

Minutes of a meeting of the Scrutiny Committee held on 23rd January 2018 at Pippbrook, Dorking from 7.00pm to 9.16pm

Present: Councillors David Draper (Chairman), David Harper (Vice Chairman), Tim Ashton, Lynne Brooks, Stephen Cooksey, David Hawksworth (substituting for Patricia Wiltshire), Mary Huggins, Chris Hunt, Malcolm Ladell, Paul Potter and Sarah Seed

Also present: Councillors Margaret Cooksey, Simon Edge, Metin Huseyin, Paul Kennedy, Simon Ling, Clare Malcomson, Vivienne Michael, Michelle Watson and Clayton Wellman

19. Minutes

The minutes of the Scrutiny Committee meeting held on 11th December 2017 were agreed as a correct record and signed by the Chairman.

20. Apologies for Absence

An apology for absence was received from Councillor Patricia Wiltshire.

21. Disclosure of Interests

Councillor Paul Kennedy declared:-

- a non-pecuniary interest in item five as he was a member of the Bookham Tennis Club

Councillor Margaret Cooksey declared:-

- a non-pecuniary interest in item four as she used the car parks in Mole Valley.

22. 2018/19 Budget and Council Tax Resolution

The Chairman of the Standing Budget Panel gave a summary of the report of the Panel (Annex One) which outlined their recommendations relating to the 2018/19 Budget. The Committee had no objections to the proposed recommendations and it was agreed that these would be relayed to the Executive during its consideration of the 2018/19 Budget and Council Tax Resolution.

During the Committee's discussion of the 2018/19 Budget a number of concerns were raised over the increase in car parking charges. There was a concern over the vacancy rate for shops in Dorking and the effect that the increased charges would have on footfall in the town. It was explained that there was no correlation between the vacancy rates and the parking charges. It was also explained that the revenue from the increased charges would be put towards improvements to the car parks in the District. It was suggested that the Executive looked into a scheme that was available for Local Authorities to get electric charging points installed free of charge.

The Committee discussed the appointment of a Tree Inspector in the Wellbeing portfolio and it was suggested that this could be filled by an ecologist. It was agreed that this would be considered during the recruitment process.

The Committee expressed concern over the £50,000 allocated to the Planning Service budget to cover contract staff while a strategy was put in place for the service. It was felt that this amount would not be sufficient to cover the staffing need and concern was raised about how the figure had been reached, as there was no explanation in the papers provided. The Leader explained that the Executive Member for Planning had been asked whether this allocation would be enough and had advised the Executive that it would be. The Committee also expressed concern over the setting of the Planning budget prior to the review taking place as there was no certainty over what the result of the strategy would be.

The Committee discussed the Economic Development Strategy. Concern was raised over the lack of information about what the funding would be used for. It was explained that the information relating to this would be made available to Members shortly. A wrap up workshop for Members was also scheduled for 26th February 2018.

It was queried whether the cost of the Royal Oak internal Planning review would be met within the

17/18 budget or 18/19 budget. It was explained that it would be met within the 2017/18 budget, so would not impact on the 2018/19 Budget.

Resolved: That the comments of the Scrutiny Committee be relayed to the Executive during its consideration of the report.

23. MVDC Grant Aid Applications

The Executive Member for Finance and Corporate Services introduced the item on behalf of the Executive Member for Wellbeing. The Grant application process was explained in detail to the Committee. It was highlighted that a review of the Grants policy had taken place to include the smaller grants fund and to streamline the larger grants into a three year cycle.

The Committee queried whether Members could view the applications which were rejected in addition to those which had been accepted for grants. The Corporate Head of Service for Community Safety and Wellbeing advised that there had been no applications rejected for the higher level grants, so all of these were included with the report. Applications had been rejected for the small grants pot and these could be made available to Members following the meeting. It was intended that all this information would be provided in the annual grants reporting which, in future years will form part of the Annual Budget Report 2018/19.

Concern was raised over why Mole Valley District Council (MVDC) had not received more applications for the grants and whether anything could be done to improve communications about the availability of these grants to eligible organisations.

The Committee discussed the cut in funding to the East Surrey Rural Transport Partnership and queried what steps that were being taken to replace these services for residents. It was explained that MVDC was currently undertaking a Community Transport Review and that these services would be covered in the review.

