appended to the signed minutes).

41. The Director of Finance and Assurance introduced the report which set out the medium term financial strategy for the County Council.

42. The Committee made comments including those that follow. It:

- Noted that the latest proposals were for all local authorities to pool the New Homes Bonus (NHB) within their LEP areas. This is an effective funding cut of between £1.4m and £4.2m to West Sussex depending on the pooling arrangement agreed. However it was believed that it was not a proven case that topping up the LEP is good for the County Council. – *The Leader reassured members that the LEP was being overseen for effectiveness.*
- Noted that with the forecast of Revenue Support Grant effectively disappearing in a few years, the County Council's gearing ratios would be affected meaning the need for a more cautious approach to capital borrowing. It was suggested that the County Council should be planning for a zero RSG settlement in future.
- Noted that reserves would drop in future and therefore it is important that they remain allocated to agreed projects.
- The Committee acknowledged the budget gap being forecast. The priority to manage this gap should be on finding management efficiencies to balance the budget before looking at frontline service cuts. It queried the timescales involved with the required savings *The Cabinet Member for Finance stated that it is believed that up to 60% of savings could come from efficiencies. Details of the efficiencies and savings to be made would come to the County Council in December. The Leader assured the Committee that the Cabinet was working to manage the budget gap but that there would be challenging times ahead. The Cabinet Member for Finance confirmed that the £141m needed to be shown at the end of the four year period. It was better during the current climate to borrow now due to low rates.*
- Suggested that the County Council focusses on what the main services/priorities are expected to be in six years' time and to discontinue anything that did not fit this criteria. – *The Leader confirmed that the focus would be on the 3 main priorities of the County Council – start of life, economy and later life. An important element would be encouraging new business to West Sussex to boost business rate return.*
- Noted how much the County Council had saved due to the contract with Capita and how many district and borough councils had joined. It was suggested that a unitary authority was a better approach as savings could be made across all local authorities. *The Leader responded that this approach would be challenged by Central Government and that better working with district and borough councils should be more of a focus. The Cabinet Member for Finance confirmed the County Council had saved £5.8m and that no district or borough councils had joined the contract. The contract should be promoted to the councils as they could expect to save £0.5m, and the County Council would see a share of the profits at 50% with Capita.*
- Careful monitoring of the County Council's borrowing was required to ensure gearing ratios were kept at reasonable levels. It noted the advice from the Director of Finance and Assurance against setting a limit in the County Council's prudential indicators for gearing in relation to indebtedness, as this would lose flexibility to adapt to issues.
- Queried the minimum level of reserves that the Director of Finance and Assurance would be comfortable with. *The Director confirmed he was satisfied with the current level of reserves and informed the Committee that 3.5% was an acceptable level of reserves to maintain.*

43. Resolved – That the direction of the report be supported, with a particular need to:
- 1) Work with the LEP to ensure the County Council receives a fair share of funding and to maximise efficiency
 - 2) Plan on long term funding basis, mindful of the continued reduction of the RSG
 - 3) Pursue closer working with district and borough councils, through the Capita and other contracts, possibly moving to a unitary authority model in the future should further savings be achievable
 - 4) Monitor gearing levels carefully.
 - 5) Savings profile should reflect service needs and stability

Review of County Council Income

44. The Committee considered a report by the Director of Finance and Assurance (copy appended to the signed minutes).

45. The Head of Corporate Finance and Assurance introduced the report which set out the County Council's income base and the processes for ensuring income was maximised.

46. The Committee made comments including those that follow. It:

- Queried whether the County Council can charge insurance companies for call outs by the Fire and Rescue Service. – *The Cabinet Member for Community Wellbeing confirmed this was happening where possible but the Director of Finance and Assurance agreed to investigate any further opportunities with the Chief Fire Officer.*
- Noted that the Council was working to claim back fraudulent single person claims on a 'no win, no fee' system through the Capita contract.
- Discussed the Council's use of consultants and why some of the identified opportunities hadn't been taken forward. – *The Director of Finance and Assurance confirmed that consultants were not used to identify problems, but instead the County Council made use of experts to bring external vigour and challenge to systems. The extra income identified by Deloitte for the Council exceeded their cost. The opportunities identified would be further investigated when all Cabinet Members reviewed the fees and charges for their portfolio areas as part of the budget process.*
- Noted the healthy income gained from genealogy queries at the records office and queried if extra funds could be gained from selling copies of library and record office items. The matter was referred to the Cabinet Member for Resident's Services for investigation.
- Queried the system of reclaiming costs or damages from statutory undertakers and whether we could be more effective at this.

47. Resolved – that the Committee supports the work being done to maximise income, in particular:
- 1) To further investigate Deloitte's recommendations
 - 2) Continuing to work with district and borough councils in pursuit of income streams
 - 3) Seeking to recover costs incurred from work undertaken by statutory undertakers

Review of West Sussex Strategic Estate: Selective Acquisitions and Development Activities

48. The Committee considered a report by the Director of Finance and Assurance (copy appended to the signed minutes).

49. The Committee received appendix C to the report which listed individual sites that could attract the £10m anticipated. This appendix contained exempt information under Part I of Schedule 12A of the Local Government Act 1972, paragraph 3 – business and financial affairs of others (including the authority) and because, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighed the public interest in disclosing the information. (copy appended to the signed minutes).

50. The Director of Finance and Assurance introduced the report which set out proposals allowing direct development of land and property by the County Council and also enabling the purchase of land for investment opportunities. He circulated a possible wording for the delegation to officers, should the approach be supported (copy appended to the signed minutes).

