

## AUDIT, BEST VALUE AND COMMUNITY SERVICES SCRUTINY COMMITTEE

MINUTES of a meeting of the Audit, Best Value and Community Services Scrutiny Committee held at Committee Room, County Hall, Lewes on 8 November 2016.

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PRESENT Councillors Mike Blanch (Chair), John Barnes (Vice Chair), Carolyn Lambert, Peter Pragnell, Mike Pursglove and Bob Standley

ALSO PRESENT Kevin Foster, Chief Operating Officer  
Russell Banks, Head of Assurance  
Nigel Chilcott, Senior Audit Manager  
Phil Hall, Interim Chief Finance Officer  
Richard Carcas, Principal Finance Officer (Treasury Management)  
Sarah Mainwaring, Head of HR and Organisational Development  
Ross Duguid, Procurement Category Manager  
Matthew Powell, Asset Strategy Manager  
Cynthia Lyons, Acting Director of Public Health  
Rupert Clubb, Director of Communities, Economy and Transport  
Karl Taylor, Assistant Director Operations  
Justin Foster, Waste Team Manager  
Robyn Hunter, PA to Chief Operating Officer  
  
Martin Jenks, Senior Democratic Services Advisor

### 31 MINUTES OF THE MEETING HELD ON 27 SEPTEMBER 2016

31.1 The Committee RESOLVED to approve as a correct record the minutes of the meeting held on 27 September 2016.

### 32 APOLOGIES FOR ABSENCE

32.1 Apologies for absence were received from Councillor Trevor Webb.

32.2 It was noted that Councillor Pursglove was substituting for Councillor Keeley.

### 33 DISCLOSURES OF INTERESTS

33.1 Councillor Blanch declared a personal interest in item 13 (see minute 43), as a family member is a member of the Beachy Head Chaplaincy Team. He did not consider this to be prejudicial.

## 34 URGENT ITEMS

34.1 There were none.

## 35 INTERNAL AUDIT 2016/17 PROGRESS REPORT - QUARTER 2

35.1 The report was introduced by the Head of Assurance, which provides a summary of the opinions for the audits carried out in Quarter 2. With the exception of schools audits, they were in general positive with none less than substantial assurance opinion. A number of additional audits have been added to the audit plan and there were no outstanding high risk recommendations.

35.2 The Committee were reminded of the approach regarding school audits, with the second phase of randomly selected school audits carried out by Mazars starting in September. At this stage there is an indication that there has been an improvement following the schools training programme.

35.3 The Committee commented that it was pleasing to see the full assurance opinion for the Pension Fund Governance and Investments audit, and the work on the Pensions system Altair data merge to support this project. It also congratulated Internal Audit team on their work and noted the number of positive audit opinions.

35.4 The Head of Assurance confirmed that all the existing items that are outstanding from the schools audit work are scheduled to be followed up and completed by the end of March 2017.

35.5 The Committee RESOLVED:

- 1) that no further action should be taken in response to the issues raised in any of the audits carried out during Quarter 2;
- 2) there were no new or emerging risks for inclusion in the Internal Audit Plan; and
- 3) to congratulate officers on their work.

## 36 ANNUAL AUDIT LETTER 2015/16 AND FEE UPDATE

36.1 The report was introduced by the Interim Chief Finance Officer. The Annual Audit Letter does not contain any new information compared with the report previously made to the Committee by the External Auditors.

36.2 The Committee noted that the audit fee had reduced as a consequence of the greater efficiency achieved in the closing of accounts in comparison with the old Audit Commission process.

36.3 The Committee RESOLVED to note the Annual Audit Letter and the fee update for 2015/16.

## 37 TREASURY MANAGEMENT ANNUAL REPORT 2015/16 AND MID YEAR REPORT (2016/17)

37.1 The report was introduced by the Interim Chief Finance Officer and the Principal Finance Officer (Treasury Management). A new Code of Practice for Treasury Management was introduced following the Icelandic Bank collapses, which requires three areas of Treasury Management activity to be regularly reported. This report combines a review of actual activity in the previous year 2015/16 and a mid-year review for 2016/17.

