

Performance and Finance Select Committee

17 January 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	Mrs Mullins	Mr Burrett, arrived at
Mr Barrett-Miles	Mr Smytherman	10.59.
Mr Cloake	Mr Turner	Mr Elkins
Mr Crow	Mr Waight	Mrs Jupp
Mrs Dennis	Dr Walsh	Ms Kennard
Mr Fitzjohn	Ms Goldsmith	Mr Marshall, left at
Mrs Kitchen	Mr Hunt	2.28pm.
Mr Lea	Mr Lanzer	Mrs Urquhart

Apologies were received from Mr Edwards

Also in attendance: Mr S J Oakley, Mrs Purnell and Mr Jones

Part I

75. Declarations of Interest

75.1 Mr Cloake declared a personal interest in relation to the Draft Budget item as his wife works as a social worker for the Council and he is a foster carer.

75.2 Mr Fitzjohn declared personal interests in relation to the Draft Budget item as his wife works for the Council in the IPEH Team and to the Draft Revenue Budget item (Chichester Harbour Conservancy) as substitute member of the Chichester Harbour Conservancy.

75.3 Dr Walsh declared personal interests in relation to the Draft Budget item as an Arun District Councillor and to the Draft Revenue Budget item (Chichester Harbour Conservancy) as a member of the Littlehampton Harbour Board.

75.4 Mr Lea declared a personal interest in relation to the Draft Budget item as a Mid Sussex District Councillor.

75.5 Mr Waight declared a personal interest in relation to the Draft Budget item as a Worthing Borough Councillor.

75.6 Mr Turner declared a personal interest in relation to the Draft Budget item as a Worthing Borough Councillor.

75.7 Mr Smytherman declared a personal interest in relation to the Draft Budget item as a Worthing Borough Councillor.

75.8 Mr Barrett-Miles declared a personal interest in relation to the Draft Budget item as a Mid Sussex District Councillor.

75.9 Mr Hunt declared a personal interest in relation to the Draft Revenue Budget item (Chichester Harbour Conservancy) as Chairman of the Chichester Harbour Conservancy.

75.10 Mr Montyn declared a personal interest in relation to the Draft Revenue Budget item (Chichester Harbour Conservancy) as a member of the Chichester Harbour Conservancy.

75.11 Ms Goldsmith declared a personal interest in relation to the Draft Budget item (Capital Strategy – A29 realignment) as a member of the Local Enterprise Partnership Board.

76. Minutes of the last meeting of the Committee

76.1 Resolved – That the Minutes of the Performance and Finance Select Committee held on 22 November 2018 be approved as a correct record and that they be signed by the Chairman.

77. Draft Medium Term Financial Strategy 2019/20 to 2022/23, Draft Revenue Budget 2019/20, Draft Capital Strategy 2019/20 to 2023/24, and Draft Treasury Management Strategy Statement 2019/20

77.1 The Committee received a report by the Director of Finance, Performance and Procurement (copy appended to the signed minutes). The Chairman welcomed the Cabinet, Chief Executive, Executive Leadership Team and Finance officers attending for the budget item.

77.2 The Cabinet Member for Finance and Resources introduced the budget Introduction and Medium Term Financial Strategy (MTFS) sections of the report and highlighted key information. By next year £240m of savings will have been made since 2010; the further savings proposals in the report are difficult decisions, have been scrutinised at the relevant Select Committees, and work has been undertaken to mitigate any effect on communities. The Council will present a balanced budget for 2019/20 whilst maintaining good financial reserves which is due to the hard work of Members and Officers. The proposed 4.99% rise to rates of Council Tax has not been recommended lightly and is proposed in order to prevent further reductions in Council services; the Cabinet continue to lobby the Government for fairer funding of local authorities.

77.3 The Director of Finance, Performance and Procurement introduced the budget Introduction and MTFS sections of the report, highlighting updates to the report since it was previously scrutinised by the Committee. The budget gap stands currently at £46m and the budget has been set in the context of this funding gap.

