

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE OVERVIEW & SCRUTINY COMMITTEE - VALUE FOR MONEY &
CUSTOMER SERVICE - 11 SEPTEMBER 2017

(To be read in conjunction with the Agenda for the Meeting)

Present

Cllr John Williamson (Chairman)
Cllr Mike Band (Vice Chairman)
Cllr Nicholas Holder
Cllr Peter Martin

Cllr Stephen Mulliner
Cllr Nabeel Nasir
Cllr Libby Piper

Cllr Richard Seaborne (Substitute)

Apologies

Cllr Jeanette Stennett and Cllr Stewart Stennett

Also Present

Councillor John Gray was present and spoke on Item 5, Creation of a Property Company – Detailed Matters, and Item 7, In-depth Review – Capital Expenditure

14. MINUTES (Agenda item 1.)

The Minutes of the Meeting held on 26 June 2017 were confirmed as a correct record subject to the amendment set out below.

The Committee requested that the final paragraph under minute item 9, Creation of a Property Company, be amended to change the words “have sight of” to “review checks and balances”.

15. APOLOGIES FOR ABSENCE AND SUBSTITUTES (Agenda item 2.)

Apologies for absence were received from Councillors Jeanette Stennett and Stewart Stennett. Cllr Richard Seaborne attended as a substitute.

16. DECLARATIONS OF INTERESTS (Agenda item 3.)

Cllr Mike Band declared a non-pecuniary interest in agenda item 5, Creation of a Property Company – Detailed Matters, as he was a member of the Investment Advisory Board.

17. QUESTIONS FROM MEMBERS OF THE PUBLIC (Agenda item 4.)

None received.

18. CREATION OF A PROPERTY COMPANY - DETAILED MATTERS (Agenda item 5.)

David Allum, Head of Customer and Corporate Services, introduced the report setting out the detailed matters relating to the creation of a property company. He

invited comments from the Committee to help inform the company's governance arrangements.

The Committee thanked David Allum for the report, and welcomed the legal advice provided at (exempt) Annexe 1. However members felt that the report didn't include sufficient detail on the check and balances; the Chairman explained that there was a need to address the risks associated with this type of venture, and to thoroughly examine the mitigations that that would be put in place.

Cllr Gray was in attendance at the meeting and spoke on this item. He stated that governance and transparency were key, as ultimately the council would be responsible and councillors had a responsibility to their constituents. He felt that a decision-making diagram would be useful, setting out who had the remit to take which decisions. He also warned that the council needed to be careful with its choice of investment and not end up buying properties that other investors were offloading as the market changed; suggesting that the council narrow its remit to areas where it had more expertise and develop a unique selling point. He added that it would be good to have a clear business plan, including identified milestones, costings and assumptions.

Cllr Mulliner stated that there needed to be a clear explanation of how the governance would be split between the council and the company to ensure that all the advantages of both entities could be maximised. He felt that additional legal advice was required to ensure that there would be no issues in relation 'twin-hatted' officers or an implication of 'shadow directors'. Additionally, he stated that it was important that the company be supported by two non-executive directors who were property experts; this view was supported by other members of the Committee, who felt that such individuals would add real value to the organisation.

The Committee suggested that a spreadsheet be produced to model in detail the costs and anticipated net returns, taking into account aspects such as corporation tax and the fact that the costs of running the company would need to be spread across the return on all investments. It also needed to take into account the cost of repairs and voids. Members also felt that it would be useful to see a worked example using the investment criteria set out in Annexe 2 to the report.

Cllr Martin agreed in principle with the creation of the property company, and was confident that it would be set up correctly by the council's legal team however he agreed with other members that more information was needed. He noted that due the fact that investments may come along at varying intervals a business plan with specific milestones may not be required, as long as sound, detailed investment criteria were in place.