Concern was raised that the grading in the Equality Impact Assessment (EIA) was that there was mostly 'no impact' rather than 'positive impact' for those with protected characteristics, but Officers reassured Members that it would only be a cause for concern if it was rated as a 'negative impact'.

Resolved: That the comments of the Scrutiny Committee be relayed to the Executive during its consideration of the report.

24. Report of the Asset Investment Panel

The Chairman of the Asset Investment Panel gave the report of the Panel which outlined the recommendations relating to the Asset Investment Strategy Review. The other Panel Members then had the opportunity to give their views. The Panel slightly amended the wording of their report during Committee to accommodate the views of all the Panel Members. The final amended version of the report can be found at Annex Two.

Resolved: That the recommendations of the Panel, as set out in the report, be referred to Council for its consideration at its next meeting.

25. Outside Organisation – Member Update

The Committee received an update from Councillor Mary Huggins on the work of Projx who had been working closely with young people in Mole Valley to help to reduce anti-social behaviour in the District.

The Committee also received an update from Councillor Mary Huggins on the work of the Clarion Regional Panel. The Committee questioned what steps were being taken to improve communication at Clarion Housing Group as many residents had been reporting that they were struggling to get in touch with the organisation. There had been some cases where residents had received increased water bills from Southern Water and had experienced little assistance from Clarion Housing. It was explained that Clarion were moving towards greater resident involvement and were supporting the development of resident associations. The Committee requested that contact details be circulated to all Members so that they knew who to contact with residents' queries. It was agreed that contact details would be circulated to Members via email after the meeting.

The Committee was reminded that Clarion would be attending External Scrutiny Committee on 13th February 2018 and this would be the opportunity for more detailed questions to be asked. Any Members who were not on the Scrutiny Committee would also be welcome to attend. A further meeting could be arranged with Clarion following the Committee should it be deemed necessary.

The Committee received a presentation from Councillor Paul Potter on the work of the Redhill Aerodrome Consultative Committee. There were a number of different organisations who sat on the Committee and they were consulted on issues such as noise pollution. Plans had also been submitted for a Garden Village to be built which would have approximately 8,000 new homes and there would be a new junction added to the M23 to accommodate this. There was concern over the impact this would have on the traffic in Mole Valley. Councillor Potter would be keeping an eye on the development of this proposal and provide an update for Members as required.

Standing Budget Panel Report

Scrutiny Committee 23rd January 2018

Item 4: 2018/2019 Budget and Council Tax Resolution

Introduction

The role of the Standing Budget Panel (“the Panel”) is to review the Council’s budget formulation process and the robustness of the Administration’s budget proposals and to advise Scrutiny Committee of its findings. The full terms of reference of the Panel are attached to this report (Annex A). The Panel membership comprises Cllrs Ling (Chairman), Kennedy (Vice Chairman), Brooks, Elderton, Hunt and Ladell.

The Panel has discharged its responsibilities as detailed in this report and attachments. Over the past three months, the Standing Budget Panel has met on four occasions. Our first meeting was held in November 2017 and was used as an opportunity to bring us up to date on the Council’s current financial situation and to provide general scene setting for this year’s budget. We also met in December 2017 to discuss the proposed fees and charges. Our other two meetings were held in January 2018 and were the Panel’s annual opportunity to meet with the Executive to discuss in detail their budget proposals.

The Panel were generally impressed by the care with which the budget had been prepared and the detailed attention given to it by Executive Members. The expected shortfall resulting from the reduction in Central Government funding has been largely eliminated by the effects of three main policy developments, namely the savings from the joint waste contract which will be effective from August 2018, the increased income from the proposed increase in car parking charges and the enhanced asset investment strategy. It appears that the benefits from the first two are relatively risk-free, but there remains a significant risk that the required income from the asset investment strategy will not be achieved. We are however satisfied that all possible efforts are being made to mitigate this risk.

The Scrutiny Committee will find attached with this briefing note a copy of the Panel’s meeting notes (Annex B) from its November and December meetings; the notes from the January meetings will be available in due course. From these notes there are a number of items we would like to draw to your attention:

1. Fees & Charges Principles

The Fees and Charges Principles document is a key foundation of the Council’s approach to setting fees and charges. We noted that the Executive had taken on board our recommendation from last year for the Fees and Charges Principles to be reviewed every five years. This year the review was done alongside the formulation of the fees and charges proposals for 2018/19, and appeared to have involved asking Executive Members to suggest changes rather than a more fundamental review. The Panel felt that a review would have been more beneficial if it had been done prior to the beginning of the budget setting process and had adopted a more fundamental approach, for example comparing with other authorities’ principles and inviting comments from a wider range of stakeholders. We, therefore, **recommend**, that the Executive, in future, carry out a more fundamental periodic review of the Fees and Charges Principles prior to the beginning of the budget setting process so that the revised version is agreed prior to the fees and charges proposals being considered/created.

