

## **Performance and Finance Select Committee**

22 May 2019 – At a meeting of the Performance and Finance Select Committee held at 10.30 am at County Hall, Chichester.

Present: Mr Montyn (Chairman)

|                  |             |                              |
|------------------|-------------|------------------------------|
| Mr Catchpole     | Mr Lea      | Mr Jones                     |
| Mr Barrett-Miles | Mrs Sparkes | Ms Lord, left at 1.08pm      |
| Mr Crow          | Mr Turner   | Ms Goldsmith, left at 2.40pm |
| Mr Fitzjohn      | Mr Waight   | Mr Hunt, left at 2.40pm      |
| Mrs Kitchen      | Dr Walsh    | Mr Lanzer, left at 2.45pm    |

Apologies were received from Mr Cloake, Mr Edwards and Mr Smytherman.

### **Part I**

#### **1. Declarations of Interest**

1.1 Mrs Sparkes declared a personal interest as a Member and Cabinet Member for Finance and Resources at Worthing Borough Council.

1.2 Mr Waight declared a personal interest in relation to PropCo Joint Venture as a buy to let property owner.

1.3 Dr Walsh declared a personal interest in relation to PropCo Joint Venture as Leader in nomination of Arun District Council.

1.4 Mr Lea declared a personal interest in relation to PropCo Joint Venture as a Member of Mid Sussex District Council.

#### **2. Minutes of the last meeting of the Committee**

2.1 Resolved – That the Minutes of the Performance and Finance Select Committee held on 20 March 2019 be approved as a correct record and that they be signed by the Chairman.

#### **3. Responses to Recommendations**

3.1 The Committee received a response from the Cabinet Member for Finance and Resources regarding the Budget Process Timeline.

3.2 The Committee received a response from the Chairman of the Children and Young People's Services Select Committee (CYPSSC) regarding the Committee's requests for updates concerning school transport, provision and cost of residential placements, and supporting schools to keep pupils within mainstream environments. The Chairman noted that no timeline was given regarding residential placements and will raise this with the Chairman of CYPSSC.

3.3 Resolved – That the Committee notes the responses from the Cabinet Member for Finance and Resources and the Chairman of the Children and Young People’s Services Select Committee.

#### **4. Business Planning Group Appointments**

4.1 The Committee expressed its thanks to Mrs Dennis for her contribution to scrutiny whilst appointed to the Performance and Finance Select Committee.

4.2 Resolved:

- 1) That the Committee appoints Mr Montyn, Mr Catchpole, Mr Crow, and Dr Walsh to the Business Planning Group for the period of one year; and
- 2) That the Committee agrees, following the appointment of Mr Jones to the vacant seat on this Committee at Council on 7 June, that Mr Jones be appointed to the Business Planning Group to fill the remaining vacancy.

#### **5. PropCo Joint Venture**

5.1 The Committee considered the property development arrangements report from the Executive Director of Place Services (copy appended to the signed minutes). The Chairman welcomed Emma Davies, Director of Engineering, Design and Project Management (UK & Europe) at Faithful + Gould, who attended for this item.

5.2 The Cabinet Member for Finance and Resources introduced the report and highlighted key information for the Committee. The Council does not have the appetite for the risk involved in developing surplus land as the sole developer and therefore wishes to seek a development partner with expertise to assist; a Joint Venture (JV) arrangement would reduce the potential benefits of development by half but would also halve the potential risk to the Council. The PropCo Panel have considered the options and recommended entering into a JV partnership. The detail involved in this is to be explored over the coming 12-15 months as the Council need to maximise the potential return from surplus land, and the Cabinet Member will consider all points raised by this Committee.

5.3 The Executive Director of Place Services introduced the report and highlighted that there were three options available to the Council – to sell the land, develop it as the sole developer, or to enter into a JV and develop alongside a partner which is the preferred option. The Council wishes to avoid the risk of developers acquiring the land but not developing it due to uncertainty in the property market. A JV partnership option provides an acceptable level of risk and greater rewards than selling un-developed land, and developing surplus land sites over a long period of 15-20 years would help to smooth out the fluctuation of land prices. Initial set-up costs have been benchmarked against other local authorities who have entered into JV partnerships and the requirement is £700k.

