

**Minutes of a Meeting of the
Performance and Finance Scrutiny
Committee held at Surrey Heath House
on 23 March 2016**

+ Cllr David Allen (Chairman)
+ Cllr Wynne Price (Vice Chairman)

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|-------------------------|-------------------------|
| - Cllr Dan Adams | + Cllr Max Nelson |
| - Cllr Bill Chapman | + Cllr Robin Perry |
| + Cllr Edward Hawkins | + Cllr Chris Pitt |
| + Cllr Paul Ilnicki | + Cllr Darryl Ratiram |
| + Cllr Oliver Lewis | + Cllr Victoria Wheeler |
| + Cllr Jonathan Lytle | - Cllr John Winterton |
| + Cllr Alan McClafferty | |

+ Present

- Apologies for absence presented

Substitutes: Cllr Rebecca Jennings-Evans and Cllr Valerie White

In Attendance: Andrew Crawford, Daniel Harrison, Julia Hutley-Savage and Katie Jobling

36/PF Apologies for Absence

Apologies for absence were received from Councillors Dan Adams, Bill Chapman and John Winterton. Councillor Valerie White substituted for Councillor Bill Chapman and Councillor Rebecca Jennings-Evans substituted for Councillor Dan Adams. Councillor John Winterton was fulfilling Mayoralty commitments.

37/PF Chairman's Announcements

The Chairman welcomed Councillor Richard Brooks, the Finance Portfolio Holder and reminded Members of the areas under the remit of his Portfolio. He also welcomed Councillor Paul Deach, Daniel Harrison, the Executive Head of Business, who would respond to Members' queries on follow-up data from the previous meeting and Kelvin Menon, who was attending to assist in consideration of the areas of work covered by the Finance Portfolio.

The Chairman reported on discussions with the Council Leader on the need to focus on the quantitative and qualitative aspects of scrutiny and in particular, ensuring an understanding of the matters to be scrutinised prior to the meeting at which they would be considered. He highlighted, in particular, the following:

- (i) If there were outstanding issues arising from consideration of any items, the Committee should adjourn the meeting to a future date rather than close it;
- (ii) When the Committee identifies an issue to bring to the attention of the Executive, a specific resolution was needed to refer that item;

- (iii) If the Committee wished to consider a matter further, it needed to clearly indicate this at the meeting; and
- (iv) The Committee needed to develop better ways of addressing the issues within its remit.

One way to get a better grasp of the issues facing the Committee would be to establish a confidential Slack Group.

Slack was a group messaging app which operated through mobile phones, tablets and computers. Using a Slack Group would allow Members to discuss, in a closed confidential site, in real time, matters which the Committee was planning to scrutinise, enabling Members to be better informed on what questions to ask, what information to seek and what issues to focus on.

Members would be able to consider matters within the Committee's purview in greater depth, through real time discussion, messaging, participating or just viewing. The data sets to be considered would only be accessible to the Group.

The Group's considerations could inform the Committee's requirements and officers could then be tasked, with a minimum of 2 weeks before the Committee agenda publication date, with producing reports which would assist committee deliberations, inform the work programme and allow proper scrutiny.

The Chairman proposed establishing a Slack Group, including the Council Leader, who had already agreed to join, all Committee Members and Substitutes, plus 2 officers (Committee Legal Representative and Democratic and Electoral Services Officer). The Group would be moderated by the Chairman and Members would be invited to join by the moderator, accessing the Group through their own passworded links.

The Committee would continue to consider matters at the planned meetings, but, through Member participation in the Slack Group, would be better informed and prepared for those discussions and the material presented could be informed by the Group's deliberations, giving the Committee the opportunity to achieve more and give better support to the Executive function.

The Committee noted certain Members' concerns in terms of the setting up of a Slack Group and in more general terms, whether any changes were needed to the Committee's terms of reference.

Resolved, that a Performance and Finance Scrutiny Slack Group be established, consisting of Committee Members and Substitutes, plus the Council Leader, Committee Legal Advisor and Democratic and Electoral Services Officer, to engage in in-depth consideration of matters within the committee's purview.

It was proposed by Councillor Edward Hawkins, seconded by Councillor Wynne Price and

Resolved, that a Task and Finish Group be established to consider the Committee's terms of reference and to draft proposals for any changes, to be referred to the Executive and Council for further consideration.