51. The Cabinet Member for Finance confirmed that neighbouring authorities had seen healthy returns on similar projects and that the Localism Act encouraged ventures that could help communities. The returns expected from this proposal would help to reduce the level of savings required through the generation of additional income that had been identified previously in the meeting.

52. The Committee made comments including those that follow. It:

- Queried the plans for development and how the County Council would comply with the necessary affordable housing rules. – *The Cabinet Member for Finance confirmed that the plan was to provide rental property and public relations matters would be carefully considered. Valuation Team Manager confirmed that local planning requirements would be complied with and the necessary volume of social houses built in a development. These would be disposed of to a registered social landlord. The retained houses would remain within the County Council's property portfolio and rented out to tenants.*
- Queried the risks of being involved in schemes of this nature, such as the County Council's knowledge in this field and whether there was a market for this type of development. *The Cabinet Member for Finance confirmed that experienced advisers had been involved and consulted in all aspects of the project. It was also confirmed that research had*

shown there was a gap in the market for three bedroomed rental houses and that satisfying this need would further increase the attraction for new business to West Sussex. The report was the first step in the process and further reports identifying the risks would be brought before the Committee as the scheme progressed.

- Sought clarification on who will make the decisions in the project. – *The Cabinet Member for Finance confirmed that a constitutional model would be created which would have clear member involvement, which would need to be put before the Governance Committee.*
- Queried how the project would be financed and whether borrowing was to be expected. The implications of increased borrowing were relevant due to the discussions regarding the gearing ratios of the County Council heard earlier on the agenda. – *The Cabinet Member for Finance confirmed that the projected profit from the sale of the initial development site would finance further developments with only a small amount of borrowing to be expected. The further plan was for profits generated by the schemes to sequentially finance more developments with the final aim to leave a legacy of developments generating income.*
- Requested that Internal Audit be involved with setting up the processes and the internal control arrangements from an early stage. *The Director for Finance and Assurance agreed to work with the Regulation, Audit and Accounts Committee to put this into place.*

53. Resolved –

- 1) That the proposals to enable the County Council to selectively acquire property which is otherwise unplanned within the current capital programme be supported.
- 2) That the principles be supported for direct development of the County Council's own surplus assets, with or without a partner, and which, upon completion may be retained as an investment or held for onward sale.
- 3) That the principle be supported that the County Council investigates the establishment of suitable company structure vehicles to facilitate the development and management of assets to comply with legislative controls.
- 4) The proposed delegation to the Directors for Finance and Assurance and Communities Commissioning to facilitate the proposals be supported.

Total Performance Monitor to August 2013

54. The Committee considered a report by the Director of Finance and Assurance (copy appended to the signed minutes).

55. The Director of Finance and Assurance introduced the report which set out the County Council's performance and risk position as at the end of August 2013.

56. The Cabinet Member for Finance confirmed that all portfolios were either on or under budget, with the exception of Adult Services which is currently forecasting an overspend. This is being carefully monitored and plans put in place to manage this.

57. The Strategic Commissioner for Learning confirmed that performance target 6b – further improve the educational outcomes by the end of Key Stage 2, was red due to a new system of measurement where Government had changed the method of calculation subsequent to the targets being set at the start of the year. Performance under the previous measurement would have exceeded the target. The next performance calculation would be adjusted to reflect the new method of calculation.

58. The Committee made comments including those that follow. It:

- Understood that all recorded underspends had been built into next year's budget.
- Agreed that crucial negotiations were required with the NHS to shift costs from NHS care to cheaper social care spending. These negotiations and the current Adult Services overspend were recommended for further review by the Health and Adult Services Select Committee (HASC).
- Queried the spend on a Single Control Centre for the Fire and Rescue Service bearing in mind the national move towards unified blue light services and whether this control centre would still be in operation when the national project was complete. – *The Cabinet Member for Finance acknowledged that there was a risk of this being the case.* Queried the English National Concessionary Travel Scheme (ENCTS), in particular the costs of bus passes and tickets and requested that the Director for Finance and Assurance investigate whether costs could be reduced.

59. Resolved –

- 1) That the Monitor be noted:
- 2) That the Health and Adult Social Care Select Committee be asked investigate demand pressures on budgets

Business Planning Group Report

60. The Committee considered a report by the Chairman of the Business Planning Group (BPG) (copy appended to the signed minutes).

61. The Senior Advisor introduced the report which asked the Committee to support the updates to the work programme and agree the Chairmanship of the Ageing Population Task and Finish Group (TFG). Mrs Whitehead was appointed as Chairman of the Ageing Population TFG. It was noted that membership was still being investigated for the reconvening Troubled Families TFG.

62. The Committee queried if it was possible to discuss the draft budget item before their January meeting to have more time to influence the County Council's budget calculations. – *The Cabinet Member for Finance explained that the tight schedule of settlement announcements from Government meant that this discussion could only be accommodated in January, but reiterated the importance of the Committee's scrutiny of this item.*

63. The Senior Advisor confirmed there was a member session due on 15 January which would also help contribute to the scrutiny of the budget calculations.

64. Resolved –

- 1) That the updates to the work programme as recommended by the BPG be supported.
- 2) That Mrs Whitehead be appointed as Chairman of the Ageing Population TFG.

Forward Plan of Key Decisions

65. The Forward Plan of Key Decisions November 2013 – February 2014 was tabled at the meeting, as it had been published following the dispatch of the agenda (copy appended to the signed minutes).

66. The Committee expressed disappointment that the Billingshurst Parking Review had been delayed due to an administrative error in reporting comments to the County Local Committee Meeting and noted that the matter was being investigated.

Date of Next Meeting

67. The Committee noted that its next scheduled meeting will take place on 6 November 2013 at 10.30am at County Hall, Chichester.

The meeting closed at 2.30pm