The Committee noted that there was reference to a 'balanced portfolio' and asked for clarification on what this meant in practice. Members differed on whether the company should limit its investments geographically, with some members suggesting keeping to areas where the council had local knowledge, rather than looking at investments nationally. Other members disagreed, stating that there was no need to limit investments geographically, as long as it was deemed to be a good purchase.

Cllr Seaborne stated that more information was required in relation to on-lending, and whether this would need to be done at a commercial rate.

Daniel Bainbridge, Borough Solicitor, thanked the Committee for its comments, which he said would be very useful in assisting the formulation of the detailed matters. He responded to certain points raised by members, explaining that the issue of 'twin-hatting' and membership of the board more generally was a matter for each individual council, and across Surrey this was being done differently by different councils. He added that it was for the council to identify its USP as an investor and set out what it wanted to get out of the endeavour.

The Committee concluded that there were benefits to borrowing low in order to generate an income for the council, but warned against relying on this to fund key service delivery as the value of assets could always fall. The Chairman therefore suggested that the Committee establish a working group to assist officers with assessing the risks so that members could be confident that appropriate checks and balances were in place and the council would not be exposed to any undue risks.

The Committee therefore resolved to appoint a working group comprising Cllrs Stephen Mulliner, Nicholas Holder and Mike Band to work with officers on the matters set out in the report and to assist in assessing risks. Cllr Gray, as Chairman of the Audit Committee, was also invited to attend the working group.

19. PERFORMANCE MANAGEMENT REPORT - QUARTER 1 2017/18 (APRIL - JUNE 2017) (Agenda item 6.)

Nora Copping, Policy and Performance Officer, presented an analysis of the Council's performance in the first quarter of 2017/18 in the areas of Finance, Strategic HR and Complaints. She explained that performance was generally good, with only one area significantly failing to meet target.

The report also presented three options for measuring a customer service baseline as requested at the last meeting. The first option that had been investigated was to use a survey already carried out by Surrey County Council, however officers concluded that that would result in too small a sample size. Secondly, officers looked into utilising the council's 'Your Waverley' magazine to conduct a survey; the estimated printing costs of this option were £2,000. The third option would be to use the council's Citizen's Panel; there was some data from a previous survey already available in relation customer satisfaction which could potentially be used, it was also noted that the Panel would be refreshed next year so may be more objective at that time. Officers added that a customer service review was currently under way at the council and that the outcomes and recommendations of this review would be published in due course. It was therefore suggested that the Committee wait until these outcomes were published before taking this further.

The Committee noted that target F3 [Percentage of invoices paid within 30 days or within supplier payment terms] had failed to meet target for the last five quarters and queried whether 99% was a productive target. Officers explained that generally the invoices that tended to miss the target were of low value and delays were caused when officers worked off-site and were unable to submit invoices for processing. In view of this the Committee felt that the target could be reviewed in the future.

Members expressed concern over the increase in complaints and noted that officers had partially attributed this to an increase in planning applications. However it was unclear as to whether this was a one-off occurrence or whether it indicated a longer term trend that needed to be addressed. The Committee asked that in future, more explanatory commentary be provided to give the Committee more detail about the reasons for the changes in performance, and if necessary suggest corrective action.

The Committee agreed with the proposal set out in the report that work on establishing a customer satisfaction baseline be postponed until the council's ongoing review of customer service had been completed.

20. IN-DEPTH REVIEW - CAPITAL EXPENDITURE (Agenda item 7.)

Cllr Mike Band introduced the proposed scope for the in-depth review into Capital Programme slippage, which had been identified as an area for further scrutiny at the last meeting. He explained that he had worked with the accountants to identify the figures set out at Annexe 2 to the scope, which showed that a significant amount of slippage occurred throughout the year.

Cllr Nasir agreed that this was a very worthwhile review topic, and stated that it needed to be investigated, otherwise the situation could potentially become worse. Cllr Martin agreed, stating that he would expect to see some slippage, but not the extent set out in the table at Annexe 2 to the report.

Damian Roberts, Strategic Director – Front Line Services, stated that there was a need to encourage officers to be more realistic up front about what could be achieved each year, and to not be afraid of drawing funds forward from future years if a project was progressing particularly well.