We would also like to **recommend** that, in future years, the Executive Members produce a short summary alongside their fees and charges proposals to explain their reasoning behind any significant increases.

2. Staffing

We noted that the issue of recruitment was an underlying theme within the budget, primarily within the Planning Portfolio. Headcount also appeared to be increasing in the back office services. This was not

made obvious within the documentation provided to the Standing Budget Panel and the draft 2018/19 Budget Report. Therefore, we **recommend** that an additional section detailing changes to headcount be added to the Executive Member Pro Forma for each area. The Panel were pleased to hear that new innovative ideas were being looked at to improve recruitment and retention of staff in future.

3. Savings and Reserves

The Panel noted that the 2018/19 Budget process had included a review in each business area to identify all possible savings, as has been the case for a number of years. However the monitoring reports for the current year indicate a degree of overspending, which has not been the experience for some time. It was not immediately clear to us what action had been taken to address the causes of this overspending, although we appreciate that in some cases efforts have been made to identify the problems. The Panel exhorted the Executive to maintain a focus on identifying and addressing opportunities to generate extra income and achieve better value for money as well as continuing to monitor spending levels in relation to the budget. The Panel also noted a decline in general reserves although they remain above the recommended minimum. Finally we noted that there were a number of cases where significant increases and decreases in budgeted amounts had been reflected in individual portfolio templates but did not feature in the overall summary given in Appendix B to the Budget Report. We were advised that these are probably the result of portfolio re-organisations and consequently may be offset when portfolios are consolidated.

4. Risk Implications

Last year, the Panel noted that the Risk Implications section of the draft report to the Executive was not very revealing and recommended a more informative approach. This year, the draft report notes that risks have been identified by each of the Executive Members but these are not disclosed in the report. Instead the report emphasises that if the budget proposals are not adopted (Option 2), there is a procedural risk that there will be insufficient time to produce a revised budget within the deadline. While this is undoubtedly true, we **recommend** that the Executive consider including the more substantive risks identified by Executive Members in a schedule so that the Executive and subsequently the Council and the public are aware of the risks to the achievement of the budget being proposed (Option 1).

The Panel noted that there had been adverse costs implications arising from cuts being required in the budgets of other organisations including Surrey County Council, and considered that there was a risk of further costs implications arising from such cuts over the period of the proposals.

5. Grants

While the Panel received information about the capital grants being recommended for approval, there was no information provided about grant applications which were not being recommended for approval, or whether there even had been any. We **recommend** that such information is provided in order to support greater transparency over the process.

6. Issues arising for individual portfolios:

a. Finance & Corporate Services

The Panel noted that there is a projected overspend of half a million pounds in 2017/18 and were assured by the Executive Member for Finance & Corporate Services that solutions were being looked at in particular areas where overspends had been significant, such as Planning. The Panel queried what contingency plans were in place to deal with overspends in future and were advised that financial reserves would be used if necessary where no funding had been allocated.

The Panel noted that part of the ICT Street Naming and Numbering service was for new street signs to be provided to developers. We **recommend** that the Executive consider charging for new street signs as part of the Street Naming and Numbering service.

b. Environment & Parking

The Panel noted the proposed increase to Parking charges. These had been frozen for the past 9 years and it was felt that the need to carry out maintenance and improve security in the car parks justified an increase in the charges. The proposal was for charges to go up from 60p an hour to £1 an hour; this was a 67% increase. The Panel noted that no decision had yet been made on whether to continue the ability to pay for exact time periods after the first hour, as the new rate lacks the simplicity of the current one penny per minute. We **recommend** that this feature should be retained if at all possible. We were pleased to note that the half hour rate currently available in village car parks is to be retained and may well be extended to other car parks. It was acknowledged that there would be those who would not be pleased with the increases, but it was hoped that the reasons given justified this proposal. The Panel were assured by the Executive that there would be adequate communications to residents about the increase.