Note: Councillors David Allen, Edward Hawkins, Rebecca Jennings-Evans, Oliver Lewis, Jonathan Lytle, Alan McClaferty, Max Nelson, Robin Perry, Chris Pitt, Wynne Price, Darryl Ratiram, Victoria Wheeler and Valerie White voted in favour of the motion. Councillor Paul Ilnicki abstained.

38/PF Minutes

The Committee noted certain Members' concerns in respect of accuracy, what should be included and the emphasis given in Minutes 28 & 29/PF, in particular with respect to the minuting of the Committee position on the responses of the Portfolio Holder during the scrutiny of his portfolio and consideration of the Parking Strategy report.

Resolved, that the minutes of the previous meeting, held on 27 January 2016, be approved.

Note: Councillors David Allen, Edward Hawkins, Oliver Lewis, Jonathan Lytle, Alan McClaferty, Max Nelson, Robin Perry, Wynne Price, Darryl Ratiram and, Victoria Wheeler voted in favour of approval of the minutes. Councillor Paul Ilnicki, Rebecca Jennings-Evans and Valerie White abstained. Councillor Chris Pitt voted against approval.

39/PF Update from the Executive Head of Business

The Executive Head of Business, Daniel Harrison, attended the meeting to provide an update from the previous meeting and to address any questions thereon.

Members thanked Mr Harrison for the comprehensive briefing notes which were circulated prior to the meeting.

In response to a Member query, Mr Harrison reported that an external agency sourced advertising for roundabouts on behalf of the Council. The income generated from 5 roundabouts in the Borough was £7,000 per annum. A report had been considered on the previous evening by the Executive, proposing that this Council take responsibility for all roundabouts and verges in the Borough. This could potentially generate further advertising income.

Resolved, that the update be noted.

40/PF Scrutiny of Portfolio Holders - Finance Portfolio

Councillor Richard Brooks referred Members to the elements of his brief as Finance Portfolio Holder, those being:

- Audit and Investigations;
- Finance;

- Legal Services;
- Procurement; and
- Revenues and Benefits.

In response to Members' questions, the following was highlighted:

- (i) Financial Settlement – The Council was operating in an environment where central funding would continue to reduce until 2020, when there would be a negative grant position. Whilst investment had previously generated funding of £1.5 million, the current level was £200,000.

- (ii) Property – The Council had invested in property with recent purchases of the St Georges Industrial Estate and Ashworth House.

St Georges Industrial Estate - In terms of income, the Industrial Estate would generate rent of approximately £500,000 per annum. Interest on the loan was fixed at 3% over 50 years and would cost £260,000 per annum with management costs at £68,000, leaving an annual return of £174,000 or 2.1%.

Ashworth House - Whilst Members noted issues in relation to BHS renegotiating its rent across all sites, this would not have an immediate impact on Ashworth House, with contingencies in place and development potential in the upper floor.

- (iii) New Homes Bonus – Concern had been expressed on the use of this bonus to underpin Council Tax, particularly since it could cease in 3 years' time. The Portfolio Holder noted that while some Councils used 100% of the Bonus for that purpose, this Council allocated only 50%.
- (iv) Resources - The Council had reduced staff from 280 full time equivalents (FTEs) to 220. A number of services were shared, such as procurement with Woking Borough Council. The Council had already rented part of Surrey Heath House and other resources to organisations including Surrey County Council, Surrey Police, the Surrey Heath Clinical Commissioning Group and Job Centres Plus, part of the Department for Work and Pensions. Other similar opportunities were being explored.
- (v) Savings Targets – The Council continued to achieve its saving targets, year on year, despite reduced central funding and internal resources. The annual budget had been the subject of detailed consideration by a Star Chamber.
- (vi) Corporate Overheads – The Council was controlled by CIPFA regulation on how it covered corporate overheads. Whilst it was not clear what percentage these were of overall expenditure, costs included management, ICT, floor space, the Contact Centre, legal and financial support and democratic and electoral services. The total cost of corporate overheads stood at £4.829 million.

Members sought further clarification on overheads as a percentage of overall expenditure and the basis of the allocation of corporate overheads,

noting that the Camberley Theatre and Arena Leisure Centre Working Group had previously expressed concerns at the level of the allocation of overheads to the Theatre.

