

## CORPORATE SERVICES SCRUTINY COMMITTEE

24 January 2017

Present:-

Councillors J Brazil (Chairman), K Ball, J Berry, P Colthorpe (Vice-Chair), M Edmunds, G Gribble, R Hosking, R Julian, J Knight, J Owen, R Rowe, R Younger-Ross and J Yabsley

Members attending in accordance with Standing Order 25

Councillors Barker, Clatworthy and Parsons.

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**Minutes**

**RESOLVED** that the minutes of the meeting held on 28 November 2016 be signed as a correct record.

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**Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

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**Public Participation**

There were no oral representations from Members of the Public.

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**Budget 2017/18**

The Committee noted that, in line with previous practice, the proposed budget for the 2017/18 financial year would be scrutinised collectively, with a joint meeting of Scrutiny Committees to be held on 30 January 2017, providing an opportunity for Members to comment on proposals for the Council's Budget in its entirety.

This would follow the opportunity for individual Scrutiny Committees – as at this meeting – to have an initial overview of the budget proposals and examine them to identify any specific issues or areas of interest that might be considered at the joint meeting referred to above for incorporation into any recommendations to Cabinet and Council.

The Committee then considered the joint report of the County Treasurer and the Chief Executive (CT/17/5) on the provisional financial settlement made by Government within the current and anticipated public sector funding regime and the spending targets set by the Cabinet for Corporate Services which included inflation, commitment and service prioritisation reductions.

The Report also contained the detailed budget proposals for Corporate Services, prepared in line with the targets referred to above, reflecting the different pressures and influences faced by services. The Corporate Services base budget was £33,352,000 (a reduction of 0.3% from 2016/17), and included inflation and pressures of £2,283,000 and required savings and income initiatives of £2,397,000.

The announcement by Government on the final settlement had been made on 15 December 2016. Government core funding would reduce from £151,600,000 for 2016/2017 to £128,300,000 in 2017/18, a significant reduction at a time of huge pressure, particularly, in social care services. The announcement by Government of the final settlement and Council Tax Regulations was expected shortly.

The proposed budget of £459,585,000 for the Council as a whole included funding, overall, of service inflation and commitments estimated at £43,026,000. To manage those combined pressures and set a budget within Government provisional targets, total savings of £22,229,000 would need to be found in the 2017/18 budget.

The Committee were reminded that its consideration of the draft Corporate Services budget was just part of the process of setting the County Council's budget which, following this meeting and the further joint scrutiny session on 30 January 2017 would culminate in the Cabinet on 10 February 2017 formulating a budget for consideration by the County Council on 16 February 2017.

The Chief Executive, in commenting on behalf of Chief Officers on the likely implications of the 2017/18 target for individual service areas, confirmed that the overall approach had been to strike a balance between the reality of the financial challenges facing the Council and providing sustainable support services against the increasing demands of front-line services and operational demands. In order to deliver budget targets in Corporate Services significant budget reductions were required in respect of staffing, restructuring of services, revised management structures and fundamental operational changes. This included cross-cutting strategies, increasing property rationalisation, contractual savings, improved energy efficiency, new delivery models and an increasing use of partnership arrangements and joint venture arrangements. Against that background of transformational change, the challenge of delivering considerable budget reductions whilst meeting increased operational demands was not insignificant.

The Chief Executive confirmed also, as reported to the Health & Wellbeing Scrutiny Committee, that the ring fenced Public Health Services grant for 2017/18 had been £28,238,000 and that by virtue of a late decision by Government this had represented a shortfall of £714,000 (2.5%). Consequently, and as a result of contractual arrangements already entered into, that 'shortfall' had been offset by an injection of funding from corporate resources for this year only: in future years changes would be made to contracted services to bring the budget back into balance. Members noted also the assurances that, since the County Treasurer's Report had been published, confirmation had been received from the Devon Safer Partnership that funding for the Devon Rape Crisis and North Devon against Domestic Abuse would again be available in 2017/18 and that the draft budgets now being considered would be updated accordingly.

The Report now before the Committee also referred to the Budget 2017/18 Impact Assessment, circulated prior to the meeting, giving an overview of the impact assessments for all service areas (available at: <https://new.devon.gov.uk/impact/published/budget-setting-201718/>), for the attention of Members at this meeting in order that they may be aware of the equality impact assessments undertaken as part of the budget's preparation and that any risk assessments and projections were adequate and that the evidence supported the assumptions made in the formulation of the budget. Acknowledging also that the preparation of Impact Assessments was necessarily a dynamic process and that individual assessments for specific proposals may necessarily have to be developed and updated with time, Members of the Council must have full regard to and consider the impact of any proposals in relation to equalities prior to making any decisions and any identified significant risks and mitigating action required.