37.2 The Interim Chief Finance Officer outlined that interest on deposits over the previous financial year (2015/16) had been fairly low, averaging 0.7%, and around £20million of new borrowing had taken place. In the first half of the current financial year a small amount of new borrowing took place to replace debt that had matured. Interest rates on short term investments remain low.

37.3 Information on the Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP) are also included in the report. A review of the Minimum Revenue Provision (MRP) is underway and is scheduled to be reported back to the Committee at the December Reconciling Policy, Performance and Resources (RPPR) Board meeting. It is likely that the review will result in a reduced Minimum Revenue Provision (MRP) in future years.

37.4 The Committee asked about the replacement of long term debt; whether LOBO (Lender Option, Borrower Option) loans will be due for redemption soon and; whether the Council will continue to be able to borrow at lower interest rates.

37.5 The Principal Finance Officer (Treasury Management) responded that the Council had repaid some Public Works Loan Board (PWLB) historic debt early, which has the highest interest rates, and replaced it with lower interest LOBO products. The interest on the three LOBO products is on average 4.5%. All LOBO loans are within option and are monitored on a regular basis.

37.6 The Council's Treasury Management advisors, Capita, expect the PWLB interest rates to remain relatively low in next two years. They will be monitored with Capita and the advice is to take out loans as the Council needs them and take action when required. It is likely that the PWLB will remain the main borrowing source, but alternative sources such as the Municipal Bonds Agency will offer alternatives which will help to keep PWLB rates lower.

37.7 The Committee were advised that it is not worth redeeming higher rate debt at present due to early redemption penalties, which make redeeming debt early too expensive. New borrowing will only be undertaken when the Council needs the funds due to the high carrying cost of debt (i.e. the interest paid on borrowing is significantly higher than the interest paid on short term investments).

37.8 The Committee RESOLVED to:

- 1) note the Treasury Management performance in 2015/16 incorporating the Mid-Year review for the first half of 2016/17; and
- 2) to continue the discussion regarding the Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP) at the RPPR Board.

## 38 RECONCILING POLICY, PERFORMANCE AND RESOURCES (RPPR) 2017/18

38.1 The Chief Operating Officer introduced report. The Chair referred the Committee to the list of further information requests contained in the minutes of the previous meeting. There were no additional items for the Committee to consider with the exception of the additional savings requirement for Orbis.

38.2 The Committee asked if the additional Orbis savings involved bringing existing savings plans forward from 2018/19. The Chief Operating Officer responded that the additional savings would be achieved in part by bringing savings forward and in part from increased savings from 'manged on behalf of' budgets. The increased savings will come from Procurement and Business Operations. At present Orbis is checking to make sure that the additional savings are applied in an equal and fair way across the two organisations. More detail will be provided at RPPR Board meeting.

38.3 The Committee asked for further detail about the savings being made in Trading Standards. The Senior Democratic Services Advisor informed the Committee that this service area was within the remit of the Economy, Transport and Environment (ETE) Scrutiny Committee, and agreed to circulate an earlier report to the ETE Scrutiny Committee on Trading Standards.

38.4 The Committee RESOLVED to note the report and that there were no further requests for additional information for the RPPR Board.

### 39 ANNUAL UPDATE ON THE USE OF AGENCY STAFF

39.1 The Head of Human Resources (HR) and Organisational Development introduced the report. The predicted expenditure on agency staff for 2016/17 is lower than for 2015/16. The Council has had a new provider for agency staff, Adecco, since the 1<sup>st</sup> of January 2016. The Council is happy with the new service, which has improved governance and arrangements for pre-employment checks.

39.2 One of the key reasons for the use of agency staff is to cover sickness absence. There are a number of initiatives to tackle this, which are detailed in Appendix 3 of the report. The focus of the work to reduce sickness absence levels has been on Adult Social Care (ASC) and Children's Services (CS) departments. A comparison of sickness absence figures with other Local Authorities has confirmed the profile of absences is very similar to other councils.

39.3 There are two key targets measuring sickness absence; the number of days lost per employee (Council Plan target); and return to work interview compliance. Both targets have improved and the Council Plan target for reducing the number of days lost per employee has been achieved. There is good evidence of the impact that conducting return to work interviews is having. For longer term sickness absence, making contact within seven days makes a big difference and managers are also using Skype to contact staff, where appropriate. This improvement has been achieved through targeted work with departments, increased support for managers and the development e-learning resources to help with these issues.