5.4 The Committee made comments in relation to the property development arrangements report including those that follow. It:

- Noted the budget pressures being faced by the Council and acknowledged the need to fully explore income opportunities where possible in order to support services. Political and financial risks must be acknowledged in the use of reserves to maximise income and a more cautious approach taken compared to private investors, however development should proceed and residents wish to see vacant sites developed and used rather than sitting idle.
- Queried how much it is currently costing to maintain and provide security for the surplus land the Council is holding. The Executive Director of Place Services will provide an estimate of this cost to the Committee.
- Commented that the current PropCo programme arrangements work too slowly, and the Committee hope a JV arrangement would bring sites to development more quickly. Recognised that the current arrangements are not adequate and support changes to the process in order to benefit from new income sources. *The Leader acknowledged Member frustration with the slow speed of the PropCo programme, and this highlights the need to proceed with the JV which would support development at a faster pace.*
- Encouraged further scrutiny of the surplus sites to be included in the JV package and reiterated the need for local Members to be kept informed of developments in their local areas. *The Leader assured the Committee that the local Member for a development would be included and engaged.*
- Requested that progress of the JV partnership be scrutinised after 12 months operation, and before any sites are included for the second tranche of development.
- Acknowledged the need for up-front investment in the JV partnership but queried when the returns from the development could expect to be realised as funds are needed to support service provision now. There appeared to be a long gap between spending and returns. *The Cabinet Member for Finance and Resources explained that the expected returns from the partnership are to assist with the Council's anticipated needs in future years rather than current budget needs.*
- Expressed concerns regarding the longer-term financing of the JV, the leveraging of Council land to fund the project, and the possibility of the Council needing to provide extra funding if the land isn't of sufficiently high value. *The Executive Director of Place Services explained a 50/50 JV partnership is essential as it prevents either partner locking out the other. The Council bring into the JV its surplus land, which would be valued via an agreed method during set-up of the JV, and the partner brings development knowledge. Therefore, if the land brought did not equal 50% of the cost the Council would have to top-up to 50% of the costs. Proceeding would be subject to an assessment of site viability and if this was not favourable then the site may either be held for future development, kept out of the JV or sold for a return. Ms Davies commented that developments won't proceed where there is not a return as it is an equal risk for both parties.*

- Commented that the potential to lend to the developer as a third party was a very high-risk strategy with public money and should be avoided.
- Stated that strong governance arrangements are key to the operation and success of the JV partnership and requested that the Committee review this at the appropriate time.
- Expressed concern that a 'competitive dialogue' procurement process is not used in selecting a JV partner. *The Cabinet Member for Finance and Resources shared the Committee's concerns.*
- Queried what would happen if the JV partner went into administration and whether the Council would have to finance the programme in entirety. *Ms Davies explained that up-front due diligence is important, and that the contract and supporting documentation will cover the eventuality of administration of the development partner. This may include the right for the Council to step into the contract with the sub-contractor which would save the Council money.*
- Recognised that the decision presented needs to be agreed but felt further scrutiny is required before officers take the delegated decisions included within the report (recommendations 2 and 3). *The Cabinet Member for Finance and Resources explained that there is a need to proceed with the decision in order to explore the JV option and address the Committee's concerns, and that if the decision is taken it will be done so in full cognisance of the Committee's feedback.*
- Requested a further report is brought before the Committee when details of the partnership have been further developed, prior to tender documents being drawn up, and before the further Cabinet Member decision on entering into the JV partnership. The report should address the principles of the partnership, governance arrangements and cost/benefit analysis.
- Requested that the Committee's Business Planning Group (BPG) be engaged in how the questions raised by the committee are answered and taken forwards.
- Highlighted the need to include the provision of affordable housing within the JV developments. This needs to be affordable to local people on an average wage, in addition to social housing. The Council should work with District and Borough Councils to achieve this. *The Executive Director of Place Services explained that affordable or social housing must be looked at via the local plan and in line with policy, and is therefore a dialogue with local councils. The JV partnership would not be the appropriate vehicle for creating affordable or social housing as it would not maximise the income possible for the sites, however it could be considered on other surplus Council land not included in the JV.*
- Expressed concern that there is no over-arching strategy for the Council to manage its land portfolio and recommended that a strategy is developed on how surplus Council land is dealt with and how the Council can include building affordable/social housing within this.