77.4 The Committee made comments in relation to the budget Introduction and MTFS sections of the report including those that follow. It:

- Expressed support for future plans to bring savings proposals before Members earlier in the budget cycle to allow more dialogue, commented that notifying stakeholders earlier would be beneficial for volunteer-led organisations who may be less resilient to change, and commented that Members hope this would also enable better engagement to be undertaken with affected service users and relevant local authorities who may be impacted by any change. Members stressed the need for full impact assessments to take place, both in terms of finance and risk. *The Leader commented that where services are provided in excess of the statutory obligation and are proposed to be reduced, the Cabinet Member seeks reassurance the measure is safe and legal, and a high level assessment is undertaken in order to reduce risk to the Council.*
- Queried whether a rise in Council Tax in excess of 5% had been considered in order to raise more funding, or whether residents could instead be given the option to pay a higher rate if desired. *The Leader confirmed this had not been considered, and noted that a rise above the permitted level would require a referendum to take place which would cost £0.5M to undertake. Due regard must be given to residents who are just about managing and the proposed 4.99% rise is significant; it is important for the Council to manage within our budget means. The Cabinet Member for Finance and Resources commented the proposed approach is prudent whilst Brexit is negotiated, and suggested the option to pay a higher rate of Council Tax could be included in the next What Matters to You? survey in order to gauge whether this would be supported by residents.*
- Commented that the Council should look at more innovative ways of increasing revenue and income. *The Leader commented that Members will hear more regarding commercialisation in due course.*
- Commented that the Council will be more reliant in future on Business Rate revenues, noting that this could be adversely affected under a Labour government, and urged the Cabinet to take a cautious approach now in order to allow flexibility in future.
- Queried in relation to schools funding of the high needs block whether any future grant is possible to cover this funding gap rather than using reserves. Council lobbying of the Government has so far been unsuccessful and Members queried whether anything more can be done to further this. *The Director of Finance, Performance and Procurement explained the Government gave £1.8m additional funding for the high needs block in 2018/19 and 2019/20 however the Council's need is in excess of this. Growth has been built into the MTFs, and the Council's investment in Special Support Centres aims to help this need whilst the lobbying of Government is building pace.*
- Commented that the increase of up to 15% for energy costs to schools appears high and queried whether there was a collective buying agreement in place. *The Director of Finance, Performance and Procurement will clarify and provide this information to the Committee.*
- Commented that best use needs to be obtained from children's residential units within the county to prevent increased costs. A Member commented they had been informed that Cissbury Lodge staff are being paid whilst not working at the unit which is costly.

The Cabinet Member for Children and Young People explained Beechfield is temporarily closed with a decision on its future expected in February; Seaside is currently not being used, Cissbury Lodge and May House are to be included in a review of the county's residential needs which will report in March and include an assessment of how these facilities should be used in future. Staff from Cissbury Lodge have been redeployed elsewhere in the interim.

77.5 Resolved in relation to the budget Introduction and Medium Term Financial Strategy (MTFS) sections of the report:

- 1) That the Committee welcome bringing the work and review of savings proposals forward for 2020/21, support the need for increased consultation and dialogue with all those affected, and stress the need for full impact assessments to take place;
- 2) That the Committee asks the Cabinet to look closely at Council Tax and future increases;
- 3) That the Committee would like to see Cabinet looking at innovative ways to raise revenue as well as make savings, and there needs to be a balance;
- 4) That the Committee notes the Council's dependency in the future on Business Rate revenue and recognizes that this will need to be closely monitored; and
- 5) That the Committee emphasises the need to continue to lobby the Government for extra funding.

77.6 The Director of Finance, Performance and Procurement introduced the Revenue Budget Proposals section of the report, noting that this provided the finer detail of the budget.

77.7 The Committee made comments in relation to the Revenue Budget Proposals section of the report including those that follow. It:

- Noted comments from the Member Day highlighting savings proposals being made outside of the budget process, and expressed concern that savings proposals are being made throughout the year rather than as one which makes it difficult for Members to take a strategic overview of all savings.
- Expressed support for the efficiency improvements and £1.5m saving to be delivered via the Whole Council Design (WCD) project, queried whether the changes will also deliver improved organisational productivity, and stated clear measurement of productivity is required in order to see improvements are achieved. *The Chief Executive explained efficiencies and effectiveness will be improved via the rollout of the West Sussex Way, and this will result in increased productivity within the organisation. All Members are encouraged to attend the Member Day in March which will show how the WCD changes will be implemented.*
- Commented that £11m was held in the service transformation reserve, noted that £3.9m has been spent on the Step Up

programme this year plus £1.1m for voluntary redundancies, and commented that some upfront savings are needed. *The Chief Executive explained the Step Up programme will cost £8.5m but a £20m benefit is expected, therefore £2.50 is saved for each £1 spent on the programme.*