The Committee acknowledged that there may be genuine reasons why a project could not be delivered, but that in such cases, there should be a mechanism in place to bring forward alternative projects.

Cllr Mulliner noted that the one of the key aims of the review should be to identify why slippage occurs, and suggested that this be added to the bullet points under the heading 'rationale for the review'. Members also noted the distinction between capital expenditure and capital approvals, and asked officers to produce figures for these separately.

Peter Vickers, Head of Finance, explained that measures were being put in place to address some of the concerns raised by the Committee. A new 'Agresso' module was being implemented, and the capital budget process had been revised to show the overall approval, not just year on year expenditure. New processes had also been agreed with the accountants to facilitate bringing forward smaller projects. He added that all capital bids required a template to be completed which included details of how the procurement would be undertaken.

The Committee agreed that a task group would be able to look at previous examples where a capital project had slipped, identify what had gone wrong and assess whether the new arrangements would be sufficient to prevent similar occurrences in the future. It was suggested that as the Capital Programme referred

to both the General Fund and HRA, a member of the Housing Overview and Scrutiny Committee be invited to join the task group. The Committee also suggested that officers set out a target Executive date for reporting the outcomes of the review.

The Committee approved the review scoping document as set out in report and resolved to appoint a task group comprising Cllrs John Williamson, Mike Band and a representative from the Housing Overview and Scrutiny Committee to undertake the review.* Cllr Gray, as Chairman of the Audit Committee, was also invited to attend the working group.

**Following the meeting, it was confirmed that Cllr Richard Seaborne would join the task group as a representative of the Housing Overview and Scrutiny Committee.*

21. GENERAL FUND BUDGET 2017/18 OVERVIEW (Agenda item 8.)

The Committee received a report on the Medium Term Financial Plan which included a forecast General Fund budget shortfall of £2.8m over a three-year period. The Committee was invited to comment on how members could most effectively contribute to the budget setting process and propose any measures for cost reduction, efficiency or income generation that may assist with the forecast budget shortfall.

Cllr Band noted that the report highlighted the problems facing the council, but didn't necessarily point to the solution. He felt that in order to address the shortfall a radical re-think of how services were delivered was required. This also need to be in the context of a longer term financial strategy, not just over the next three years.

The Committee agreed that cost-cutting was not the most effective way of balancing the budget in the longer term. Members noted that the Executive was undertaking some work on the future direction of the Council, and what approach it would be taking to meet the challenges that lay ahead. Damian Roberts added that there was the potential to look at new income streams, as well as more partnership working and contracting.

Members noted that the Council provided discretionary services with the potential to generate significant income, such as leisure centres, Waverley Training Services and Careline, but noted that it was unclear whether all such services had overarching commercial policies or business plans. It therefore recommended that officers be asked to undertake business-planning for discretionary services in order to maximise income-generation opportunities.

Damian Roberts responded that certain council functions were becoming more commercially minded and there was more work that could be done in this area, additionally, the cross-cutting 'Foresight' project was seeking to identify efficiencies, such as freeing up office space to enable the council to generate an income through letting out space.

Cllr Mulliner stated that the council shouldn't use its reserves to make up the shortfall and stated that some difficult decisions would have to be made. Cllr Williamson added that there was no mention salary figures in the report. Cllr Holder suggested that Town Councils be encouraged to generate more income themselves in order to reduce their reliance on Waverley for funding.

Some members felt that a clearer strategy was needed from the Executive before the Committee could properly scrutinise, whereas other saw this as an opportunity pass ideas to the Executive, such as the commercial approach to services referred to above, as well as seeking to take part in the business rate pilot and continuing to lobby over the negative government grant.

22. COMMITTEE WORK PROGRAMME (Agenda item 9.)

The Committee noted its forthcoming work programme.

The meeting commenced at 7.00 pm and concluded at 9.01 pm

Chairman