39.4 The Committee congratulated the HR Team on this achievement and noted that there had been a reduction in the use of agency staff in the Business Services Department (BSD) as number of corporate projects had finished. The Committee asked for a projection of the level of expenditure in BSD for consultants and corporate projects in the coming year.

39.5 The Chief Operating Officer responded that BSD are continually bringing down use of agency staff. Continued use of agency staff and consultants is mainly for specialist knowledge areas, which could rise if there are large pieces of specialised work that need to be undertaken. The Information Communications Technology (ICT) team is staffed slightly above budget to make sure we have resources and flexibility for projects and to deal with peaks in demand. ICT have also looked at skills across Orbis to make the best use of the resources available. The department can report on the levels of expenditure on agency staff built into next years budget at the RPPR Board.

39.6 The Committee asked if the increasing number of apprenticeships would have an impact on agency staff use. The Head of HR and Organisational Development replied that a lot of agency staff are used to fill skilled roles in ASC and CS. Consequently the number of apprenticeships will not have an impact on the need for sickness absence cover. However, apprenticeships may have more impact where we are seeking to train and develop our own staff for roles where recruitment is difficult .

39.7 The Committee discussed the use of Newly Qualified Teachers (NQT's) in schools. The Head of HR and Organisational Development confirmed that the Council is developing programmes to recruit teachers in partnership with the local universities. There are NQT's in rural schools, where support can be in an issue due to the school size. The Head of HR and Organisational Development is not aware of the dropout rate for these programmes, but can speak to Children's Services about this.

39.8 The Chief Operating Officer added that Orbis is working to share staff in order to reduce the use of agency staff. Orbis is also developing its own talent across the three partners (East Sussex County Council (ESCC), Surrey County Council and Brighton & Hove City Council) through the Ingenium and EPIC+ programmes. The department believes that it is important to develop and encourage young talented people within the organisation.

39.9 The Committee asked what the evaluation and testing arrangements were for the new agency contract. The Head of HR and Organisational Development outlined that there was a robust infrastructure in place to monitor the contract, and has the sort of Key Performance Indicators that would be usual for such a contract. There are regular contract meetings and Adecco have employee in County Hall one day a week to look at any contract issues. The Head of HR and Organisational Development has found Adecco very responsive to any issues that have arisen.

39.10 The Committee RESOLVED to:

- 1) congratulate to HR Team on their achievement;
- 2) note the findings and conclusions presented in the report; and
- 3) request further information on the predicted agency staff and consultancy expenditure for BSD for the RPPR Board meeting December.

#### 40 PROCUREMENT UPDATE

40.1 The Chief Operating Officer introduced report and Ross Duguid, Procurement Category Manager, to the Committee. The restructuring of the Procurement Team, into the new target operating model of four key work areas, has been completed. The report outlines the efficiency savings and cost avoidance achieved through the work of the Procurement Team. The Team have also been working to deliver social value from key contracts.

40.2 The Committee asked for clarification on the achievement of revenue and capital savings targets and whether the savings figures in the report are notional rather than real cash savings.

40.3 The Chief Operating Officer explained that the target for the current year (2016/17) was £6.1m and so far the Team have achieved £3.9m in savings across capital and revenue. The savings figures are mixture of cash and notional savings to try and measure the benefit of having a Procurement Team (i.e. the costs saved and avoided by the intervention of the Procurement Team, compared with not have a procurement function). On projects like Hastings Library the £426,568 savings is the difference between predicted cost (estimated by an external consultant) and what the project was delivered for. The Procurement Category Manager stated that Procurement Team could examine different ways of presenting savings information for future reports, if that would be helpful.

40.4 The Chief Operating Officer outlined that the Procurement Team were working on the savings forecast for 2017/18, which should be completed by Christmas. The Committee asked if it could have sight of the first draft of 2017/18 projected savings at RPPR Board in December. The Procurement Category Manager confirmed that it should be possible to share a first draft of the savings for 2017/18. Some of the procurement savings are hard to forecast and may be more speculative in nature when they are based on procurement exercises.