- Commented that the report highlights the need to reduce the workforce to achieve the desired transformation, and queried how many posts were to be reduced and whether this would be achieved via redundancies. *The Chief Executive explained that to exist within the budget the size of the organisation will need to reduce in relation to physical space, contracts to run the organisation, and staffing. There will be no compulsory redundancies; unstaffed vacancies will be reviewed plus natural staff turnover in a three year cycle, and possible further voluntary redundancies may be considered in due course.*
- Queried the budget for the Transformation Portfolio office and what the review of staff terms and conditions would involve. *The Chief Executive confirmed there are 14 staff employed in the Team to take forward the transformation projects. The terms and conditions review would involve a wholesale review with the Unions on all staffing terms and conditions.*
- Commented that the Government green paper on Adult Social Care is still awaited and very overdue, and queried whether increased pressure can be brought on this by the Council and via County Council's Network (CCN). *The Leader commented that this will be raised at the next executive meeting of the CCN and noted that the CCN Chairman has been very effective in pushing this issue; dialogue has begun with Matt Hancock, Secretary of State for Health and Social Care, but the Government must also address NHS integration and social care.*
- Noted that the reductions in service and cost savings from the Local Assistance Network (LAN) and Housing Related Support are happening quickly and questioned whether there was enough time for providers to put in place alternative financial arrangements. A Member suggested the savings were steep and proposed a lower level of reduction. *The Cabinet Member for Finance and Resources noted the suggestion. The reduction has been previously debated at Health and Adult Social Care Select Committee (HASC) and Full Council, resulting in this proposed saving. The Cabinet Member for Adults and Health has listened to Member comments and extended the lead-in time to one year to allow organisations to make the necessary preparations.*
- Queried the reason for the significant 143% net rise to spend on the Domestic Abuse service from 2018/19 and queried whether this was due to a rise in cases. *The Director of Finance, Performance and Procurement will clarify and provide this information to the Committee.*
- Expressed concern regarding the savings in the Fire Intervention and Prevention Team, in particular in relation to removing the Safe Drive Stay Alive programme which has had a very clear and positive impact on the number of persons killed or seriously injured (KSI) within the county, and queried how the pressure on this target is going to be maintained without the programme. Members commented on whether alternative sources of funding have been

sought and that if external funding cannot be found then the programme should be funded by the Council budget as the service should continue to operate. *The Chairman of the Environment, Communities and Fire Select Committee (ECFSC) commented that Committee has asked to review the impact of finding alternative sources of funding for Safe Drive Stay Alive and requested the decision be delayed until that review is complete. The Cabinet Member for Finance and Resources noted that the figures remain in the savings plan as there is contingency in the budget fund which can be used to continue the programme if alternative ways of funding are not found.*

- Queried how many families were accessing the Intentionally Homeless Service and whether this was affected by the introduction of Universal Credit. *The Director of Finance, Performance and Procurement explained there has been a growth in intentionally homeless people, with an increase of a further 14 families forecast in 2019/20. Due to the way in which Universal Credit is paid there is a risk that this will add to the net cost that the Council incurs, but, until it has been rolled out across West Sussex, it will not be possible to say this for certain.*
- Expressed concern regarding the significant saving expected from the holistic review of the Integrated Prevention and Early Help (IPEH) initiative. *The Director of Finance, Performance and Procurement explained that the IPEH initiative has now run for two years and the outcomes are being reviewed, as recommended by the recent LGA Peer Review, to ensure funds are being targeted in the right places for the most effective outcome.*
- Commented that transport for children with Special Educational Needs and Disabilities (SEND) should be looked at again to see if efficiencies can be made. *The Chairman of the Children and Young People's Select Committee (CYPS) highlighted that SEND transport is a statutory requirement that the Council has to provide. The Cabinet Member for Education and Skills noted that officers have looked at removing transport for pre-school children, however since publication of the Committee's papers this saving has been removed as alternative savings have been found within the Directorate. This may however be looked at again in the future.*
- Queried the District and Borough councils' responses to the proposed amendment to recycling credits. Members further queried whether providing evidence of the authorities' spend on improving recycling was set as a requirement when the agreements were initially made, and whether there had been an improvement in recycling rates. *The Chairman of ECFSC clarified that two responses were received. Mid Sussex District Council agreed with the proposal, and the other 6 authorities disagreed but did not provide evidence to support their disagreement, therefore ECFSC upheld the decision as the authorities had not delivered on the obligation. The Cabinet Member for Environment explained the monies had been given in excess of the required rate however no proof has been provided that monies had been used for the purpose of improving recycling rates. The improvement in recycling rates has been due to activity undertaken by West Sussex County Council initiatives. It is proposed in future to take account of residual rates (weight) as well*

as the percentage of waste recycled in order to set the required measure.

