

**Minutes of a Meeting of the
Performance and Finance Scrutiny
Committee held at Surrey Heath House
on 7 December 2016**

+ Cllr Alan McClafferty (Chairman)
+ Cllr Jonathan Lytle (Vice Chairman)

+ Cllr David Allen	+ Cllr Oliver Lewis
+ 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 David Lewis	+ Cllr Victoria Wheeler

+ Present
- Apologies for absence presented

Substitutes: Cllr Katia Malcaus Cooper (for Cllr Chris Pitt)

In Attendance: Cllr Richard Brooks, Cllr Mrs Vivienne Chapman, Cllr Paul Deach, Cllr Colin Dougan, Cllr Moira Gibson, Cllr David Mansfield, Cllr Charlotte Morley and Cllr Valerie White.

17/PF Chairman's Announcements

The Chairman welcomed Members and Officers to the meeting. He indicated that, in accordance with the Constitution, the Member Call-in would be dealt with after housekeeping items. Because the item was exempt, members of the press and public would be excluded from the meeting for consideration of this item, after which the meeting would move back into the open agenda.

18/PF Minutes

The minutes of the previous meeting, held on 28 September 2016, were agreed and signed by the Chairman.

19/PF Scrutiny of Finance and Transformation Portfolios

The Chairman reminded Members that the Committee had requested written submissions from Portfolio Holders, to be circulated with the agendas. On that basis, it would be assumed that the Portfolio Holders would not need to go into the detail provided and would highlight key issues. Members would be encouraged to submit questions in advance, so fuller responses could be provided at the meeting.

Finance – In response to Members' questions, Cllr Richard Brooks noted the following:

- (i) 4 Year Settlement – The Council faced a 4 year settlement from the Government in which it's grant would be Nil in year 3 and negative in Year

4. The Council had responded to the offer rejecting the principle of a negative grant and seeking reconsideration.

From a net budget of £11 – 12 million, the Council had already had a reduction of £3 million, plus £1 million reduction to come, without any factoring-in of inflation. This represented a loss against its previous budget of between 30 and 40%;

- (ii) Localisation of Business Rates – Although 100% of business rates would be retained locally, this Council would receive around 1% and would inherit a number of risks/liabilities which would be difficult to quantify, such as the cost of appeals and back-payment of any overpayment of business rates for periods of up to 5 years.
- (iii) New Responsibilities – Councils were being allocated new responsibilities, such as the Council Tax Support Scheme, where Government funding was time limited.
- (iv) Property Acquisition – Given that many of the services that the Council provided and would wish to, were discretionary, and the prospect of a negative grant, the Council was looking to new and innovative ways to bring in revenue, including property acquisition where this was deemed to be appropriate.

Transformation – Councillor Colin Dougan indicated the following in response to Members' questions:

- (i) Local Enterprise Partnership (LEP) – The Council had benefited from grants and loans from the LEP for improvements to various aspects of the Borough. However, it was anticipated that funding for LEPs could be significantly reduced in the Autumn Statement.

Referring in particular to funding for Public Realm, the Council had submitted a bid for £6 million to achieve a common theme for the Public Realm across all of the Town Centre. The success of the bid was yet to be established.

- (ii) Surrey Heath House – The Council had some considerable success in attracting other organisations into Surrey Heath House, including Surrey Police, Surrey County Council, the Surrey Heath Clinical Commissioning Group and the Department of Works and Pensions (Job Centre Plus). Other Authorities were now seeking to attract external bodies in the same way, which would present a challenge to this Council.
- (iii) Community Leases – All community leases had been moved under Corporate Property. The purpose for this was to get realistic rent and best value. The leases had been moved onto a proper business footing, calculated on the Council's behalf by Hampshire County Council. Community organisations could then seek a grant to assist in paying the commercial value.

- (iv) One Public Estate – There was a drive to bring together the Health and Council estate nationally under the One Public Estate project. The Executive Head of Regulatory would be project managing the Council's input, but, as previously indicated, Surrey Heath House accommodated a range of authorities, assisting in efforts to achieve joined up working.
- (v) New Businesses – The Council was seeking to provide an environment where new businesses would be attracted to Surrey Heath and existing businesses would be maintained and grow within the Borough. This could be evidenced in Frazer Nash, a world leading organisation in electric vehicle technology, expanding their research and development base in the Borough and the efforts of the Transformation Team to assist in the development of the Frimley Business Group.

The Chairman thanked both Portfolio Holders and noted that the Corporate and Regulatory Portfolio Holders would attend the March 2017 Committee meeting.

Resolved, that the presentations by the Finance and Transformation Portfolio Holders be noted.

20/PF Complaints and the Local Government Ombudsman's Annual Report

The Committee considered a report on the Council's corporate complaints monitoring arrangements, lessons learned from complaints and Local Government Ombudsman complaints received for the financial year 2015/16.

The Executive Head of Corporate reported that Stage 1 complaints tended to be informal complaints which would be resolved by individual Services and that the report focussed on Stage 2 and 3 complaints, of which there had been a total of 32. Stage 2 complaints were formal complaints, normally resulting from the complainant being dissatisfied with the outcome of the informal route. Stage 3 reports were considered by the Chief Executive.

Across Local Authorities, the majority of complaints were on regulatory matters. This was reflected in the report, where 17 complaints related to regulatory matters. It was noted that, whilst complaints should be avoided, the Council used lessons learned to improve services.

The Council's internal auditors would be inspecting the complaints processes as part of this year's planned audit work and steps had been taken to ensure that all complaints were registered through the Contact Centre.