40.5 The Committee asked how the Council manages inflation in contracts and how this takes into account the market pressures on goods and services. The Procurement Category Manager outlined that the Procurement Team look at inflation projections for the various market sectors, and use market intelligence to try and mitigate inflationary pressures. The combined purchasing power of the Orbis Partners is having an effect and is helping to keep costs down. The Procurement Team is using market intelligence to examine different ways of procuring goods and services, and the Team is also working with contractors to achieve efficiencies in the cost of existing contracts.

40.6 The Committee cited an example of a school where it was paying for electricity on a base load estimate that appeared to be too high. It asked if this was commonplace across schools. The Procurement Category Manager said he would investigate and report back to the Committee.

40.7 The Committee asked why the Cradle Hill School development project did not include the provision of a safe road crossing point. The Chief Operating Officer explained that the Procurement Team is not involved in design of road safety measures, and would not alter the specification of such features. The Chief Operating Officer agreed to investigate and respond directly to Councillor Lambert.

40.8 The Committee RESOLVED to:

- 1) note savings achieved by the Council through procurement activities in 2016/17, and the current forecast for 2016/17;
- 2) note progress on other key activities within the Procurement Service; and
- 3) request more contextual information in the savings tables presentation to include details of cost avoidance and cash savings; and
- 4) receive the first draft of 2017/18 projected savings at RPPR Board in December.

#### 41 ATRIUM PROPERTY ASSET MANAGEMENT SYSTEM

41.1 The Chief Operating Officer introduced report and Matthew Powell, Asset Strategy Manager, to the Committee. The department is very close to having the full system up and running, which has also been implemented across a number of authorities in the South East (e.g. Surrey, Hampshire, Lewes, Eastbourne and Brighton & Hove City Council). The Atrium system is live for web based ordering, so supply chain contractors can see the status of orders. The next stage will be implementing planned maintenance programmes for both revenue and capital funded work.

41.2 The Committee asked a number of questions about the implementation of the new system, which are summarised below.

- The Asset Strategy Manager informed the Committee that all modules will be live very soon, but there had been some delays due to the hosted nature of the system which requires partners to work together on Atrium implementation.
- The projected cost of implementing a new property asset management system was not identified at the start of the project. This was because the Council had to replace system the previous SAP based system, which no longer met the Council's needs.
- The project looked at the procurement work and market testing that other Local Authorities had undertaken before procuring the new system. A saving of £85,000 was achieved in the procurement cost of the new property management system.

41.3 The Committee sought clarification on the policy around the renewal of leases, especially the new storage facility at Ropemaker Park in Hailsham. The Chief Operating Officer responded that ESCC had taken over an existing lease at Ropemaker Park which determined the initial term, and will provide further information on the lease renewal policy to the Committee.

41.4 The Committee RESOLVED to note progress made to date on the implementation of the Atrium Property Asset Management System and welcomed the work that had been undertaken.

## 42 PROPERTY SERVICE UPDATE

42.1 The Chief Operating Officer introduced report, which includes progress on solar projects, a list of assets for disposal, and a draft Meanwhile Use policy.

### Solar

42.2 The Committee discussed the Solar projects outlined in the report. The Chief Operating Officer confirmed that the solar panels last between 20 – 25 years and that the reduction in the feed in tariff meant that the remaining projects could no longer achieve the required payback period.

42.3 The Committee asked if the benefit figures in the report represented income or savings in costs. It also asked if solar had reduced the running cost of County Hall. The Chief Operating Officer responded that the benefits should reflect both income and a reduction in costs, but will come back to Committee and confirm. The Committee asked for a short item to be presented to the RPPR Board on the breakdown of Solar benefits.

42.4 The Chief Operating Officer reported that the cost of heating County Hall had been reduced by 56% due to the combined introduction more efficient gas boilers, the window replacement programme and the installation of solar panels. This achieved a saving of around £29,000 for this building, and the utilisation of these energy saving measures across the Council had led to savings of around £500,000.

### Property Pipeline.

42.5 The Committee noted the list of surplus assets and their current status. The Chief Operating Officer confirmed that these were all the assets currently declared surplus, but more assets may be added in the future. The Committee discussed a number of assets on the list and asked for further information as detailed below.