## 5.5 Resolved:

- 1) That the Committee recognise the slow progress of developments and that options for maximising returns from assets need to be explored;
- 2) That the Committee request a further report is brought before the Committee when details of the JV partnership have been further developed. This report should address the principles of the partnership, sites to be included, governance arrangements and cost/benefit analysis. This should be before any further decisions are taken and tender documents drawn up;
- 3) That the Committee recommend that the local Members are consulted on sites to be included in the JV arrangement;
- 4) That the Committee recognise governance arrangements for the JV partnership are key to its operation and success, and request that the Committee review this at an appropriate time;
- 5) That the Committee request that a strategy is developed on how the Council deal with surplus land and how affordable and social housing can be built into this;
- 6) That the Committee raised a number of concerns which the Cabinet Member for Finance and Resources be asked to take into consideration ahead of taking the decision;
- 7) That the Committee BPG be engaged in how the questions raised by the Committee are answered or taken forwards; and
- 8) That the Committee recognise the decision recommendation no 1. in the report is to go ahead, however recommend that further scrutiny should take place before further decisions by officers (recommendations 2. and 3.) are taken forwards.

## **6. Budget Timetable 2020/21**

6.1 The Committee considered the 2020/21 Budget Timetable report from the Director of Finance and Support Services (copy appended to the signed minutes).

6.2 The Director of Finance and Support Services introduced the report and explained that the timetable aims to address Member issues with the previous year's budget setting. Uncertainty remains regarding the timetable for government's announcement of funding for the Council.

6.3 The Committee made comments in relation to the budget timetable report including those that follow. It:

- Welcomed the proposed timetable and earlier Member insight and input to the budget.
- Commented that the government's late announcement of the Council's settlement figure is not helpful in budget setting and queried whether pressure can be exerted through the Local Government Association (LGA) for an earlier announcement. *The Leader commented that she met with MPs recently and highlighted*

*outstanding issues including the fair funding review, adult social care green paper, social care precept, and business rates. The late funding announcement was stressed with MPs but is still expected to be late this year.*

- Commented that during the budget process it must be made clear to Members, service users and officers when decisions that feed in to the 2020/21 budget are being taken and when they become effective. *The Leader commented that most of the decisions taken over the next 6-9 months will be working towards the 2020/21 budget.*
- Highlighted the forthcoming Budget Member Day and encouraged all Members to attend to engage with the budget process. Members stated that when considering plans for the Member Day officers need to clearly stress the financial challenges being faced, and must clarify the decision-making process regarding savings and how it fits with the approval of the budget in February. Members asked that this day also provide some view to future year's budgets. *The Cabinet Member for Finance and Resources confirmed the session plans to over the next two financial years.*
- Suggested a newsletter be considered to keep Members informed of the budget progress. *The Director of Finance and Support Services will consider the newsletter suggestion and ensure Members are updated once the settlement information is received.*
- Commented that a light touch review of the budget process be undertaken after the budget is set to gauge whether the amended timeline was successful.

#### 6.4 Resolved:

- 1) That the Committee supports the timeline presented and recognise issues with the lateness of national announcements in regarding finance;
- 2) That the Committee requests clarity for all members on the decision-making process around savings be provided, including how this fits with approval of the budget in February;
- 3) That the Committee recommends the Member Day in June very clearly sets out the financial challenges the Council faces;
- 4) That the Committee requests regular information is provided to all members as the budget process is progressed to ensure informed engagement; and
- 5) That the Committee reviews the process after setting the budget in February 2020.

## **7. Total Performance Monitor as at end of March 2019 and Outturn 2018/19**

7.1 The Committee considered the Total Performance Monitor (TPM) as at end of March 2019 and Outturn 2018/19 report from the Director of Finance and Support Services (copy appended to the signed minutes).

7.2 The Director of Finance and Support Services introduced the finance element of the TPM report, highlighting that the overspend has been mitigated by non-portfolio and contingency funds to come to a balanced budget position. This was aided by additional funding in the last settlement announcement regarding business rates plus funds from the improved Better Care Fund. Significant budget pressure is anticipated in the coming year due to the investment required in children's services.

7.3 The Committee made comments in relation to the finance element of the TPM including those that follow. It:

- Noted in relation to the section 151 officer's report that budget margins have become tighter and reiterated the need to make this known to the government. *The Cabinet Member for Finance and Resources confirmed this is regularly raised with central government, Ministers, the County Council Network and the LGA.*
- Recognised that the Better care Fund is only available for the current year and if no further funding is received there will be a large financial challenge to be mitigated.
- Queried where the £3m saving has come from in the IPEH programme. *The Director of Finance and Support Services will provide the information.*
- Queried where an additional £5m funding pledged to Children's Services by the Chief Executive has come from. *The Director of Finance and Support Services will provide this extra information to the Committee.*
- Commented that the lessons learned in this outturn TPM report should inform the 2020/21 budget process.
- Noted the Highways overspend due to issues with awarding the new maintenance contract and requested the Cabinet Member for Highways and Infrastructure be asked to clarify what is causing the repeated pressures on the highways budget.
- Commented in relation to highway white lining pressures that in the 2018/19 budget an extra 1% was pledged for white lining and signs, and queried how this money had been spent. *The Director of Finance and Support Services will provide the detail of this spend.*
- Noted the overspend in Facilities Management for reactive maintenance and cleaning and queried why the causes were not foreseen. *The Cabinet Member for Corporate Relations will seek clarification for the Committee.*