Local Government Ombudsman – 12 complaints had been submitted to the Local Government Ombudsman. Of these, 4 had been closed without further action, 5 had been referred back for consideration by the Council, 2 were ongoing and only one had been upheld. This Council compared well to other Surrey Authorities and in the one case upheld, had taken steps to rectify the complainant's concerns.

Resolved, that the report be noted.

21/PF Mid-Year Performance Report

The Committee considered a report reviewing performance in the first 6 months of the financial year.

The Transformation Team Manager reported that the report format echoed that of the Annual Plan. She referred Members to the success measures reported to the previous meeting and gave an explanation on the underperformance on Benefit Claims and sports pitch usage.

Whilst welcoming the new format, Members referred to a lack of clarity in format and data presentation/reporting in some areas and requested greater consistency. When reporting on seasonal activities, such as football pitch usage, Members requested that adjustments be made to reflect the seasonal variations and present a more accurate, real-time position.

Resolved, that

- (i) The report be noted; and**
- (ii) Officers be asked to ensure consistency in format/data presentation, including incorporation of realistic seasonal adjustments.**

22/PF 1/2 Year Treasury Management Report

The Committee considered a report on the performance of the Treasury Management Service for 2016/17 as at 30 September 2016, including investment and borrowing for the first 6 months of the year and an illustration of the Council's compliance to-date with the Prudential Indicators for 2016/17.

The Executive Head of Finance reported that the Council was exceeding its budgeted treasury income by £32,000, or 20%. The Authority had invested substantial sums of money. This exposed it to financial risk, including the loss of invested funds and the revenue effect of changing interest rates.

As at 31 March 2016, the Council's Capital Financing Requirement (CFR) was £18.1 million. Usable reserves and working capital stood at £20.4 million and the Authority had £17.9 million of external borrowing, as well as £27.7 million of investments. It was predicted that the CFR would need to rise over the next 3 years due to the capital programme and likely further investment in property.

The Council had raised its borrowing limit in November 2016 from £132 million to £167 million, with an anticipation that up to £157 million would be borrowed to fund further property investment.

The report highlighted borrowing activity, emphasising the importance of ensuring security of capital, updated on the 'Counterparty' position and demonstrated the Council's compliance with Prudential Indicators and the requirements of the CIPFA Code of Practice on Treasury Management.

Resolved, that the report be noted.

23/PF 1/2 Year Finance Report

The Executive Head of Finance provided an update on the Revenue, Treasury and Capital position for the Council, as at 30 September 2016. This was the 2nd quarter monitoring report against the approved 2016/17 budget, covering services, wages and salaries, the Capital Budget, treasury investments and debts, covering both sundry and housing benefit debts.

Members considered a detailed breakdown of the revenue budget and what individual services had achieved against the targets set.

During the period covered, £1,929,000 had been spent on capital projects, of which the largest share, £945,000, had been spent on the acquisition of commercial properties. Other significant expenditure had been £464,000 on Disabled Facilities Grants, which had attracted additional grant income from Surrey County Council.

Sundry debts at 30 September 2016 amounted to £884,000, which compared with £610,000 for the same period the previous year and the Housing Benefit debts balance was £629,000.

Resolved, that the report be noted.

24/PF Task and Finish Groups

Impact of Benefits Changes on the Council and Residents - The Chairman reported that, following discussions at a previous meeting, he had consulted the Council Leader and the Leader of the Other Group and had held a preliminary meeting on the impact of benefit cuts on the Council and residents. 8 Members had now put their names forward for a task and finish group to review possible impacts and a meeting would be called shortly.

25/PF Committee Work Programme

The Committee considered report on a work programme for 22 March 2017, the final meeting of 2016/17.

The Chairman reported that Councillors Josephine Hawkins and Charlotte Morley had agreed to attend for the Portfolio Scrutiny item. He emphasised that the new format of the Portfolio Scrutiny item would be that Portfolio Holders would submit written reports and would not, therefore need to go through the contents thereof in any detail. In general, questions should relate to the Portfolio Holders' reports and Members were asked, where possible, to submit their questions in advance, through the Chairman.

The Chairman referred Members to the officer reports which now included Executive Summaries. These summaries would be further developed for future meetings, but it would be incumbent on Committee Members to read these in advance of the meetings in which they were to be considered.

The Executive Head of Finance noted that the Treasury Management report was presented twice a year and the Review of Reserves and Provisions was considered each year at the September meeting. Both items would be deleted from the work programme for the March 2017 meeting.

The Committee was reminded that it would be necessary, at the March meeting, to set the Committee work programme for 2017/18.

Members agreed the following work programme for the March 2017 Committee meeting:

DATE	TOPIC	OFFICER
22 March 2017		
1	Scrutiny of Portfolio Holders – Regulatory/ Corporate	Jenny Rickard/ Richard Payne
2	3 rd Quarter Finance Report	Kelvin Menon
3	Corporate Risk	Kelvin Menon
4	Regulatory linked reports (Housing?)	Jenny Rickard
5	Committee Task and Finish Groups	Andrew Crawford
6	Committee Work Programme 2017/18	Andrew Crawford

Resolved, that the Committee Work Programme for the remainder of 2016/17, as indicated above, be agreed.

26/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)
27/P	3
28/P	3

Note: Minute 27/P is a summary of matters considered in Part II of the agenda, the minute of which it is considered should remain confidential at the present time.

27/PF Member Call-in

The committee considered a Member call-in on a property acquisition and made recommendations to the Executive.

28/PF Review of Exempt Items

The Committee reviewed the report 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 minute 27/PF and the associated agenda report remain exempt for the present time.

Chairman