- Homefield Place is not on the list. The Chief Operating Officer to update Councillor Lambert.
- Land acquired as part of the Hastings to Bexhill Link Road project. Some land has been exchanged to reduce ESCC's compensation liabilities. A report will be presented to the Lead Member for Resources on the disposal of the Adams Farm on the 15 November 2016. The Chief Operating Officer will provide an update to Councillor Barnes.
- Former West St. Leonards Primary School site. ESCC is seeking to develop this site and is having discussion with other partners. There are flooding considerations for parts of this site which will limit potential development/uses.

- Former Grove School site. It is proposed to redevelop this site for housing to meet the housing need in the area. An application for planning permission is to be considered by the Hastings Borough Council Planning Committee. ESCC have re-provided the school and the capital receipt will help fund the schools programme. It is possible to restrict the use of the site to guard against future gains in value, but this can limit the amount of the money received from the sale of the site. ESCC may act as the developer for this site.

#### Meanwhile Use.

42.6 The Committee commented that it believes that Eastbourne Borough Council and possibly Hastings Borough Council may have a Meanwhile Use policy. The Chief Operating Officer responded that Meanwhile Use tends to be more suitable for the type of properties that District and Borough Councils own around town centres, rather than the type of property that ESCC typically owns.

42.7 The Committee added that Meanwhile Use not just about community use but also commercial use. The public have a negative perception of empty buildings, which can lead to reputational damage for the Council. Consequently ESCC may need to be slightly more proactive, as it may be missing out on income generating or cost minimisation opportunities. The Committee asked the department to report back with the final version of the Meanwhile Use policy.

42.8 The Committee RESOLVED to:

- 1) note the property updates including solar projects and the list of surplus property assets;
- 2) request further information on the breakdown of solar project benefits at the December RPPR Board; and
- 3) receive an update when the Meanwhile Use policy is finalised.

### 43 PUBLIC HEALTH ONE-OFF PROJECTS - UPDATE REPORT

43.1 The Acting Director of Public Health introduced the report. The Committee thanked officers for the detailed progress report on the three tranches of projects receiving one-off funding. It commented that there is a total of £6.3m worth of one-off projects in Tranche 2, of which almost £4m is linked to the Community Resilience programme. A summary of the key points raised during the discussion of the report is given below.

#### 43.2 Suicide Prevention.

- This has been a successful project with a number of aspects moved into mainstream service provision. Work from the project has been included as a case study in the nationally published Public Health England Local Suicide Prevention Planning document. The Committee asked if it was possible to quantify the number of lives saved. The Chair indicated that records of the Beachy Head Chaplaincy show that they intercept around one suicidal person per day, equating to around 350 people a year and that they prevent around 9 out of 10 people they intercept from committing suicide. The Acting Director of Public Health confirmed that Public Health will continue working on Suicide Prevention as it is a core function and so is reflected in mainstream budgets.

#### 43.3 Safer Streets – East Sussex Road Safety Programme

- The Public Health team are working with colleagues in the Communities, Economy and Transport (CET) department who are delivering this project. A joint Review Board was established with the Economy, Transport and Environment (ETE) Scrutiny Committee who received an update report at their meeting held on the 14 September 2016. The Senior Democratic Services Advisor to email a copy of the report to the Committee.



- A further project progress report will be presented to the ETE Scrutiny Committee in June 2017. Implementing 20 mph zones is one of the areas of work being considered by the East Sussex Road Safety Programme, as well as other speed reduction and road safety engineering schemes. However, the main focus is on driver behaviour and how to change it.

#### 43.4 Reduced incidents of self-harm in young people

- This project is finished and was reviewed by a cross Council group and is achieving some success in reducing self-harm.

#### 43.5 Addressing Obesity

- Obesity figures are of concern. The Committee asked who is going to deliver some of these programmes in schools and whether the Children's Services Scrutiny Committee is receiving updates on the programmes. The Acting Director of Public Health will follow this up with Children's Services so that the Scrutiny Committee receives the information.

