

Performance and Finance Scrutiny Committee

9 July 2020 – At a meeting of the Performance and Finance Scrutiny Committee held at 10.30 am at Virtual meeting with restricted public access.

Present:	Cllr J Dennis (Chairman)	
Cllr Catchpole	Cllr M Jones	Cllr Turner
Cllr Barling, left at 11.26am	Cllr Kitchen	Cllr Waight
Cllr Barrett-Miles, left at 1.46pm	Cllr Montyn	Cllr Walsh
Cllr Boram	Cllr Smytherman, left at 1.45pm	
Cllr Bradford	Cllr Sparkes	

Apologies were received from Cllr Edwards

Also in attendance: Cllr Hunt and Cllr Lanzer

Part I

70. Declarations of Interest

70.1 Cllr Walsh declared a personal interest in relation to the Financial Impacts of COVID-19 item as Leader of Arun District Council.

70.2 Cllr Smytherman declared a personal interest in relation to the 2020/21 Scrutiny Work Programme item [climate change] as a Member of Worthing Borough Council.

70.3 Cllr M Jones declared a personal interest in relation to the In-sourcing financial services from Support Services Outsource Contract item as a member of Unison.

71. Minutes of the last meeting of the Committee

71.1 Resolved – That the Minutes of the meeting held on 22 May 2020 be approved as a correct record and that they be signed by the Chairman.

72. Financial Implications of Covid-19

72.1 The Committee considered the financial implications of COVID-19 report from the Director of Finance and Support Services (copy appended to the signed minutes).

72.2 The Director of Finance and Support Services introduced the report and highlighted that the report reflects the state of affairs at publication; since 2 July further Government funding has been announced and an additional £500m will be available to local authorities to replace loss of income or to pay the deficit on collection funds, however the allocation of this has not yet been detailed. The projected budget gap for 2020/21 and Medium-term Financial Strategy (MTFS) will be updated once the detailed allocation of funds is known. At this time a budget gap for 2020/21 is

predicted on an estimated scale of £34m to £50m. Uncertainty remains around the cost of the COVID-19 response, future economic recovery within the county, and the expected receipt from Council Tax as a result of increased unemployment. The financial situation is currently reactive, with Government funds coming after the necessary spend; the Council would welcome further support from the Government and, in particular, more funding certainty for the current and next financial year.

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

- Welcomed this update report providing Members with a strategic overview of the effect of COVID-19 on the Council's finances, and thanked the Finance team for their work in such uncertain times.
- Queried whether there was any indication as to the Government's intentions regarding funding of the COVID-19 effort, and whether it aims to reimburse the additional expense fully or partly. *The Cabinet Member for Finance commented that the initial indication was for expense to be fully funded; the Council has received £36.4m to date and awaits a further announcement. Modelling commissioned by the County Council Network estimates council tax revenue will be 5-6% lower than expected which would equate to the Council's income being reduced by £25m.*
- Commented that the report does not enable scrutiny of the estimated costs and forecast predictions for future years, and requested that future reports must include the key assumptions that underlie the forecasted figures and issues, and also address the risk around the assumptions.
- Commented that given the emergency nature of the impact on finances, could the normal rules preventing councils from borrowing to fund revenue expenditure be relaxed in order to allow a loan or bond to be taken over a long period. *The Cabinet Member for Finance explained this had been discussed with officers but no new guidance has been given; a letter was sent to the Chancellor recently raising this point and lobbying for flexibility.*
- Suggested an alternative approach of relaxing the capitalisation of revenue expenditure so the COVID-19 impact could be capitalised from revenue expenditure instead. *The Cabinet Member for Finance explained the capitalisation is restricted to use for transformational purposes.*
- Expressed concern regarding the growing shortfall expected from the Council Tax precept this year, commented that district and borough councils are also facing a growing shortfall from Council Tax collection, and queried whether the Council would consider sharing the burden of deficit with the district and borough councils rather than taking a full precept amount. *The Cabinet Member for Finance commented that discussions continue however district and borough councils haven't reported issues with payment of the agreed precept. The Director of Finance and Support Services confirmed regular dialogue is in place with district and borough councils, and that government is developing a process to spread the deficit owed over three years.*
- Expressed concern regarding the impact upon residents resulting from the need to use either reserve funds or serious service reductions required to fund the budget deficit, which will compound

upon service reductions over the previous ten years. Commented that use of reserves should be considered rather than reducing services, or alternatively consider prudent borrowing to take advantage of low interest rates. *The Cabinet Member for Finance commented that the use of reserves will be considered but that the Council must maintain financial resilience. Prudent borrowing will be considered pending further funding announcements from the Government expected in the autumn Budget Statement.*

