Minutes

FINANCE, PERFORMANCE AND RESOURCES SELECT COMMITTEE

MINUTES OF THE FINANCE, PERFORMANCE AND RESOURCES SELECT COMMITTEE HELD ON TUESDAY 14 JULY 2015, IN MEZZANINE ROOM 2, COUNTY HALL, AYLESBURY, COMMENCING AT 10.00 AM AND CONCLUDING AT 12.55 PM.

This meeting was webcast. To review the detailed discussions that took place please see the webcast which can be found at: http://www.buckscc.public-i.tv/core/portal/home
The webcasts are retained on this website for 6 months. Recordings of any previous meetings beyond this can be requested (contact: democracy@buckscc.gov.uk)

MEMBERS PRESENT

Mr W Bendyshe-Brown, Mr W Chapple OBE (Vice-Chairman), Mr S Lambert, Mr D Martin, Mr B Roberts (Chairman), Mr D Schofield, Mr D Shakespeare OBE and Mr A Stevens

OTHERS IN ATTENDANCE

Mr R Ambrose, Mr S Brown, Mr J Chilver, Mrs C Gray (Secretary), Mr T Hannam, Mr M Strevens and Mr M Tett

1 APOLOGIES FOR ABSENCE/CHANGES IN MEMBERSHIP

There were no apologies for absence.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 MINUTES

The Minutes of the Meeting held on 2 June 2015 were agreed as a correct record.

4 PUBLIC QUESTIONS

There were no public questions.

5 VALUE FOR MONEY ARGUMENT RELATING TO PRUDENTIAL BORROWING

Martin Tett, Leader and Richard Ambrose, Director of Assurance were invited to the meeting to discuss the value for money argument in relation to prudential borrowing. The issue of prudential borrowing for roads had been raised as a Budget Scrutiny recommendation, which had not been accepted by Cabinet and Members thought it would be helpful to discuss this issue in more detail.

Richard Ambrose, Director of Assurance presented his paper around the rules and reasons for borrowing and the value for money argument for prudential borrowing. One of the concerns was repayment which would be charged to revenue (principal repayment and interest). Requirements and guidance for borrowing was set out in the Treasury Management Strategy. The current level of borrowing is £173 m, which has been reducing steadily over the last 5 years. There has been no new borrowing since 2008. The current budget assumes external borrowing of £30m relating to the Energy from Waste Plant and this year the Council is also expecting to borrow £36m on behalf of the Buckinghamshire Thames Valley Local Enterprise Partnership for the Aylesbury Eastern Link Road. This borrowing (on behalf of the LEP) will be cost neutral to the Council.

The main points of the presentation were as follows:-

- Capital investment strategy approved by Cabinet last September agreed invest to save and to contain schemes which had a good business case which exceeds the financial costs of borrowing.
- The hurdle rate was a good process of structured evaluation which looked at value for money and the priorities of the Council.
- The revenue budget was under a lot of pressure particularly with the emergency budget last week with the increasing costs of protecting vulnerable people and the increase in the national living wage.

During questions the following main points were noted:-

- All Members decide and take responsibility on the budget in agreeing the MTP.
- Savings of £49 million was required over this financial year and the next two years. There are plans to deliver these but the robustness of these savings plans were in doubt in some cases and services were being tasked to identify alternative savings. There needs to be savings in 18/19 of approximately £6 million and further cuts required in 19/20. There is a risk that there could be a reduction in the council tax threshold level. A 1% reduction in the threshold equates to £2.4 million.
- 19 authorities are using prudential borrowing for a variety of issues. The Leader noted that almost all were either London Boroughs or unitary councils with different financial models to the County Council. The Leader reported that this Council was using prudential borrowing where there was a good business case but a number of authorities had ran into financial problems because of the high level of revenue payments required to finance their capital borrowing.
- The Leader expressed concern about using prudential borrowing for roads due to the long term commitment it imposed on the revenue budget and the reduction in financial resilience if emergencies arose such as bad winters impacting on new road surfaces. Also borrowing for roads did not present a good business case.
- Members expressed concern about the quality of the road infrastructure and the need to address this issue now as costs for borrowing might be higher in the future. Reference was made to Surrey County Council who were reported that day in the press to be proposing to spend £100m to have 'pothole free roads' with the help of new technology. Blackpool was another example using a similar model. The Leader said that he would