Specific issues and observations arising from the current budget proposals raised at the meeting included the following:

in relation to Corporate Services:

- acknowledging, firstly, the inherent risks associated with Corporate Services target budgets which were necessarily predicated, at a time of increasing demands, on the needs of front line services and the levels of corporate support required and,

secondly, re-affirmation of the assurances given previously over the capacity of the support envisaged through and adequacy of the proposed budgets;

- recognition that a number of reductions were also predicated upon changes to the costs of democracy arising from the introduction of new electoral arrangements for the County Council at the next quadrennial elections and any resulting reviews of democratic structures and support;

generally:

- while acknowledging the success of the County Council in attracting and/or drawing down Government grants to improve the highway network, the continuing pressures on maintenance of the highway network (utilising both revenue and capital budgets) remained a cause for concern, particularly in the more rural parts of the County;
- that, as previously indicated at both the Cabinet and People's Scrutiny Committee, the significant cost pressures relating to the High Needs Service were largely due to increased demand where the cost of educating pupils with complex educational and physical needs could be significant and volatile and that whilst additional funding had been made available within the proposed budget, management action was still needed locally to address the problems with the national issues around the Dedicated Schools Grant: this to include increasing capacity in maintained special schools and disinvesting from the more expensive independent sector;
- that the Cabinet and Council should continue to press Government for a fairer funding allocation for schools in Devon to bring expenditure per pupil closer to the national average.

It was **MOVED** by Councillor Brazil, **SECONDED** by Councillor Colthorpe, and

**RESOLVED** that the provisional financial settlement and its impact on spending targets and on the proposed Corporate Services budget for 2017/18 and the issues and/or observations set out above be drawn to the attention of the Joint Budget meeting on 30 January 2017.

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### **Treasury Management Strategy 2017/2018**

The Committee considered the Report of the County Treasurer (CT/17/08) on the proposed Treasury Management and Investment Strategy for the 2017/18 financial year, prepared in accordance with the revised CIPFA Code of Practice for Treasury Management in the Public Services, adopted by the Council in February 2016, to be submitted to the Cabinet and the County Council for ratification following consideration by this Committee.

The Strategy, set out in full at Appendix 1 to the Report, set out the policies and plans to be adhered to in the coming year, dealing with such matters as the Minimum Revenue Provision (MRP) policy, capital expenditure funding, prudential indicators, the current treasury position, debt and investments; prospects for interest rates; the borrowing strategy; and the investment strategy.

Members noted that the MRP policy had not been changed from that adopted for 2016/17. In addition (and since 2009), the Council had followed a policy of containing the capital programme, with no new external borrowing and repaying debt whenever possible (without financial penalty).

The reduction in the base rate from 0.5% to 0.25%, meant the target return for deposits with banks / building societies was reduced from 0.65% to 0.40%, reflecting the current low interest rates on offer from the Council's counterparties, therefore the target rate for the CCLA Property Fund remained at 4.50%.

Members discussed and asked questions on the Council's view of the impact of Brexit, clarification on the investment limits and caps of the CCLA Property Fund and how other Local Authorities managed any such like fund, the flexibility within funds that allowed the Council to move investments and whether PFI schemes were included with debt figures and the need for robust contractual arrangements.

Officers would also check the figures outlined in the 2017/2018 column of tables 1,2 and 3, which appeared slightly out of kilter (thought to be due to the rounding up and down of figures).

It was **MOVED** by Councillor Knight, **SECONDED** by Councillor Ball, and

**RESOLVED** that the Treasury Management Strategy 2017/18 be endorsed and commended to the Cabinet and County Council.

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### **Risk Management**

(Councillor Barker attended under Standing Order 25(1) and spoke to this item at the invitation of the Committee)

The Committee considered the Report of the County Solicitor (CS/17/8), which highlighted how Members had previously agreed to use the Risk Register to focus their work programme activities. Risk Management enabled the efficient use and allocation of resources, more informed, transparent and accountable decision-making and allowed the Council to focus on its most critical areas.