- Sought reassurance that the Council are not near to issuing a Section 114 notice. *The Cabinet Member for Finance commented that the Council is not needing to issue a section 114 notice at this point in time. The Director of Finance and Support Services added that the biggest issue the Council faces is uncertainty. The gap for this year and the next three years is estimated in the papers to be presented at Full Council on 17 July and, assuming there is no second wave of COVID-19, a gap at the lower end could be resolved without significant reductions to frontline services. Certainty on the budget gap should increase through the autumn as the effect of a potential reduction in Council Tax revenue becomes clearer.*
- Supported continued lobbying of the Government for extra funding and certainty of funding. *The Cabinet Member for Finance encouraged all Members to lobby their MP on the need for clarity and certainty for Local Government.*
- Chairman encouraged all Members to attend and input their priorities to the budget plans at the Member Budget Day on 31 July.
- Queried in relation to the potential reduction to the Local Enterprise Partnership (LEP) funding necessary to deliver significant road schemes within the county, whether road schemes are likely to receive less funding and if so which schemes. A Member sought reassurance the A259 scheme at Littlehampton/Angmering will continue. *The Cabinet Member for Economy and Corporate Resources explained the Government has withheld one third of LEP funds and requested projects be re-justified; the Council confirmed to the LEP all projects could be completed and is awaiting confirmation from the LEP that funding will be received. Information will be provided for the Committee on the schemes being funded by the LEP.*
- Queried what work has been undertaken with the business sector to determine the likely route and speed of economic recovery. *The Cabinet Member for Economy and Corporate Resources explained engagement with forums and stakeholders has been undertaken to create an Economy Recovery Plan which aims to address issues in the Gatwick Diamond, Sussex rural economy, and coastal town areas. The Plan will go before Cabinet in July for endorsement followed by consultation with stakeholders. The Plan will come before this Committee for comment at its September meeting, and then for Cabinet's final endorsement in October.*
- Commented that British Airways (BA) and Gatwick Airport Limited are the largest employers in West Sussex and, following uncertainty on BA's continued operation at Gatwick, queried whether the Council has sufficient oversight and influence regarding BA's operation. Expressed concern that BA have cancelled the travel voucher scheme offered at the beginning of the COVID-19

lockdown. *The Cabinet Member for Economy and Corporate Resources undertook to look into the matters raised.*

- Expressed concern that Adult Social Care may see increased demands as a result of COVID-19 for the current and future years, queried how the MTFS is being used to consider this, and encouraged lobbying of Government for extra funding for social care. *The Director of Finance and Support Services confirmed the latest MTFS projections will be given at July Full Council. Pressures are expected via increased cost and increased demand, and this will remain under review through the budget process.*
- Queried whether there are plans in place to support the care market or individual care homes in West Sussex if needed. *The Director of Finance and Support Services explained that the Adults team are working to understand the pressures and risk that COVID-19 presents within adult social care and the local care market.* The Chairman of the Health and Adults Social Care Scrutiny Committee (HASC) confirmed that the Committee are monitoring this matter.

72.4 Resolved:

- 1) That the Committee welcome the Economic Recovery Plan coming to the Committee for scrutiny at its September meeting;
- 2) That the Committee support the continued lobbying of Government for extra funding and certainty, particularly in relation to social care;
- 3) That the Committee recognise the Council's need to look at ways to meet our budget gap, that this should include the potential use of reserves and prudent borrowing if relevant, and that any savings should form part of the ongoing budget considerations;
- 4) That all Members be encouraged to attend and input their priorities to the budget plans at the Member Budget Day on 31 July;
- 5) That future papers on COVID-19 finance must include the underlying assumptions and risks so an assessment around that can be made by the Committee;
- 6) That the Cabinet Member for Economy and Corporate Relations provide information on the LEP schemes and projects; and
- 7) That the Committee recognise the need for clarity from government on the funding details.