- Queried in relation to the upfront payment made to the Pension Scheme rather than the existing monthly payment, whether the actuary will require the Council to repay the difference if the expected added value isn't achieved. The papers should clarify that whilst a saving is made in-year the implications of doing so could be either positive or negative. *The Director of Finance, Performance and Procurement confirmed any shortfall would need to be repaid, however based on the estimates of the Finance team the upfront payment could be financially beneficial.*
- Commented that further savings may be found in the Communications Team budget.
- Queried whether there is a significant cost to the Council regarding the Chichester Harbour Conservancy. *The Leader explained it is a precept on the Council from the Chichester Harbour Conservancy and Littlehampton Harbour Board.*
- Commented that the proposed reduction in the Community Initiative Fund (CIF) is included within a Cabinet Member decision listed in the Forward Plan. Feedback from County Local Committees is that some smaller groups are struggling to engage with crowd funding and losing out, whereas larger more experienced organisations often receive repeated funding. *The Chairman of ECFSC reported a wide range of views from Members when the CIF proposal was heard at that Committee, however the Committee recommended that funding be budgeted for in full and the underspend sent to a reserve. He confirmed that a full review of CIF is due to be undertaken shortly, and the findings and recommendations from the review will be scrutinised by ECFSC in June.*

77.8 Resolved in relation to the Revenue Budget Proposals section of the report:

- 6) That the Committee request the Cabinet maintain lobbying pressure on the Government to improve funding for adult social care and review of Education fair funding;
- 7) That the Committee would like to see clear measurement put in place to show the effectiveness of the Whole Council Design project, what outcomes have been achieved, how productivity has been improved, and that a clear process to monitor the progress of the programme be put in place;
- 8) That the Committee express concern regarding the savings in the Fire Intervention and Prevention Team, in particular to the Safe Drive Stay Alive programme, and that alternative funding is sourced in order for this service to continue;
- 9) That the Committee welcome the future review of the Community Initiative Fund by ECFSC; and
- 10) That the Committee reiterates the need to review savings and identify any alternatives to provision earlier in the budget process.

77.9 The Director of Finance, Performance and Procurement introduced the Capital Strategy section of the report.

77.10 The Committee made comments in relation to the Capital Strategy section of the report including those that follow. It:

- Commented that buying commercial property for income is not an area of expertise for the Council, that it carries an element of risk, and queried whether this was wise in the current climate. *The Cabinet Member for Finance and Resources explained that the Council are coming to commercial property acquisition late when compared to other similar authorities. Significant due diligence is undertaken and expert advice taken before acquisition. A purchase in Manor Royal, Crawley, has been made which provides a good return and whilst there is an element of risk it is a good investment over 10-15 years as the Council benefits from the income plus capital growth.*
- A Member further commented that the acquisitions could be more bold, but encouraged the Cabinet Member to avoid investing in shopping centres due to the retail downturn. It is understood officers are looking to invest in 'moving-on' property for care leavers, and a Member commented that this should be looked at in areas across the county rather than just in one area. *The Director of Finance, Performance and Procurement confirmed officers are looking generally for the right property and it is not area specific.*
- Commented that there is a lack of transparency regarding commercial property acquisitions, for example by whom and when the decisions are taken, due to the time pressure involved. *The Leader suggested all Members may benefit from receiving a brief update after decisions have been taken regarding commercial property acquisitions.* The Committee supported this.
- Commented in relation to external debt/internal borrowing projections (Annex 2 Appendix 6c) that total borrowing to March 2019 is £478m however borrowing then reduces, and queried whether this is because there is no projected capital programme after 2023/24 or whether £300m would need to be borrowed by 2029. *The Director of Finance, Performance and Procurement explained that the assumption in the table is that beyond the current Capital Programme there will be £20m required per year. This assumption is based on the previous average and will continue to be revised yearly. The Council had fallen behind on Capital Expenditure and therefore the current Capital Programme requires more Capital Borrowing than previously in order to improve standards within the county.*
- Commented that a member had been informed some fire appliances in current use are 15 years old and that maintaining older vehicles must be significantly more costly. Members requested an analysis of costs for old vs. new vehicles, and queried when new appliances can be expected. *The Cabinet Member for Safer, Stronger Communities commented that all vehicles are operational and new equipment has been provided. There will be an assessment of new and old vehicles and the Service is also considering electric appliances. An analysis of costs for old vs. new vehicles will be provided to the Committee.*