7.4 The Head of Intelligence and Performance introduced the performance element of the TPM report, and highlighted that three quarters of the 68 performance indicators had been met or nearly met including child healthy weight, key stage 2 attainment, cycle paths and delayed transfers of care. Failed indicators were highlighted and further narrative provided on each in the report.

7.5 The Committee made comments in relation to the performance element of the TPM including those that follow. It:

- Members expressed concern that the KPIs for the Best Start of Life priority do not reflect the reality within the service and the concerns shown in the recent Ofsted report, nor highlight 'danger' areas for Members, and requested that in future issues these should be clearly highlighted within the TPM report for wider Member

awareness outside of the individual Select committees. *The Head of Intelligence and Performance commented that the KPIs support the current West Sussex Plan and therefore may not be relevant to the issues picked up in the Ofsted report, however it is possible to access more detailed information on each of the measures via the performance dashboard online. The Director of Finance and Support Services commented that a more detailed look at this could be undertaken by the Children and Young People's Select Committee (CYPSSC).*

- Recommended that Select Committees should take greater responsibility for performance issues relevant to their portfolio.
- Expressed concern that measure 35 'calls to critical fires' was near but most likely short of target due to a lack of retained firefighters. The Chairman of the Environment, Communities and Fire Select Committee commented that there is a lack of retained firefighters within the county and a task and finish group has been established to look at the impact of this plus the emergency response standard to reflect current arrangements.

7.6 The Director of Human Resources and Organisational Change introduced the workforce element of the TPM report, highlighting an additional KPI for total headcount which has been added to the report. The current turnover rate of staff is 14.3% so this will be an area of focus. The rate of sickness within the council is higher than the average which is possibly due to the way the system records sickness and is unable to exclude weekend days where needed. The cost of spend on agency staff is significantly reduced, saving £1m against the target of £0.5m, and this is being very closely managed. It is intended to bring a more in-depth assessment of workforce analysis for the full year 2018/19, including appraisal return figures, to the next meeting of this Committee

7.7 The Committee made comments in relation to the workforce element of the TPM including those that follow. It:

- Queried whether it was possible to change the system of recording attendance and sickness to better reflect the true picture of absence. *The Director of Human Resources and Organisational Change explained that this wouldn't be possible without large cost or administering this outside of the Council. The system counts weekends as sick days, which is a necessary facility as some staff work weekends, however it then skews the wider figures.*
- Requested that the Director of Human Resources and Organisational Change look into whether productivity could be measured across the organisation to demonstrate staff performance and effectiveness. *The Director of Human Resources and Organisational Change will consider this suggestion and provide information to the Committee in due course.*

7.8 The Cabinet Member for Corporate Resources introduced the transformation element of the TPM report, highlighting that a newsletter is being reviewed that will update Members on specifics of the transformation projects.

7.9 The Committee made comments in relation to the transformation element of the TPM including those that follow. It:



- Noted the £6.5m contribution added to the transformation fund in 2019/20 and queried which budget this was allocated from. *The Director of Finance and Support Services explained that it was summarised within the Corporate Resources budget reserve in the 2019/20 budget.*

7.10 Resolved:

- 1) That the Committee requests extra information be provided on the £3m IPEH savings;
- 2) That the Committee asks the Leader to continue to lobby the government on the funding situation;
- 3) That the Committee expresses concern regarding the KPIs used and how they reflect what is actually happening within services, and requests that officers highlight any 'danger' issues at the right time and in an appropriate place;
- 4) That the service Select Committees take greater responsibility for performance issues relevant to their portfolio responsibilities;
- 5) That the Committee refer a review of the Best Start in Life KPIs to the Children and Young People's Services Select Committee (CYPSSC) to ensure they are relevant; and
- 6) That the Committee requests officers consider how staff productivity across the Council could be measured.

## **8. Capital Programme Quarter 4 Performance Monitor Report and Outturn 2018/19**

8.1 The Committee considered the capital programme quarter 4 and outturn 2018/19 performance monitor report by the Executive Director of Place Services (copy appended to the signed minutes).

