



**OVERVIEW AND SCRUTINY COMMISSION
21 SEPTEMBER 2017
7.30 - 9.15 PM**

Present:

Councillors Leake (Chairman), Angell (Vice-Chairman), Allen, Mrs Angell, Mrs Birch, Brossard, Finnie, Harrison, Mrs McCracken, Mrs Temperton and Leake (Chairman)

Apologies for absence were received from:

Councillors Porter and Tullett

Executive Members:

Councillors Heydon and McCracken

Also Present:

Councillor Peacey and Heydon

In Attendance:

Alison Sanders, Director of Resources

Councillor Sarah Peacey

Steven Caplan, Chief Officer: Property

Councillor Peter Heydon, Executive Member for Transformation and Finance

Andrea Carr, Overview and Scrutiny Officer

Councillor Iain McCracken, Executive Member for Culture, Corporate Services & Public Protection

Stuart McKellar, Borough Treasurer

14. Minutes and Matters Arising

RESOLVED that the minutes of the meeting of the Commission held on 6 July 2017 be approved as a correct record, and signed by the Chairman.

15. Declarations of Interest and Party Whip

There were no declarations of interest relating to any items on the agenda, nor any indication that members would be participating whilst under the party whip.

16. Urgent Items of Business

There were no items of urgent business.

17. Public Participation

No submissions had been made by members of the public under the Council's Public Participation Scheme for Overview and Scrutiny.

18. Update on the Council's Financial Position

The Borough Treasurer introduced an information report and gave a supporting presentation to provide the Commission with transparency of the Council's most up to

date financial position in respect of the current year and the following years' budgets. The report and presentation also served as a progress update in respect of the delivery of the Efficiency Plan which set out the approach to be taken to deliver balanced budgets for the period up to 2019/20.

The Commission was provided with a reminder in respect of the Council's financial challenge 2017/18 to 2019/20, the latest budget monitoring position for 2017/18, progress with delivering the Transformation Programme and next steps in planning for 2018/19 to 2019/20.

The financial challenge when the current year's budget was agreed consisted of a budget gap of £25m to be met by delivering the agreed Transformation Programme, Council Tax increases, efficiencies and savings to be identified cash-flowed by use of balances. The Commission was advised of what the Council's Medium Term Strategy could potentially deliver up to 2020/21 across departments taking account of pensions, debt and other factors provided that demand could be managed effectively and no significant Government policy shifts occurred.

The latest reported 2017/18 monitoring position showed that there were significant increases in demand for social care services exceeding budgeted provision by approximately £3.7m; minimal predicted variances from other services; and a range of issues being closely tracked that were expected to have financial impact during the year totalling £0.6m of additional pressure, the most significant of which was income loss in the region of £0.45m due to the closure of Coral Reef. Usage was expected to rise after re-opening in September 2017. This equated to a position at the end of July 2017 of a potential overspend of up to £4.3m with a remaining contingency of £1.7m. This excluded grant for Adult Social Care from the Spring Budget (subject to the Care Quality Commission inspection) of £0.9m. Further money released by the Clinical Commissioning Group was £0.4m. Borrowing was lower than expected, reducing debt charges, and a consistent pattern of underspends was emerging in the last part of the year. Although there was cause for concern, the position was being kept under close review and spend was tightly managed.

Transformation reviews had commenced in 2016/17 and underpinned the 2017/18 and 2018/19 budgets. Most reviews had been delivered or were on track for delivery realising savings of Libraries (£0.4m), Leisure (£1.5m), Arts (£0.2m), major property reviews (£0.5m), income generation (£2m), Support Services (£0.8m), capital financing (£0.4m) and town centre car parking (£0.5m). Other reviews in the areas of Planning and Building Control (£0.2m) and Parks and Countryside (£0.4m) had been brought forward to deliver savings earlier.

Significant increases in demand were being experienced in Adults' and Children's Services where transformation reviews had identified possible savings up to £5m (£3m Adults' and £2m Children's). The delivery of savings in Adults' Services were behind original expectation whilst the Gateway Review for the Analyse stage of the Children's Services review was due at the end of September 2017. There was a difficult balance to strike between a whole systems approach and targeted interventions together with a need to respond to rising service demand alongside delivering transformational change with pressure on resources becoming a critical factor.

The Commission was of the view that it was critical that the savings targets for these two departments were met. Bearing in mind the financial resources being discussed there was a significant risk that the Council's financial targets would not be met as they were dependent on the successful completion of the transformation programme.

Financial planning for 2018/19 and 2019/20 was based on Efficiency Plan assumptions in the areas of revenue spending pressures, capital programme spend, Transformation Programme savings, efficiency savings, the four year settlement, business rates income increases, maximum permitted Council Tax increases and the use of balances to support the budget. The Commission was advised of the current position in these areas.

The move to new national funding systems did not include the Local Government Finance Bill in the current legislative programme which featured a new 100% business rates system and further local flexibility around business rates chargeable. The Government was seeking further pilot areas to test possible future arrangements and Berkshire authorities were working on a joint bid. Work was continuing on a 'fair funding' review to support a new system introduction. The Government's intention to introduce national schools funding formula was reaffirmed with the Secretary of State's announcement of increased minimum per pupil funding which would benefit local schools with funding paid directly to schools from 2020.