The Executive Head of Finance had recently completed a review which demonstrated income generated against costs across all services. He agreed to circulate the review outcomes to Committee Members.

- (vii) Benchmarking – The Council had previously had a more formal benchmarking process with other Authorities, but, whilst it was still possible to benchmark in areas such as Treasury Management, different ways of allocating central costs and resource limitations made it difficult to compare like with like.
- (viii) Subsidies – The current subsidy level across all community facilities was £100,000 per annum. The Executive Head of Business was carrying out a review of all subsidies to community facilities. It was vital, given limited resources, that the Council ensured that subsidies gained maximum benefit to the community.
- (ix) Lobbying – The Council had regular meetings with Michael Gove MP and lobbied the Local Government Association and the Department for Communities and Local Government (DCLG). As a result, the DCLG were proposing to use this Council as an exemplar on property purchase and the Government had taken measures to mitigate the impact of cuts in the Settlement allocated to the Borough.

Resolved, that

- (i) **The Executive be advised to urgently consider establishing a Task and Finish Group to consider subsidies;**
- (ii) **The Executive Head of Finance be asked to circulate to Members the outcomes of his review of the allocation of corporate costs to front facing departments; and**
- (iii) **The Executive Head of Business be asked to circulate, when available, the outcomes of his review into subsidies allocated to community organisations.**

41/PF Quarterly Financial Report

The Committee received a report on the position of the Council Finances, as at 31 December 2015, focussing in particular on Revenue, Treasury and Capital.

The Senior Accountant indicated that this report represented the 3rd Quarter position for the Council's finances. After meeting the annual savings target of £250,000, the Council was predicted to end the year £14,000 under budget, which represented just over 0.1% of the overall net revenue budget.

The Council was currently under budget on wages, after the vacancy margin and it was predicted that an underspend of £40,000 would be achieved by year end, with wages being the same, in cash terms as they were ten years ago.

Whilst some departments had predicted that income targets may not be met, these would be offset by reductions and additional income elsewhere.

The Capital spend had been high in 2015/16. Of the total programme of £19.773 million for the year, £17.458 million had been spent to date, of which, almost £17 million had been spent on property acquisition, funded through borrowing from the Public Works Loans Board and/or the Local Enterprise Partnership.

Sundry debts, which included all debts other than those related to benefits, totalled £739,000, an increase of £133,000 on the previous Quarter. £338,000 of this debt related to quarterly rents due.

At £611,000, Housing Benefits debt was down £32,000 on the previous Quarter.

Members sought clarification on the following:

- (i) Although the Council had over-achieved against overall savings targets and whilst recognising that some variances will be cyclical, Members queried why there continued to be large variances against financial targets?
- (ii) Whilst the report indicated that savings of £250,000 had been achieved, the tables reported an adverse outcome of £246,000 on corporate savings. Was this adverse because the savings were in addition to those targeted or not achieved?
- (iii) There was a large increase reported in debtors, but no guidance on whether this was a positive or negative outcome;
- (iv) 90% of Council staff were at the top of their grades. Why was this?
- (v) When did the Council previously carry out a skills, capability and capacity review?
- (vi) In terms of capital loans, what rate of interest did the Council pay and over what period?

The Committee noted that staffing was under constant review, particularly in relation to comparisons with other authorities and the possibility of sharing staff with other Councils. It was noted that, in the past 10 years, the number of support staff had been reduced as technology improved, but there continued to be areas of Council work, notably in Planning, where recruiting difficulties were experienced.

Resolved, that

- (i) **the Executive Head of Finance be asked to provide more qualitative data on**

- **Large variances against individual savings targets;**
 - **The current level of debtors in comparison to previous years; and**
 - **The interest rates on capital loans.**
- (ii) **The Executive Head of Transformation be asked to provide explanations on:**
- **The current position where 90% of staff were on the top increment of their grades;**
 - **When the Council last carried out a skills, capability and capacity review.**

42/PF Regulation of Investigatory Powers Act 2000 - Annual Report on Authorisations

The Committee noted that, during the municipal year 2015/16, there had been no authorisations, reviews or renewals under RIPA for the carrying out of direct surveillance. Members highlighted other options that would negate the need for RIPA authorisations, including magistrates' orders, noting that the council had yet to use RIPA since it had been in place.