73. Treasury Management Annual report

73.1 The Committee considered the Treasury Management Annual Report 2019/20 from the Director of Finance and Support Services (copy appended to the signed minutes).

73.2 The Cabinet Member for Finance introduced the report and noted that it is reporting on the position before most of the effects from COVID-

19 were seen. The Cabinet Member thanked the treasury management team for a well-managed year with no breaches of the Strategy.

73.3 The Financial Reporting Manager introduced the report, highlighting that Brexit was a key issue for treasury management activities throughout 2019/20, and the market volatility due to COVID-19 was only evident at the end of the year. Borrowing rates are low, but bank interest rates have also fallen; pooled investment funds were performing well and have helped to mitigate the lower rate of return, but they should be viewed over the long term.

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

- Thanked the treasury management team for a very comprehensive report and their diligent management throughout the year.
- Commented in relation to the £100m borrowed to pay for internal borrowing that this was a wise and well-timed decision which created a return in a challenging financial environment.
- Queried how risk is monitored, and how often this is reviewed and policy changed as a result. *The Financial Reporting Manager explained the treasury team receive regular risk updates provided by the Council's advisor which the team follow closely in addition to updates from the Chartered Institute of Public Finance and Accountancy (CIPFA) and other professional bodies.*

73.5 Resolved:

- 1) That the Committee thank officers for a very comprehensive report and good management of the funds over 2019/20; and
- 2) That the Committee recognise the impact of COVID-19 and the need to reflect the implications in future budget plans and the Treasury Management Strategy.

74. 2019/20 Scrutiny Annual Report and 2020/21 Work Programme

74.1 The Committee considered the 2019/20 Scrutiny Annual Report from the Director of Law and Assurance (copy appended to the signed minutes).

74.2 The Head of Democratic Services introduced the report which has an updated format to make it more accessible and focused on outcomes. Scrutiny activity at the Council has continued through the COVID-19 pandemic, unlike a number of other councils, and this should be highlighted as a success.

74.3 The Committee made comments in relation to the 2019/20 Scrutiny Annual Report including those that follow. It:

- Thanked officers for a helpful report, and thanked Democratic Services staff for their excellent Member support through the year.
- Commented, as only 19 responses were received out of 70 Members, that perhaps the Member Scrutiny Survey is overlooked and suggested small feedback workshops by Committee or political group may give a better rate of feedback. *The Head of Democratic*

Services commented that feedback workshops or sessions after the last Committee meeting of the year could be considered.

- Commented that the Report cannot show the outcomes of the difference scrutiny makes to service outcomes for residents, and suggested that successes should be noted in the Committee meetings. *The Head of Democratic Services agreed that showing soft influence is a challenge for all councils, and welcomed comments on how to do this. Framing results and considering possible outcomes at the work planning stage could be useful.*
- Noted the feedback that less than half of Members responding to the survey felt scrutiny reflects issues of greatest public concern/importance, and queried whether the survey comments provided guidance on how Business Planning Groups could improve this aspect. *The Head of Democratic Services will share the details of the survey with the Committee Chairmen and BPGs, but there were no comments received to explain this point.*
- Queried how many suggestions for scrutiny topics were received from the public via the website form and how many were taken up. Suggested that potential matters for scrutiny could be requested from the public via pro-active press releases put out ahead of Business Planning Group (BPG) meetings, via standing item on County Local Committee (CLC) meeting agendas, or by including public questions at Scrutiny Committee meetings. *The Head of Democratic Services explained suggestions were mostly received from members of the public via their local Member, but also from interested partner agencies, charities etc. Scrutiny committees all have a standing agenda item for Members to raise suggestions, and any Member can make a suggestion directly to a Committee Chairman or Committee member.*
- Highlighted the need for better business and agenda planning to ensure timely and effective influence, as reports provided are sometimes superseded before the meeting takes place, and the importance of scrutiny focusing on the policy and strategy issues rather than detailed delivery methods.
- Regarding the Council's organisational culture and attitude, commented that there are still some concerns around this, evidenced by Unison not being formally recognised for negotiating annual pay reviews by the Council. *The Head of Democratic Services commented that the Governance Committee was reporting to Full Council in July on the organisation culture and should also highlight the timeliness of reports coming to Committee.*
- Queried whether any joint scrutiny was planned with district and borough councils in the wake of the COVID-19 pandemic. *The Head of Democratic Services confirmed there is a network in place to consider joint scrutiny if suggested topics arise.*