look into this but in the past such articles had been placed in the press by suppliers eager to sell their product. So called ‘pothole free’ materials often were significantly more expensive than conventional materials and far fewer roads would be able to be resurfaced. A Member commented that if the Council borrowed £50 million there would be a repayment of £6.6mill per annum to cover that and could save the Council significant costs in the future with an improvement to the road conditions. The Director of Assurance reported that further investigation was required about the improvements in technology and whether it extended the life of the asset including the funding models used by other Councils.

Action: Committee Adviser

- The Leader reported that with investment over the previous years the state of A and B roads had improved substantially and over the next two years £3million had been allocated for unclassified roads from reserves. It was important to have a clear asset management strategy with regard to roads as Department for Transport funding was now dependent in part on having an Asset Management scheme in place. Also the DfT was increasingly making funding competitive between Highways Authorities. Therefore future funding levels could not be guaranteed. In the last four years the Leader commented that he had seen a reduction in complaints about road conditions.
- The last estimate that had been given showed that an investment of £267 million was required for the county’s roads to be in a good condition.
- A Member commented on the quality of work on the roads currently and the need to put more resources into the client side to ensure value for money and service quality. The Leader reported that if any work was not completed to the required standard it was undertaken again at the contractors cost. A number of contracts would be competitively let outside the contractor Ringway Jacobs to benchmark value for money and quality (£10 million of the current £25 million) and an evaluation would be undertaken in the Autumn. There was a concern that economies of scale would not be achieved with smaller contracts.
- A Member asked about the anticipated cost of road repairs compared with the costs of prudential borrowing. The Leader reported that this would not be a saving as revenue would be required to fund the cost of borrowing. The Cabinet had to juggle priorities across the Council and to ensure sufficient funding for increasing demands to protect the vulnerable.
- Reference was made to the UK Municipal Bonds Agency which could give Councils greater control over interest rates and introduce competition and diversity to the market place. No bonds had yet been issued. 50 councils had joined and the Agency was still waiting to get a credit rating. This could be a cheaper way of borrowing although the market would need to gain confidence first. Some authorities had previously been looking to issue their own bonds. However, this was quite costly and required the authority to get their own credit rating. These authorities were now supporting the Municipal Bonds Agency.
- On the capital side there was pressure around statutory requirements in terms of providing school places because of reduced funding from Government.

Tim Hannam, Corporate Director of Resources at Milton Keynes Council was welcomed to talk about the approach used by his Council with regard to prudential borrowing. In 2009 Members had to make some difficult decisions around the budget and funding the highway infrastructure for 2010/11. Therefore a suggestion was made to look at the future financial management in order to make the budget sustainable in a planned way to address future funding requirements. The following points were noted:-

- The 70/80s infrastructure was ageing with a £120 million backlog in highway infrastructure including bridges, footways, street lighting, roads and red ways. Despite the Council having no overall control at the time all Members were supportive of using the base budget to borrow at a point in the future.