On 28 November 2016, Members discussed how to ensure that the scrutiny of the Council's Corporate Risk Register was robust and valuable, highlighting the value of questioning Risk Owners on how a particular risk was managed and mitigated against.

The Corporate Risk Register had been circulated to the Committee, in advance of the meeting, to allow Members the opportunity to request further information on a particular risk, and/or the attendance of a particular Risk Owner.

There were 26 risks on the Corporate Risk Register, with 17 risks that were scored as Very High meaning they were both likely to happen and would have a significant impact if they did.

Members had identified two areas they wished to explore further which included workforce and succession planning and the current projected overspend in Adults Services.

The Head of Organisational Development responded to the first identified risk, answering questions on the new officer structure of the Council and the refresh of the risk register, how the Council supported those officers whose roles carried a big responsibility in terms of high risks, the current figures in relation to sick leave, particularly stress related illnesses and the new HR dashboard which contained such data and was publically available on the web. The Head of Service undertook to provide the link to members.

The Chief Officer for Adult Care and Health, the Head of Adult Commissioning and Health and the Cabinet Member for Adult Social Care attended the meeting and responded to questions on the projected overspend in Adults Services including the cost of care, promotion of the independence agenda, the importance of re-ablement services and the role of the wider community, including volunteering and local clubs and groups, how the Council would balance its books by the year end and whether there were any plans for a referendum for larger Council tax increases (e.g.Surrey), the difficulties in managing a demand led service and that Councillors should be reassured on market sufficiency issues.

**RESOLVED** that the Scrutiny Chairs and Vice Chairs discuss how the Risk Register be most appropriately considered and reviewed by Scrutiny Committees.

\* 35 **Devon Youth Service**

(Councillor Parsons attended under Standing Order 25(1) and spoke to this item at the invitation of the Committee)

The Committee received the Report of the Chief Officer for Communities, Public Health, Environment and Prosperity (SC/17/1) on progress with Youth Service Externalisation, presented by the Head of the Youth Service.

The report highlighted the background to the competitive procurement exercise, which resulted in the youth service being divested to DYS Space Ltd, a social enterprise, with a contract value of £5.25million over its three year term. The service would be provided from 1 February 2017.

Members noted the statutory obligations of the Council for youth work activities, therefore it retained responsibility for the Youth Service, but commissioned DYS Space Ltd to deliver it. DYS Space Ltd would work collaboratively with partners to ensure that young people aged between 13 and 19 received any support and advice needed to reach individual goals and lead healthy, happy and fulfilling lives into adulthood.

The scope of the Youth Service for Devon included the provision of an open access youth service for young people at eight youth and community centres, targeted youth work as part of the Devon Early Help strategy, advice, guidance and support to voluntary and community groups, alternative provision for secondary school pupils who had various behavioural problems or emotional / social needs, Duke of Edinburgh Award Scheme programmes and youth provision at Cranbrook.

The report outlined the five outcomes for the Youth Service for Devon and also the key role that DYS Space Ltd would have in relation to safeguarding. In addition, a number of key performance indicators which would be used to assess the quality of the service were outlined.

The Head of the Youth Service (to become the Chief Executive of DYS Space from 1 February 2017, to trade as 'Space') advised Members that they would be looking to deliver beyond the contract specifications including joined up working with libraries, developing volunteering schemes, opportunities for inter-generational work and also a strong use of the local labour market.

Members asked questions on and discussed how Space might provide non-targeted work, the opportunities for locally run youth organisations to bid for money from Space, the importance of apprenticeships and helping young people achieve their full potential in life.

They further noted that Devon were only one of 5 Council's in the country, and the only County Council to set up a staff mutual for the Youth Service.

Members wished Space every success in their future running of the Youth Service.

\* 36 **Scrutiny Work Programme**

The Committee reviewed the Scrutiny Work Programme and determined those items of business to be included therein for its sphere of activity, having regard also to the Council/Cabinet Forward Plan.

**RESOLVED** that the work programme be agreed, subject to the deletion of the Domestic Violence and Abuse Strategy and the addition of Councillor Greenslade's Notice of Motion on "triple lock" for state pensions beyond 2020, particularly focusing on the economic impacts.

\* **37**      **Briefing Papers, Updates & Matters for Information**

There had been no items circulated since the last meeting.

**\*DENOTES DELEGATED MATTER WITH POWER TO ACT**

The Meeting started at 10.00 am and finished at 12.45 pm