74.4 The Committee considered the 2020/21 Work Programme report from the Director of Law and Assurance (copy appended to the signed minutes).

74.5 The Head of Democratic Services introduced the 2020/21 work programme, and highlighted the need for the programme to be flexible at this time, whilst remaining mindful of Member and officer capacity to support demands on the scrutiny committee work programmes. The

scrutiny committee Chairmen outlined the priorities of their committees as supported by their committee work programmes.

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

- Queried whether there will be further opportunities after the Committee's September meeting to review the Council's Reset process, and suggested this be included in the Committee's November Project Day. The Chairman confirmed the Reset process will be a focus of the Committee's Project Day in November.
- Queried whether, subsequent to the July Budget/Savings Member Day, there will be a further Member Day on the Budget. *The Director of Finance and Support Services confirmed the 2021/22 budget progress could also be incorporated into the Committee's November Project Day.*
- Sought reassurance that opportunities will be scheduled for scrutiny of the reset Capital Programme and proposals for the prioritisation of schemes. *The Cabinet Member for Finance confirmed this will happen as part of the budget process.*
- Queried whether the Treasury Management Strategy 2021/22 should be scrutinised earlier than December/January. *The Cabinet Member for Finance confirmed this is part of the usual budget process as it needs to reflect the Council's borrowing requirements and would therefore be presented for scrutiny in January. No significant changes are expected, however if this became the case it could be brought forward if necessary.*
- Commented that the cross-cutting Home to School Transport Task and Finish Group (TFG) should be a priority due to increased costs from COVID-19. *The Head of Democratic Services explained the formation of this TFG is due to be discussed soon, and details will be confirmed to the Committee in due course.*
- Agreed that the proposed Scrutiny Committee Work Programmes were appropriate and prioritised the most critical items.
- Commented that joint scrutiny with district and borough councils on climate change could be considered. The Chairman of the Environment and Communities Scrutiny Committee (ECSC) agreed this was a good suggestion, and confirmed that the Committee will give it consideration and review with service leads.

74.7 The Chairman thanked officers for a comprehensive report and acknowledge the increased volume of scrutiny that will be required as a result of the COVID-19 effect on Council finances.

74.8 Resolved:

- 1) That the Committee agree the PFSC work programme, and support the service Scrutiny Committee work programmes;
- 2) That the Committee recognise the importance of agenda planning around the timing of items coming to Committee, the importance of scrutiny focusing on policy and strategy issues rather than detailed delivery methods, the need to develop a mechanism to highlight the outcomes of scrutiny and the difference it makes to our residents, the need to look at different ways of gathering Member feedback on

the effectiveness of scrutiny, and the need to find ways to engage with the public and receive their priorities for scrutiny;

- 3) That Members of the Committee should attend the Committee's Project Day on 12 November which will include details of the plans and priorities of the reset work, and an update on the 2020/21 budget process; and that
- 4) The Committee noted that the Environment and Communities Scrutiny Committee would consider climate change as a topic for future scrutiny.

75. In-sourcing financial services from Support Services Outsource Contract

75.1 The Committee considered the Insourcing financial services from Support Services Outsource (SSO) Contract report from the Director of Finance and Support Services (copy appended to the signed minutes).

75.2 The Cabinet Member for Economy and Corporate Resources introduced the report and informed the Committee that the proposed in-sourcing of the financial services team would offer greater flexibility and enable the team to offer improved features to customers, including implementing the Minimum Income Guarantee (MIG).