8.2 The Capital Programme Manager introduced the report and summarised key aspects of this end of year report. A full year of pipeline data now provides a good baseline for future years. Projects that were dropped from the programme are detailed in the report. The RAG status over the year shows steady performance and projects judged Red are detailed for the Committee.

8.3 The Committee were satisfied with the clear information presented and thanked the Capital Programme Manager for the end of year report.

8.4 Resolved - That the Committee reviewed and noted the March 2019 and outturn 2018/19 capital programme performance monitor report.

## **9. Annual Scrutiny Performance 2018-19**

9.1 The Committee considered the Annual Scrutiny Performance 2018/19 report from the Director of Law and Assurance and Head of Democratic Services (copy appended to the signed minutes).

9.2 The Head of Democratic Services introduced the report and highlighted key information for the Committee, with the results of the annual scrutiny member survey demonstrating frustration with some aspects of the scrutiny process. Select Committees have a good appetite for external witnesses, informal briefings outside of Committee, and engagement with the Youth Cabinet. There is a need to focus more on outcomes in the annual report and to identify how best to measure the effectiveness of scrutiny. A Member Day is due to be held in September with the Centre for Public Scrutiny (CfPS) to review scrutiny at the Council and the new national scrutiny guidance.

9.3 The Committee made comments in relation to the annual scrutiny performance report including those that follow. It:

- Thanked the Head of Democratic Services for this useful review of scrutiny within the county.
- Commented that the scrutiny survey should be distributed in electronic format in future years rather than paper to enable Members to respond anonymously, to save paper and to encourage response rates. *The Head of Democratic Services agreed that this could be actioned.*
- Expressed concern regarding the reduction in Members feeling select committees were able to influence decisions appropriately and commented that scrutiny must be more proactive, robust and add value to decisions. *The Head of Democratic Services confirmed that a Member Day would take place in September with a focus on scrutiny arrangements, including the use of performance information. The outcomes from the session would feed into the scrutiny work programme for the next 2 years.*
- Stressed the importance of scrutiny needing to be independent and raised a suggestion that Chairmen should be appointed by the committees in a secret ballot.
- Suggested that more minority party Members should be appointed to the roles of Chairmen and Vice Chairmen.
- Queried whether the recent corporate peer review highlighted any areas that require attention. *The Head of Democratic Services explained that the peer review did not focus on scrutiny arrangements, but scrutiny may benefit from an independent view especially in light of the recent MHCLG guidance that needs to be considered.*
- Acknowledged the inevitably reactive nature of select committees, in addition to necessary regular items such as the budget, but expressed support for a more pro-active approach to scrutiny. It was suggested that best practice in other authorities and the private sector could also be considered alongside risk.
- Commented that more officer time and support resource is required to help Members enquire into issues arising.

9.4 A Member of the Committee proposed some suggested recommendations regarding scrutiny that the Committee may wish to consider, following on from the recent Ofsted report which demonstrates the need for effective, independent and comprehensive scrutiny. The suggested recommendations are set out below and it was recognised that

a change to the Constitution of the Council may be required to enable these suggestions:

- To encourage scrutiny to be independent of decision makers, the Chairman and Vice Chairman could be elected by the Committee via secret ballot;
- To enable comprehensive scrutiny Committees could hear from non-members with relevant knowledge. Members who do not sit on the Committee could be given the right to speak on one agenda item, and the option of speaking on further items at the Chairman's discretion (and claim expenses for their attendance);
- To ensure all views are included in the scrutiny process all Members could have the right to sit on at least one service select committee.

9.5 The Committee discussed the suggested recommendations and made comments including those that follow. It:

- Expressed some support for Select Committee Chairmanship being selected from within by secret ballot or appointed from the opposition party to encourage robust scrutiny, highlighted that this has worked well at some local councils, and recommended this suggestion be put to the Governance Committee for consideration.
- Did not support making the suggested recommendations and commented that it isn't for this Committee to make recommendations of this nature; amendments such as these would require wider Member engagement and the involvement of the Governance Committee.

9.6 Resolved - That a review of scrutiny is undertaken by the Governance Committee to consider the national guidance and best practice on scrutiny including consideration on appointing Chairmen and Vice Chairmen of Committees.

## **10. Forward Plan of Key Decisions**

10.1 The Committee considered the Forward Plan of Key Decisions (copy appended to the signed minutes).

10.2 Resolved – That the Forward Plan be noted.

## **11. Date of the Next Meeting**

11.1 The Committee notes its next meeting will take place on 12 July 2019, commencing at 10:30am.

The meeting ended at 3.25 pm

Chairman