- Expressed concern regarding the county-wide LED street-lighting project as the pilot scheme in Crawley was called off due to resident objections concerning the new lighting, and requested information on the expected savings from this project. *The Director of Finance, Performance and Procurement explained that the Crawley pilot was halted in favour of a larger project, and information will be provided on the expected savings.*

77.11 Resolved in relation to the Capital Strategy section of the report - 11) That the Committee recognise the need to look carefully at property investments and returns, with each case being considered separately in terms of risk, and that scrutiny of individual business cases takes place when/if appropriate.

77.12 The Director of Finance, Performance and Procurement introduced the Treasury Management Strategy Statement (TMSS) and Prudential Indicator sections of the report, noting this provides the Strategy to support the Capital Programme and the Council's approach to borrowing and investment.

77.13 The Committee made comments in relation to the TMSS and Prudential Indicator sections of the report including those that follow. It:

- Commented in relation to the revenue impact of the capital programme that both Net Revenue Expenditure and capital financing charges go up each year. Borrowing should be prudent; the capital financing charges in 2023/24 increase by 23.8% compared with 2019/20, which is a cost that must be found. Scrutiny of capital as well as the revenue programme is therefore important. Members commented that when savings are being sought the effect of borrowing repayments on the revenue budget should be reviewed. *The Director of Finance, Performance and Procurement explained the capital finance charges run through the revenue budget in two elements: 1/3 repayment of capital and 2/3 interest on external borrowing. The Cabinet Member for Finance and Resources commented that officers were exploring options regarding forward borrowing in order to take advantage of low rates of interest for borrowing required in future years, and this would be a prudent approach.*

77.14 Resolved in relation to the TMSS and Prudential Indicator sections of the report:

- 12) That the Committee ask the Cabinet Member for Finance and Resources to consider the capital programme and revenue implications of forward borrowing.

77.15 The Director of Finance, Performance and Procurement introduced the Budget report sections 6-10.

77.16 The Committee made comments in relation to the Budget report sections 6-10 including those that follow. It:

- Noted the risk to, or associated with, the budget in relation to the savings decisions for:

- Local Assistance Network,
- Supported Housing,
- Integrated Prevention and Early Help (IPEH) Team,
- Search and Rescue,
- CIF funding,
- Reduction of Youth Services,
- Solar farms,
- Income Generating Initiative (IGIs) property investments.
- Commented that possible further savings could be found within the Communications budget.

77.17 Resolved in relation to the Budget report sections 6-10:

- 13) That the Committee notes the risk associated with the savings decisions as noted above in 77.16.

77.18 The Chairman and Committee offered thanks to Mr Steve Harrison, Financial Planning Manager, as he is shortly leaving the Council and expressed its gratitude for his valued contributions to this Committee and Council services.

78. Forward Plan of Key Decisions

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

78.2 The Committee made comments in relation to the Forward Plan including those that follow. It:

- Noted a letter received by Members regarding non-statutory services for adults' advocacy and queried whether this should be scrutinised by the Health and Adult Social Care Select Committee (HASC). The Chairman of HASC noted the Committee's request and commented that the issue will come to the HASC Business Planning Group if it is a key decision. *The Senior Advisor will enquire for the Committee.*
- Commented in relation to the Award of Contract for Integrated Child Psychology Service entry in the Forward Plan that the wording could be reversed to read 'quality' followed by 'economically advantageous' in order to reflect the importance of performance standards. *The Senior Advisor will convey this feedback to the report author.*

78.3 Resolved – That the Forward Plan be noted.

79. Possible Items for Future Scrutiny

79.1 A Member commented that the Committee may wish to scrutinise the Whole Council Design project. *The Senior Advisor explained the BPG previously requested a Member Day on this project and this is to be delivered in spring 2019. Following the Member Day the Business Planning Group will consider whether the project, or specific aspects of the project, should come to Committee for scrutiny.*

80. Part II Minutes of the Meeting held on 22 November 2018

80.1 Resolved – That the Part II minutes of the Performance and Finance Select Committee held on 22 November 2018 be approved as a correct record and that they be signed by the Chairman.

81. Date of Next Meeting

81.1 The Committee notes its next meeting will take place on 20 March 2019, commencing at 10.30am.

The meeting ended at 2.45 pm

Chairman