Noted, that there were no authorisations for directed surveillance granted during the 2015/16 municipal year.

43/PF Work Programme

The Democratic and Electoral Services Officer reported that, under Part 4 of the Constitution, Committees were expected to agree their work programme for the ensuing year at the last meeting of the previous year. The exceptions were in election years and when a new committee was formed.

The Committee noted that meetings had been scheduled for:

15 June 2016;
28 September 2016;
7 December 2016; and
22 March 2017.

It was recognised that, in the run-up to the European Union Referendum, in addition to staff being diverted to electoral processes, the Council Chamber would be utilised for Postal Vote processes. As such, it was proposed that the meeting scheduled for 15 June be postponed to 6 July 2016. It was also noted that Surrey County Council elections would be held in May 2017 and that the timetable of meetings should reflect the commitment of Council officers and other resources to that election process.

The Committee agreed, in principle, to a work programme based on the previous year, subject to more detailed consideration through the Slack Group and confirmation at the first meeting of the new municipal year.

Resolved, that

- (i) **The Committee meeting scheduled for 15 June 2016 be re-arranged to 6 July 2016; and**
- (ii) **The Committee Work Programme for the municipal year 2016/17, listed below, be agreed in principle, subject to confirmation at the Committee's 6 July 2016 meeting.**

DATE	TOPIC	OFFICER
6 July 2016		
1	Scrutiny of Portfolio Holders	Andrew Crawford
2	End of Year Performance – 2015/16	Sarah Groom
3	Update on Work of Housing Team	Clive Jinman
4	Progress on Surrey Heath Partnership Projects	Sarah Groom
5	Expenditure on Professional Advisors	Kelvin Menon
6	Task and Finish Groups	Lead Officer
7	Committee Work Programme	Andrew Crawford
28 September 2016		
1	Scrutiny of Portfolio Holders	Andrew Crawford
2	Review of Reserves and Provisions	Kelvin Menon
3	Update on Emergency Planning and Business Continuity	Tim Pashen
4	Update on the Joint Waste contract	Tim Pashen
5	Update on Independent Living	Tim Pashen
6	Air Quality Monitoring	James Robinson
7	Task and Finish Groups	
8	Annual Report on the Treasury Management	Kelvin Menon
9	Committee Work Programme	Andrew Crawford
7 December 2016		

1	Scrutiny of Portfolio Holders	Andrew Crawford
2	Half Year Treasury Management Report	Kelvin Menon
3	Half Year Finance Report	Kelvin Menon
4	Report on Equalities	Belinda Tam & Sarah Groom
5	Report on Complaints and Report of the Local Government Ombudsman	Lyn Smith
6	Task and Finish Groups	Lead Officer
7	Committee Work Programme	Andrew Crawford

22 March 2017

1	Scrutiny of Portfolio Holders	Andrew Crawford
2	Third Quarter Finance Report	Kelvin Menon
3	Corporate Risk	Kelvin Menon
4	RIPA	Julia Hutley-Savage
5	Task and Finish Groups	Lead Officer
6	Committee Work Programme 2014/15	Andrew Crawford

44/PF Exclusion of the Press and Public

In accordance with Section 100(A)(4) of the Local Government Act 1972, the press and public were excluded from the meeting for the following items of business on the ground that they involved the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the Act as set out below:

Minute Paragraph(s)

46/PF 3

Note: Minute 48/PF is a summary of matters considered in Part II of the agenda, the minutes of which it is considered should remain confidential at the present time.

Councillor Wynne Price (Vice-Chairman) in the Chair

45/PF Exempt Minutes

The exempt minutes of the previous meeting, held on 27 January 2016, were approved and signed by the Chairman.

46/PF Task and Finish Groups

The Committee received a briefing on work to date by the Task and Finish Group and agreed that the group should continue its investigations and report back to the next meeting.

47/PF Review of Exempt Items

The Committee reviewed the minute which had been considered at the meeting following the exclusion of members of the press and public, as it involved the likely disclosure of exempt information.

RESOLVED that Minutes 34/PF and 48/PF remain exempt for the present time.

Chairman