- Since 2011/12 the Council had been setting aside £1million extra per annum of revenue funding to contribute towards financing the investment through prudential borrowing. By 14/15 the Council would have the financial resources within the base budget to borrow £50 million to invest in the repair and replacement of highways infrastructure which should significantly extend the life of the current highway asset. Over the long term (25 years+) the investment should be repaid by savings on short term maintenance costs.
- He had advised Members not to rely on the New Homes Bonus as this approach was uncertain.
- Ringway had won the contract. With the capital programme it would be addressed on a scheme by scheme basis with a sense check against the current market in terms of benchmarking and value for money for schemes over £1 million and this would continue to be tested. There would be a Local Investment Plan where Members across the Council could decide how to prioritise works across the whole of Milton Keynes looking at infrastructure needs, expansion and growth.
- There was confidence that the interest rates would remain low. The approach used by Milton Keynes Council was that it was important to lock in and use low interest rates and borrow a large sum of money to invest in the long term asset management plan.
- A Member referred to the roof tax used in Milton Keynes Council and whether this would continue. The tariff was £22k per house with existing planning permission. The use of this tax was not a problem unless there was an expansion beyond current areas.
- Reference was made to a sustainable asset management approach in terms of highways and that effective local authorities spend 90% of capital on highways with new resurfacing and 10% on revisiting potholes. Some authorities have the reverse spend. The best approach was to relay entire surfaces. There was an asset management approach to the whole infrastructure with clear prioritising.
- Value for money was discussed for the energy for waste plant and Milton Keynes Council was undertaking a similar exercise with a 25 year facility earning payback in Years 12 and 13.
- Milton Keynes Council had a partnership with English Partnerships, which was a development corporation with land holdings which were sold and built on. With the Localism Act Members approached Minsters to take advantage of this legislation to secure assets and therefore they borrowed money to pay for land (£32.5 million). They believe this will be a good deal to focus on developable sites which could double in value. There is a risk if it is not developed but there is one in the pipeline already showing a good return. They were also using prudential borrowing to reduce office accommodation.

Members asked for further information on the following:-

- The Highways inflationary index (now shown below)
- The long term plan by the Council for asset management and clarification on the life of assets. The Director of Assurance reported that the average life of capital road maintenance was ten years. However with new technology this could possibly be extended in the future. The asset life of a new road was thought to be about 25 years.
- Information on the Local Enterprise Partnership Scheme.
  http://www.buckstvlep.co.uk/download/2
- Clarity with regard to the total funding of highway maintenance of £267 million. [This relates to the total 'backlog' value of all of BCC roads (including unclassified). This figure will have marginally reduced over the last year although there is no exact figure at the moment.]
- Members agreed that it would be helpful to look at various options to gain a fuller understanding on the benefits of prudential borrowing.

Action: Director of Assurance

Indices

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
RPI	0.00%	3.98%	5.29%	3.77%	3.21%	2.96%
ROADCON	0.00%	18.5%	-1.5%	1.60%	0.72%	1.22%
HTMA	0.00%	4.27%	5.36%	8.17%	0.68%	3.27%

Note just before table stating – 2014/15 prices are not firm yet so can only be used as indicative.

6 BALANCED PERFORMANCE SCORECARD AND JOINT BUDGET MONITORING REPORT END OF YEAR

Matt Strevens, Corporate Finance Manager attended the meeting and reported on the Joint Budget Monitoring report and performance against corporate targets. There was an overspend on portfolio budgets of £1.161 million, the biggest contributing factor being Children Services (£1.35million). There were still pressures in terms of attracting permanent social workers and the pressure of increasing demands.

In terms of the Capital Programme there was now a new gateway process to stop slippage of Schemes. Expenditure would only be released on a stage by stage basis if they had passed the gateway process. The net outturn position for the year is £23.3million slippage/underspend. The accounts are un- audited at the moment and would be submitted to Regulatory and Audit Committee.

A Member commented on the budget scrutiny recommendations and to make sure for next year's budget that risks were considered when the budget proposals are put forward. The Director of Assurance reported that the impact of budget proposals would be subject to challenge through the Business Assurance Team and that budget proposals would be informed through the use of risk registers. The Strategic Risk Register could not be put in the public domain because of commercial / sensitivity reasons.

A Member commented on Section 106 funding and that it was important to maximise this funding. There had been a recent Inquiry into this area. Reference was made to Milton Keynes Council who had a good record in this area.

Quarter 1 information would be presented to Cabinet on 7 September 2015.

7 CHAIRMAN'S REPORT

The Rent in Advance Inquiry had its final meeting yesterday and was being chaired by Steven Lambert. The report will be presented in September.

Members were referred to a Centre for Public Scrutiny document called the Change Game where this County Council's budget scrutiny process was quoted as best practice.