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

- Commented that the report states the increased pension costs of £160k will be from the "Current cost envelope for service delivery", and queried what changes will be made to make the £160k available. *The Director of Finance and Support Services confirmed the exact cost rise due to pension auto-enrolment will not be known until the end of the TUPE process, but the salary and pension costs will be met from the Council's Capita contract budget.*
- Commented that the information is incomplete and insufficient, that the report is not very clear on the financial and resource implications of the decision, and requested clarity on how the estimated saving will be realised. *The Director of Finance and Support Services clarified that the proposed in-source aims to achieve qualitative improvements rather than financial savings. A reduction in the Capita contract price has been agreed to take into account the cost of the staff TUPE'ing to the Council (excluding pension costs). A benefit was agreed on top of this to fund a Project Manager to oversee the transfer and manage the backlog of work. The in-source is a neutral situation and no saving is due to be made as part of this.*
- Requested that the decision report be clarified ahead of the Cabinet Member taking the decision, in particular to clarify the financial and staffing implications and the costs involved to in-source the service.
- Queried the reason driving the decision which appears to be being taken quickly given the SSO contract is due to end in two years. *The Cabinet Member for Economy and Corporate Resources explained it is a pragmatic approach and shows a readiness to review service planning. Discussions on in-sourcing financial*

services have been ongoing for some time already; there is no urgency to the decision other than to fit into the timetabled process.

- A Member commented his own research has shown there are delays in obtaining information requested from Capita to enable Council staff to effectively recover debt, which often prejudices recovery, and queried how much has not been recovered due to Capita delays. *The Cabinet Member for Economy and Corporate Resources will look into this matter for the Committee.*
- A Member commented his own research has shown safeguarding matters are often identified by Council staff that have not been picked up in Capita processes, including potential mis-use of funds by representatives, which results in delays in raising safeguarding alerts and queried whether this is a reason for the in-sourcing. *The Cabinet Member for Economy and Corporate Resources will look into this matter for the Committee.*
- Sought clarity on the £350k lost by the Council as a result of the 18month delay in implementing the decision taken to reduce the MIG rate. *The Director of Finance and Support Services explained there have been issues preventing implementation of the MIG as planned, and following discussions with Capita the agreement to in-source financial services will allow the Council to begin its implementation.*
- A Member requested that the Leader give consideration to asking external researchers and Unison to examine the Council's outsourcing project as a whole, to establish the true cost of the Council's move to outsource services and the subsequent piecemeal in-sourcing of services at later dates. Commented that such changes to services often results in human suffering and delays to service provision. *The Cabinet Member for Economy and Corporate Resources commented that the focus should be on internal scrutiny of the decision rather than recommending external research via Consultants. The Director of Finance and Support Services added that the Council have commenced procuring a benchmarking exercise to help inform the work of the TFG due to meet in the summer to look at the future of the SSO contract and that this point could also be covered by the TFG.*

75.4 Resolved:

- 1) That the Committee recognise the reasons for the decision are more qualitative than financial;
- 2) That the Committee request the decision report be updated before the decision is taken by the Cabinet Member for Economy and Corporate Resources in order to clarify the financial implications of the decision; and
- 3) That the Committee support the proposal decision for in-sourcing financial services provided the extra financial implication information is included in the Cabinet Members decision report.

76. Forward Plan of Key Decisions

76.1 The Committee considered the Forward Plan of Key Decisions (copy appended to the signed minutes). No additional items for scrutiny were identified.

76.2 Resolved – That the Forward Plan be noted.

77. Possible Items for Future Scrutiny

77.1 A Member commented that the Committee may wish to scrutinise the stalled progress of developing the Novartis site in Horsham which is of local concern. The Committee agreed to bring the request to the next Business Planning Group meeting for discussion and supported Novartis being added to the Committee's work programme for agreement by Full Council.

77.2 The Chairman agreed to the propose climate change scrutiny being added to the ECFSC work programme for agreement by Full Council.

78. Date of Next Meeting

78.1 The Committee notes its next meeting will take place on 10 September 2020, commencing at 10.30am.

The meeting ended at 2.26 pm

Chairman