

Minutes

FINANCE, PERFORMANCE AND RESOURCES SELECT COMMITTEE

**MINUTES OF THE FINANCE, PERFORMANCE AND RESOURCES SELECT COMMITTEE
HELD ON TUESDAY 13 NOVEMBER 2018, IN COUNTY HALL, AYLESBURY,
COMMENCING AT 10.01 AM AND CONCLUDING AT 12.20 PM.**

MEMBERS PRESENT

Bill Bendyshe-Brown, Timothy Butcher, David Martin, David Shakespeare OBE, Julie Ward and David Watson (Chairman)

1 APOLOGIES FOR ABSENCE/CHANGES IN MEMBERSHIP

Apologies were received from Mr C Clare. The Chairman advised that the Committee currently had a vacancy and thanked Mr Martin Farrow for his valuable contribution to the Committee.

2 DECLARATIONS OF INTEREST

There were none.

3 MINUTES

The minutes of the meeting held on 11th September 2018 were agreed as a correct record, subject to the following amendment – An additional bullet point added to the Children's Services section on p 4 of the minutes to read: 'It was noted that the budget for Looked After Children had been set at £21.9m and the legal budget was £2m.'

4 PUBLIC QUESTIONS

There were none.

5 CHAIRMAN'S REPORT

The Chairman reported that a small Inquiry Group had held a useful meeting with Human Resources and he asked the Members involved to feedback on the notes of the meeting by 11th December.

Members were also advised that the Chairman had met with Richard Ambrose in preparation for the Budget Scrutiny Inquiry. In addition, the Chairman had recently been asked to provide his views on a possible Investment acquisition.

6 DRAFT CAPITAL AND INVESTMENT STRATEGY - OVERVIEW

The Chairman welcomed Mr John Chilver, Cabinet Member for Resources, Mr Richard Ambrose, Director of Finance and Procurement, Mr Mark Preston, Head of Finance – Resources and Pensions and Mr John Reed, Director of Property and Assets to the meeting.

The Cabinet Member explained that the new Capital and Investment Strategy had been drafted in response to new guidance from Government and would bring together three separate elements - Capital strategy, Investment strategy and some aspects of the Treasury Management strategy. This would also increase transparency.

10.10am Ms Sarah Ashmead, Executive Director for Resources joined the meeting.

Mark Preston provided an overview of how the strategy had been developed and key themes. During the presentation and in response to Members' questions the following main points were noted:

- This was a high level strategy that would be underpinned by other detailed plans, as outlined in P1.5. It would also demonstrate how the capital programme aligned with the Council's overall strategic aims.
- Members had a number of specific questions on the Council's Investment portfolio. The Strategy stated that the Council 'should aim to have an investment portfolio in the region of £250m.' Members were advised that this figure had been reached in order to ensure a fully diversified portfolio of investments and partly in relation to anticipated revenue pressures that the Council could have in future – i.e. a £250m portfolio should produce £15m gross income per annum, based on a 6% net yield. The suggested £250m level had also been proposed based on discussions with the Council's property advisers, Carter Jonas.
- This figure was a target, which would clearly depend on opportunities which become available, but it would allow for diversification of the portfolio and one of the key performance indicators would be the value of rent generated towards the net budget. The £250m figure would be reviewed regularly - £150m was seen as the minimum requirement.
- A Member asked if the strategy would need to be amended in light of the recent Unitary announcement for Buckinghamshire. The Director of Finance and Procurement advised that a strategy needed to be agreed by the Council and a new Unitary authority would have to agree it's own strategy once it had been established. Currently the governance arrangements for transition were still to be agreed.
- The Director of Property and Assets explained that he might need to add additional asset management resource to his team, but it would depend on the scale and nature of the assets the Council acquired. It was important to track changes in yield and capital value regularly in order to maximise the return.

- Members noted that a new governance structure had been introduced, including a Property Board which would receive regular reports on the performance of the investment portfolio and would produce an annual report.
- Members sought assurances around the due diligence process and expressed concerns about the possibility of being over-exposed in retail, given the recent downturn in this sector. The Committee heard that due diligence was critical and the Council has professional advisers and in John Reed, the new Director of Property and Assets, in-house expertise in commercial investment. John Reed agreed with Members concerns about the retail sector and agreed that due diligence was vital, especially as the market was continually evolving.
- The Cabinet Member for Resources assured members that the due diligence process was not short-circuited and there had been some investment opportunities which had been missed because of the Council's adherence to following this process. All acquisitions were looked at on their own merit (as well as the fit with the rest of the portfolio) and potential for alternative use was always considered.
- The Chairman requested that the strategy should use the term 'average yield per annum' rather than 'blended yield' as this was more understandable and transparent for the public. The Director of Finance and Procurement also agreed to strengthen the risk management element.

Action: Director of Finance & Procurement

- In response to a Member's question regarding the financing of acquisitions, the Director of Finance and Procurement explained that the general policy would be to take a fixed rate loan and try to match this to the asset length, although it was important to ensure that all loans would not be due to mature at the same time. The Local Government Association (LGA) was hoping to issue bonds in the near future at a cheaper rate than the Public Works Loan Board (PWLB) and a Member asked if this have been investigated. Members were advised that this had previously been considered but the joint severance & liability was a concern. Also the terms of the bonds were very rigid and, to date, the LGA had not issued its first bond. This would be reviewed again once a bond had been issued.
- The Executive Director, Resources advised Members that whilst the formal governance arrangements with the Property Board were established, the Council needed to be able to move quickly in response to investment property opportunities and a process was in place to enable this. The due diligence process would take place between bids and the final offer and the Council had a strong reputation for following through on opportunities. The Executive Director offered to share reports from each of the new Boards which had superseded the Asset Strategy Board with the Select Committee, alongside the Annual Investment report.