#### 43.6 Re-Offending levels.

- The Committee asked if this project had achieved a step change in re-offending rates. The Acting Director of Public Health outlined that this area will need continued intervention, but will get an update from Children's Services for the Committee.

#### 43.7 Community Resilience

- The Community Resilience programme work is reviewed by the East Sussex Better Together (ESBT) Programme Board. The Acting Director of Public Health explained that the programme seeks to achieve greater Community Resilience by building upon assets within communities and the skills and assets of individuals to improve health and wellbeing and to reduce the need for statutory services. The Community Link workers have just been appointed and are linking to the integrated health and social care teams. The 'Connecting For You' programme, the transformation programme which covers the High Weald Lewes Havens area, has also now adopted the Community Resilience Programme as a key programme within their overall programme.
- The funding to support the programme is based on the Cumbria model (previously reported). In total 33 communities were identified in Chances for Change programme. The Committee asked if the update going to the ESBT Programme Board will be presented to the ESBT Scrutiny Board. The Acting Director of Public Health can provide details of the implementation plan and delivery of the programme to the ESBT Scrutiny Board as part of normal reporting arrangements.

#### 43.8 Exploitation, Domestic and Sexual Abuse

- The Committee commented that the update on this project indicates a successful step change so far judging by the progress made to specify services and the recruitment of specialist staff.

#### 43.9 Embedding Health Improvements in Schools

- This project provides funding to all schools and colleges to develop and implement a health improvement plan. This has a particular focus on tackling childhood obesity.

43.10 The Committee commented on how useful the update report had been in outlining the progress of the various one-off funded projects. The Committee considered that it was important that monitoring of the projects evaluate whether the objectives have been achieved, including if the learning has been incorporated into mainstream services. The Committee recommended that the whole of update report should go to the relevant service Scrutiny Committees, for information.

43.11 The Committee RESOLVED to:

- 1) Thank the Public Health Team for their work;
- 2) Recommend that the whole update report is sent to the relevant service Scrutiny Committees for information; and
- 3) Request the monitoring of the projects evaluates whether they have achieved their objectives, including if the learning has been incorporated into mainstream activities, and whether there has been a sustainable step change or instead there exists a need for identified continuing funding.

#### 44 WASTE PFI CONTRACT UPDATE

44.1 The Assistant Director, Operations introduced report. The report describes two pieces of work on the Waste Contract. One is the Department for Environment, Food and Rural Affairs (DEFRA) contract review and the other is a more detailed piece of work this is being undertaken with Local Partnerships. The intention is to bring outcome of the Local Partnerships, Operational Savings Review, to both Audit Best Value & Community Services (ABVCS) and Economy Transport and Environment (ETE) Scrutiny Committees.

44.2 The Committee discussed whether to establish a joint Review Board with the ETE Scrutiny Committee earlier in February or March 2017, to consider the outcome of the Operational Savings Review. Starting this piece of work earlier could be abortive, as it is close to the pre-election period (Purdah) and membership of the Committee may change as a result of the County Council elections. It was agreed to wait until after the County Council elections in May 2017 to start this piece of work with ETE Scrutiny.

44.3 The Committee RESOLVED to:

- 1) Note the update on work with the Department for Environment Food & Rural Affairs (DEFRA) and Local Partnerships; and
- 2) Await completion of the work being undertaken with Local Partnerships on the Operational Savings Review before considering further scrutiny work jointly with the Economy, Transport and Environment (ETE) Scrutiny Committee.

#### 45 SCRUTINY COMMITTEE FUTURE WORK PROGRAMME

45.1 The Committee noted that the report on the Internal Audit Strategy and Plan for 2017/18 will now be presented at the March 2017 meeting. As a consequence the date for Internal Audit Strategy and Plan briefing, which will include an update on the Orbis Internal Audit work, will need to take place at some time during January 2017. It proposed to hold this briefing after Cabinet in January, or timed to coincide with another meeting that is being attended by Committee members.

#### 46 FORWARD PLAN

46.1 The Committee RESOLVED to note the Forward Plan.

47 ANY OTHER ITEMS PREVIOUSLY NOTIFIED UNDER AGENDA ITEM 4

47.1 There were none.

The meeting ended at 12.20 pm.

Councillor Mike Blanch  
Chair