The Panel noted that the budgeted extra income had been reduced by a provision for a reduced level of car park usage as a result of the charge increase. We **recommend** that a sensitivity analysis be drawn up to illustrate the effects of volume reducing by 5%, 10% and 20%.

c. Communities, Services & Housing

The Panel noted that the implementation of Universal Credit had been delayed and were advised that this was assessed constantly to ensure that it could be covered by current resources. The team were working closely with the DWP to enable them to contact anyone who may be affected directly. A couple of families had been highly affected and were receiving discretionary payments.

The Panel were pleased to hear that three additional properties had been purchased at auction for use as emergency accommodation. MVDC was due to complete on these during January 2018.

d. Economic Development & Transform Leatherhead

The Panel felt that there should be a clear financial plan for the next three years in relation to Transform Leatherhead. This should set out what is to be done and the expected costs, income and sources of funding of each phase.

The Panel noted that the communications plan for Transform Leatherhead is currently part of the portfolio budget. The Panel would like to **recommend** that communications costs be specified in the budget to give an idea of how much staff time is being spent on communications.

The Panel noted that that additional funding for Economic Development had been included in the budget to allow the Economic Development team to recruit a temporary member of staff to cover town centre events and enable the existing team to deliver the Economic Prosperity Strategy.

e. Wellbeing

The Panel noted the additional funding required for Parks and Open Spaces to enable the recruitment of a tree inspector for a term of two years. The Panel expressed concern about the availability of Tree Inspectors, in view of the potential demand for their services by many Local Authorities and the recruitment difficulties experienced in various other parts of the budget. The Panel **recommends** that steps should be taken to recruit the necessary expertise sooner rather than later.

The Panel noted that additional funding of £85,000 was needed for Community Support Services to compensate for the significant drop in income from Surrey CC. The Executive Member for Wellbeing assured the Panel that a plan was in place to adopt a new business model with the aim to win more business for its core telecare services and attract new business, particularly with the potential for developments in "telehealth".

We noted that the proposed target for the KPI for Day Centre Customer Satisfaction appeared to have been reduced below the current year target and actual performance, but were assured that this was a typographical error.

f. Planning

The Panel noted that additional funding of £150,000 had been included in the budget for Planning. The Executive Member for Planning explained that a restructure was being looked at for the Development Management team to reduce the need for contractual staff. This would take time to implement and the additional funding would cover the agency fees in the meantime to enable the service to meet its

performance targets. The Panel expressed concern about the ability to recruit employees with the necessary expertise at the current pay rates in view of recent experience including the need to take on contractors at enhanced rates of pay.

The Panel noted that additional resources had been set aside in the budget for the current year for the enforcement team, but that difficulties are still being experienced in meeting public expectations for the enforcement service. We **recommend** that particular attention should be given to this area to ensure that the extra resources allocated over this year and next are spent wisely and achieve value for money.

Part of the additional funding would also be used to fund Consultants who were required to provide legal advocacy and technical support at public enquiries against the refusal of planning permission. The number of appeals and enquiries were difficult to predict, but it was anticipated that several appeals would be received against significant applications before the end of 2017/18. The Panel noted that this would not be a short term measure as repercussions were expected to continue into 2019/20.

The Panel questioned whether the extra budget provision for 2018/19 would be sufficient and **recommends** continual assessment of the position so that appropriate remedial action is taken as and when necessary.

The Panel also had some concerns about the information now available in relation to Building Control and the adequacy of the governance arrangements in relation to the joint service with Tandridge and Reigate.

The Panel noted the additional analysis provided by the Executive member to demonstrate the more serious over- (and under-) spending in the current year and **recommend** this approach to other Executive members in future

g. Assets & Investments

The Panel noted that financial aspects of the Asset Investment Strategy are split between the Assets & Investment Portfolio (which contains the revenues) and the Finance & Corporate Services Portfolio (which contains the expenditure). The Panel were concerned with the confusion this presented as the figures were not clearly laid out in one place. The Panel also noted that the costs which went through MOVA were not represented at all within the budget; this made it difficult to judge how staff resource was split between work on MOVA and work on MVDC business. We strongly recommend that the reporting method be revised so that the overall net benefit to MVDC is clearly apparent from the papers and in monitoring reports, and the appropriate Executive member can be held to account.