ACTION: Executive Director, Resources

- Members requested a further amendment to wording in p5.3.4, asking that 'preference' be added with regards to properties which could have alternative uses, instead of 'weight will be given'. Members also queried whether the strategy should be more specific about stating which sectors the Council would choose to invest in. However given this was a high level strategy, the Director of Finance and Procurement

commented that it was better to be flexible and the strategy did state that the aim was to have a balanced portfolio.

ACTION: Director of Finance & Procurement

The Chairman thanked John Chilver, Richard Ambrose, Mark Preston, John Reed and Sarah Ashmead for attending the meeting. It was noted that the revisions suggested by the Committee would be made ahead of the draft strategy being considered at Cabinet in December. The final strategy would then be agreed by Council in February alongside the Budget for 2019/20.

7 BUDGET SCRUTINY 2019 - SCOPE

Mrs Kelly Sutherland, Committee and Governance Manager provided an overview of the scoping document for Members and reminded them of the key dates for the Inquiry. Sessions with individual Cabinet Members would be held in public on 8th, 9th and 10th January 2019 and as in previous years, members of the public would be invited to submit their own questions via email or social media.

A Member asked if the approach to Budget Scrutiny would be changed in the light of the recent Unitary announcement. The Director of Finance and Procurement confirmed that the County Council's budget was still focussed on delivering business as usual for 2019-20, as the new Unitary Authority would not be fully operational until April 2020. Transition costs would have to be considered, but until the governance structure had been agreed and a financial work stream was underway, it would be difficult to predict these accurately.

Other potential changes such as the Fairer Funding Review and Business Rates Retention would also need to be factored in.

8 COMMITTEE WORK PROGRAMME

The Committee noted the forward Work Programme.

9 NEW TECHNOLOGY STRATEGY - SMARTER BUCKS

The Chairman welcomed Mr John Chilver, Cabinet Member for Resources, Ms Sarah Ashmead, Executive Director, Resources, Ms Balvinder Heran, Joint Strategic Director, Information Assets and Digital Development, Mr Tony Ellis, Chief Information Officer and Mr Ben Unsworth, Head of Digital to the meeting.

The Cabinet Member for Resources explained that the new Smart Bucks Strategy was a refreshed technology strategy for 2018-2020 and he was very happy that a full leadership team was now in place to deliver it.

Ms Heran provided an overview of the main themes of the strategy. During the presentation and in response to subsequent Member questions the following main points were noted:

- This two year strategy build on the success of the previous one and the priority remained improving public access for residents and progressing with digital services.
- Ms Heran's post worked jointly across the Integrated Care System (ICS) i.e. Health and the County Council, due to its social care responsibilities. Her aspiration was for residents to be able to use one account to access both Council and Health services. This would be supported by a single network which would be accessible to staff at the Council, in Health and in the voluntary sector and the right infrastructure to improve mobile working, with staff equipped with the equipment which was most appropriate for their job role. This would also require training to be delivered to upskill staff.
- All ICT contracts were being reviewed to ensure value for money and to investigate collaboration with suppliers who could support the aspiration to integrate. There would also be opportunities to achieve economies of scale through contracting jointly with Health, for example, for mobile phone contracts.
- Members were reassured that whilst the ICT leadership team were all relatively new in post they had all reviewed the strategy which had already been developed. After some changes, they were happy to endorse and deliver it. Figures for capital investment for ICT were being reviewed in light of the strategy and the new ICT and Digital Board, chaired by the Cabinet Member for Resources would oversee the delivery.
- The Strategy would be supported by a mixed economy, using the cloud in some circumstances but also retaining a data centre. Software was being reviewed to identify duplication and what might need replacing. The Chief Information Officer explained that he was working closely with partners such as Microsoft to ensure a robust approach and he had looked at best practice elsewhere to help inform choices for the future.
- A Member praised the challenging vision of the ICT Leadership team but questioned whether the Council was capable of delivering it, especially as there had been a number of recent issues with network access for staff. In response, Ms Heran commented that it was vital that ICT was fast, reliable and resilient for both staff and residents. The focus of the current ICT Improvement Plan was to tackle the limitations of the legacy environment, by replacing hardware and the ICT and Digital Board would provide strong governance around the management of new ICT projects.
- Members asked about the impact of the recent Unitary announcement, which could result in additional systems currently used by district councils having to be reconciled with systems used at county level. Ms Ashmead, Executive Director for Resources advised the Committee that until the new governance arrangements for the transition to Unitary were agreed it was difficult to plan, but it was anticipated that an IT workstream would be an urgent consideration.

The Chairman thanked all contributors for attending the meeting and it was noted that Ms Heran was willing to provide a further update to Committee in future if required.

10 DATE AND TIME OF NEXT MEETING

There will be a private briefing for Members on the Budget on 11th December 2018 at 10am in Mezzanine Room 1.

The Committee would next meet in public for the Budget Scrutiny Inquiry on 8th, 9th and 10th January 2019 at 10am in Mezzanine Room 1, County Hall, Aylesbury.

11 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded for the following item which is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)

12 PRIVATE SESSION - CYBER SECURITY

CHAIRMAN