An update was given on the Capital Expenditure on free school meals by Simon Brown, Commissioning Manager. One of the problems was that the contract would only run until 31 March and following this time funding was uncertain. If the subsidy was taken away parents would have to pay for the meal. The Council would be at risk in taking out a long term contract. A number of larger schools have provided their own solution which has meant that it is difficult to make a viable solution for the remaining schools.

There were 8 schools out of 38 with no solution for hot meals. There were also health and safety issues with using hot plates. There were different options in terms of food being delivered and served and also washing up being provided. Some schools had a dishwasher fitted. It was crucial to have no impact on educational delivery.

In the Autumn there would be a questionnaire set up to see how the hot and cold school meals were being received. This would be analysed according to geographical area. In terms of the impact of school meals on performance they would wait for the SATs results although it would be difficult to understand how much of an impact the school meal had rather than other aspects of attainment. Other areas that could be looked at were pupil behaviour and engagement in the afternoon. This information should be available at half term. Providers could also monitor quality and the balance of diet. Trading standards could also spot check schools and report back on standards. Whether a school supplied hot or cold meals could impact on admissions.

Members agreed that an update should be given at the November meeting. £6.5 million had been spent since 2008.

Action: Committee Adviser/Commissioning Manager

Further detail on Leadership Development should be submitted to the September meeting particularly on why agile project management has been selected.

Action: Committee Adviser/Head of Organisational Development

8 COMMITTEE WORK PROGRAMME

The Committee Work Programme was noted.

9 SIX MONTH RECOMMENDATION MONITORING UPDATE ON BUDGET SCRUTINY

The Cabinet Member for Resources, John Chilver and the Director of Assurance presented their report and the following points were noted:-

- Outcome based methodology – at the County Council meeting on 16 July there would be a Member discussion on the proposed refreshed Strategic Plan. This contained three different themes which would help to clarify priorities and where resources should be allocated (linked to an outcomes based approach).
- Portfolios and Business Units would review the current Medium Term Plan and come up with proposals. This would then be discussed by Portfolio Member Groups and resources would be reviewed alongside the new Strategic Plan. There would be robust challenge from 'Star Chamber' to ensure that the proposals were deliverable to develop a draft budget in early January. The Comprehensive Spending Review was key to future funding. The estimates for Business rates and council tax should then be more accurate. Budget Scrutiny would meet in the week commencing 18 January.
- Voluntary sector impact assessment would be looked at at an earlier stage and there would be the potential for earlier dialogue which affected organisations.
- With major capital programmes there was a new gateway process which had been implemented for a year to help provide greater visibility and hopefully help avoid slippage. There was also a new Capital Manager post to look at key projects and the need to use external specialists on complex projects. In terms of the Hughenden Quarter Project KPMG were undertaking a review and they were awaiting a draft report on the lessons learnt. A Member asked about the review that was being undertaken by Capita in relation to the health and wellbeing portfolio. Rachael Rothero was currently on secondment and developing proposals following this review and this would be considered by the Cabinet Member in the near future.
- Recruitment and retention – not all staff were in place yet but they were recruiting social workers from Romania and some start dates were imminent.

- LAFs – a review of LAFs would be undertaken shortly and a report would be given to Members in the Autumn.
- Options appraisal for the use of residual heat from the Energy for Waste plant was being looked at by FCC for the feasibility in the longer term, particularly looking at central Aylesbury. There could be some funding from the Department of Energy and Climate Change.

Recommendation One – Outcomes based Budgeting
On track

Recommendation Two – Risk Register
On track

Recommendation Three – Voluntary Sector Funding
On track

Recommendation Four - Project Management of Major Capital Programmes
On track
Recommendation Five – Prudential Borrowing
Members had the debate at this meeting and will need to consider further information. On track

Recommendation Six – Recruitment and Retention
Committee have concerns that this may not be fully implemented.

Recommendation Eight – Local Area Forums
On track

Recommendation Nine – Energy from Waste Plant
On track

10 DATE AND TIME OF NEXT MEETING

29 September 2015

CHAIRMAN