We also noted that as there has been some re-organisation of staff teams within this portfolio comparisons between the current year and the budget year are more difficult, and we remain concerned at the relatively high level of risk that the expected returns from this strategy will not materialise. These risks are largely out of the control of MVDC, but we note that all possible efforts are being made to mitigate them by a strict adherence to investment guidelines.

We were, however, pleased to see that there is no significant borrowing predicted above and beyond the Asset Investment Strategy.

Conclusion

Apart from the issues raised in this report which the Panel brings to the attention of the Scrutiny Committee, we confirm that, based on the work undertaken and the assurances and explanations received from the Executive, we have identified no other significant concerns in relation to whether the Administration's proposals:

- are clear, focused, achievable, realistic and based on sound financial practices;
- have clear linkages with corporate and other plans that form the Policy Framework and are consistent with the Council's aim to improve services in priority areas;
- are consistent with achievement of the Council's goals, standards and priorities; or
- are consistent with the Council's agreed charging principles.

We acknowledge the difficult financial environment in which the budget has been developed. We recognise the changes to Local Government funding and the necessity, for councils like MVDC, to find alternatives to the traditional reliance on Central Government funding. In that context we note the three cornerstones of the 2018/19 budget package – increased car park charges, reduced waste contract costs and the further development of the Asset Investment Strategy. We also noted the funding of useful, additional new priorities in relation to community support services, tree inspections, development management, economic development and consultancy resources.

We are happy for members of the Scrutiny Committee to expand on the points we have raised in this debate, and indeed for any Member to do so in the Budget Debate in Council.

We would like to thank the Executive Members for their attendance at our meetings and the full and frank manner in which they responded to our questions. We would also like to thank the officers who attended for their time and professional expertise. And as Chairman of the Panel I would like to thank the other members for their contributions to our debates and this report.

Asset Investment Panel: Report of its review of the current and proposed future Asset Investment Strategy

The Asset Investment Panel was tasked with reviewing the implementation of the Asset Investment Strategy (AIS) and of considering officers' proposed adjustments to the AIS, which is the subject of a report to Council on 20 February 2018. The AIS was implemented in October 2016 with the objective of generating income for the Council to replace lost funding in order to support the delivery of Council services to its residents. After its first year of operation, officers have reviewed and proposed amendments to the AIS. The review undertaken by officers and then considered by the Asset Investment Panel had as its central focus the 4 core questions set out below. The work undertaken by the Asset Investment Panel included a review of the potential investments introduced to the Council, and a comparison of the existing and proposed AIS scoring criteria matrices.

1. To what extent has the AIS achieved its objectives?

- Panel satisfied with officers' work, they have demonstrated an awareness of risk and the following proposals demonstrate that learning has taken place
- Officers and panel recognised and recommend that it is important from a risk-management perspective to secure a diversified investment property portfolio.

2. Should the criteria for the purchase of investment properties be amended in any way?

- Delete the requirement to achieve a 7% IRR as a pass/fail criterion and replace with a target of 6% IRR: A minimum 6% IRR target, coupled with the existing 5% Net Income Yield (NIY) threshold and the AIS scoring criteria matrix, would, based on the market data, have allowed, and will enable, investment in a range of suitable properties.
- The panel agreed with the officer proposal to adjust the AIS scoring matrix.
- The panel recommended that the adjusted AIS matrix should be reviewed in 6 months by the Executive and 12 months by the Council

3. Is it feasible and desirable to invest in ready-made property funds, as well as individual property assets?

- Officers and panel agreed that, if feasible, this would be a desirable addition to the categories of investment available.
- However, it was noted that this is still subject to further legal advice and analysis of the Governments proposed revisions to Treasury Management regulations.
- If ultimately feasible, it was noted that investments would be selected with the benefit of professional advice from Capita, the Council's treasury advisers.
- Officers agreed to commission advice from Capita prior to the Council meeting on 20 February 2018 to enable Council to consider that advice in reaching a decision.

4. Is there a case for extending the value of the AIS (currently £48.5m)?

- Officers propose an increase in borrowing to £100m, with aim to invest the additional properties and/or property funds by 2020, in order to deliver a total return of £1.5m to be re-invested in service delivery.
- The panel recognises there is a case for the increase in the value of the AIS.

Further recommendation:

- The panel recommended that the "Proposal for Investment Purchase" report currently supplied to members of the Asset Investment Working Group, (to evaluate potential investments), be made available to all Members for information, once an acquisition has completed.