Conclusions drawn were that significant demand increases were causing financial pressure in the current year and most probably in future years; a higher level of savings would be required than signalled in the Efficiency Plan, unless additional income could be secured; the Transformation Programme was largely delivering expected savings with a current focus on the pace of delivery of complex Children's and Adults' programmes; the 2017/18 finance settlement placed an additional £2m pressure on the medium term financial plan; further adverse changes were possible in 2018/19; and the long term future remained uncertain. Officers were continuing to work on options for Members to consider in the Autumn. Securing resources to deliver the scale of change needed alongside delivering services remained a key challenge.

The following points arose from questions and discussion:

- The opening of the Lexicon had led to a six fold increase in town centre car park income but this was over a very short time period and would need to be monitored.
- The additional Council Tax precept for social care consisted of a 3% supplement in years one and two with no supplement in year 3.
- A saving of £400k would be realised when Easthampstead House was demolished.
- The Berkshire authorities' joint bid for the Government's pilot to test possible future arrangements was likely to be a pooled arrangement with grant split between the individual authorities according to the agreed formula.

Commission members were encouraged to prepare for, and attend, the Children's Services Analyse phase Gateway Review the following week.

19. **Council Plan Overview Report**

The Commission was invited to review the Council's performance against the Council Plan over the first quarter of 2017/18. The Director of Resources highlighted good progress in the actions in the departmental service plans with 83% of the 129 actions on target to be completed within the timescales set. The position with performance indicators across the Council for each of the strategic themes was positive with the status for the key indicators in the Council Plan in the second quarter being 80.5% green i.e. on, above or within 5% of the target. Attention was drawn to the favourable outcome of the Ofsted inspection of the Council's Children's Services which had

inspected services for children in need of help and protection, children looked after and care leavers. The outcome graded services as 'Good' with services for Looked After Children, care leavers and adoption 'Outstanding'. Preparation for the inspection had impacted on the Children's Services Transformation Project which was currently at the Analyse phase. The Transformation Programme was generally progressing well and on track.

The following points arose from questions and discussion:

- Although good progress had been achieved with the on-line portal, the status of performance indicator L256 (Percentage of transactions carried out online and the use of the customer portal (Quarterly)) was currently red as the target had been set high and performance was expected to improve by December. Every opportunity was taken to promote use of the on-line portal across the Council. Members were invited to promote the portal to residents.
- Further information was sought in respect of:
 - improving performance on the number of people who received Falls Risks Assessments in the quarter (Performance Indicator L277)
 - actions to reduce the number of nights in non-self contained accommodation (Performance Indicator L178).
 - methods to retain children's social workers and maintain their average caseload ratio per worker at a better level (Performance Indicator L289).
 - the planned shutdown of Lakeside.

The low figure of 33 homes being given planning permission during the quarter was questioned and an explanation was requested (Performance Indicator L284).

20. **Quarterly Service Reports (QSRs)**

The Commission noted the latest trends, priorities and pressures in terms of departmental performance as reported in the QSRs for the first quarter of 2017/18 (April to June 2017) relating to the Chief Executive's Office and the Corporate Services Department. The Director of Resources advised that this would be the last quarter when a QSR for the Chief Executive's Office would be produced owing to the Office being dispersed across the Council. Its functions would be reported on in the relevant departmental QSRs.

21. **Executive Forward Plan**

Members received and noted the scheduled Key and Non-Key Executive Decisions of a corporate nature.

22. **Work Programme and Panel Activity Update**

The Commission noted progress against the Overview and Scrutiny work programme for 2017-18 and the reports from Overview and Scrutiny Panel Chairmen on each Panel's progress against the work programme (where provided).

23. **Exclusion of the Public and Press**

RESOLVED that pursuant to section 100A of the Local Government Act 1972, as amended, and having regard to the public interest, members of the public and press be excluded from the meeting for consideration of item X which involved the likely disclosure of exempt information under category 1 of Schedule 12A of that Act:

- (3) Information relating to the financial or business affairs of any particular person (including the authority holding that information).

24. **Commercial Property Investment Strategy**

The Commission received a presentation in respect of the Council's Commercial Property Investment Strategy. The Borough Treasurer advised that the Strategy was a key element in the Council's Transformation Programme and was financially driven aiming to invest in property with a view to earning additional and increasing net income to support front-line services.

The Strategy had been endorsed by Council on 30 November 2016 and covered the Council's objectives for acquiring property investments, criteria for investment acquisition, management of risks, governance arrangements and the process for acquisitions. The implementation of the Strategy was monitored by the Executive Committee (Commercial Property) which met after each meeting of the Executive and featured an Assessment Matrix, due diligence / professional advisors, early lessons learnt and a current ceiling of investment. Although higher risk could lead to greater returns, it was necessary to identify an appropriate balance between risk and return. The Chief Executive had delegated authority to approve property investments as it could be necessary to progress purchases rapidly owing to competition from other investors.

The Chief Officer: Property provided Members with details of the properties the Council was investing in. The Council would inspect the properties on an annual basis. Lessons had been learned from a previous commercial property investment made by the Council.

There was media interest and coverage of local authorities acquiring commercial property as there was a view that it was a high risk venture being undertaken by many councils. Although it was likely that CIPFA would modify related financial rules to mitigate associated risks, it was considered unlikely that the practice would be prevented.

The Strategy was discussed at some length and Members asked questions concerning matters including procuring commercial property agents, management resource implications of expanding the commercial property portfolio, borrowing interest rates, financial strategy, duration of debt portfolio and competition with other local authorities. The possibility of increasing borrowing levels was raised and whilst there was some support for this, reservations were also made.

CHAIRMAN