PERFORMANCE & CORPORATE SERVICES OVERVIEW & SCRUTINY COMMITTEE

MINUTES of the meeting held on Friday, 10 November 2023 commencing at 12.00 pm and finishing at 2.50 pm

Present:

Voting Members:	Councillor Eddie Reeves – in the Chair Councillor Brad Baines Councillor Donna Ford Councillor Bob Johnston Councillor Kieron Mallon Councillor Ian Middleton Councillor Glynis Phillips Councillor Charlie Hicks
Other Members in Attendance:	Councillor Nathan Ley Councillor Dan Levy Councillor John Howson
Officers:	Tom Hudson, Scrutiny Manager Lorna Baxter, Director of Finance Robin Rogers, Programme Director, Partnerships and Delivery Paul Wilding, Programme Manager, Partnerships and Delivery Kathy Wilcox, Head of Financial Strategy Karen Fuller, Corporate Director of Adults and Housing Stephen Chandler, Executive Director (People) Anne Coyle, Interim Director of Children, Education and Families Jean Kelly, Deputy Director for Children's Social Care Bill Cotton, Director of Environment and Place Ansaf Azhar, Director of Public Health Louise Tustian, Head of Insight and Corporate Programmes

44/23 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 1)

The following Councillors tendered apologies:

- Cllr Brighouse (Cllr Hicks substituting)
- Cllr Miller

45/23 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE ON THE BACK PAGE

(Agenda No. 2)

Cllr Phillips pointed out that funding within the Cost of Living item was partially being spent to support an advice centre in her division.

Cllr Hicks declared during the Cost of Living item that his partner was employed by the Oxford Poverty and Human Development Initiative..

46/23 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 3)

None

47/23 COST OF LIVING UPDATE

(Agenda No. 4)

Cllr Nathan Ley, Cabinet Member for Public Health, Inequalities and Community Safety, Robin Rogers, Programme Director, Partnerships and Delivery, and Paul Wilding, Programme Manager, Partnerships and Delivery presented an update report on the Council's Cost of Living response.

Cllr Ley introduced the report, highlighting that the funding for the Council's activities came not only from the £6.72m from central government's Household Support Fund, but £2.8m also directly from the Council's budget. The report introduced the national context, local issues, the rationale for the shape of support, spending to date, and issues encountered.

In response to the introduction, Committee members began raising a number of questions and observations, including:

- The reasons for significant underspends, such as the Housing Benefit, which had accrued no committed expenditure out of a budget of £1.7m. It was confirmed this money would all be distributed at once and was due to be released the following month. Others, such as the Resident Support Scheme were currently underspent, but were new schemes. Take-up was growing significantly as awareness increased.

- The degree of complexity involved in the multiple sources of support for both recipients and providers, and whether it would be effective to raise universal benefits instead.

- The detail of the Council's community wealth building activity and its role as an anchor institution. In response it was explained that the Council had engaged the Centre for Local Economic Studies to grow the Council's ambition and action in relation to developing social value and community wealth building. At present, the Council was trying to find its place amidst the multiple other stakeholders and the transition of Local Economic Partnership powers into the Council. Anchor institutions were key local economic and social institutions, such as the councils, hospitals, universities and major employers who held significant influence over land ownership, employment and procurement practices. Several of these institutions were interested in finding ways to address inequality amongst their own staff, as well as more widely and the ambition was to coordinate these efforts and make best use of the levers available to different institutions to maximise the impact overall.

- Given that poverty can be measured against many different headings, how the Council measured it was explored. It was explained that the data being collated to create insight profiles would inform that measurement. Much support that was being provided was crisis-level support rather than related specifically to a particular measure of poverty. A dashboard was being created which would provide a granularity of data that had been hitherto unavailable. Child poverty, food poverty, and transport poverty were suggested as key areas for the dashboard to show. An all-member briefing on the dashboard would be welcomed by members.

- It was suggested that the long-term financial challenges were such that the Council and other public sector organisations were needed to provide a secure framework for residents. The importance of maintaining funding for this stream in future budgets was emphasised.

- The expense of school uniforms was raised with an encouragement to schools to use easily- and widely-available clothing rather than requiring specific retailers.

- The rise in the education leaving age to 18 had an impact on 16-18 year olds in rural areas where public transport links were weak given the increase in motor insurance costs.

- Educating children about sustainability and how to avoid food waste was to be encouraged. Focussed work in schools would have an impact on poverty.

- The importance of targeting support at those most in need was emphasised with multi-agency working being key. There was an encouragement to move away from the concept of ‘deprived divisions’ because, depending on the indicators, this was misleading and super output areas were more relevant. Ostensibly wealthy areas could suffer from transport poverty and there were areas of wealth in seemingly deprived areas. Granularity was key for information but what was most important was what was done with the data. Sustainability and effectiveness was necessary.

- There was a wide range of datasets available from a number of organisations. Incorporating insights from them in building the dashboard would be very wise.

The Committee **AGREED** to make to Cabinet the following recommendation:

- that the forthcoming dashboard include measures or indicators relating to child, transport and food poverty;

- that the Council provides a list of the institutions it has consulted with in the development of its poverty dashboard and the data sets it will employ

and the following observations: concerning

- the importance of what follows this intervention, and Scrutiny in some way or other intends to be involved in this conversation

- the importance of up to date and granular data to allow identification of pockets of poverty of different types, and the preference for using super-output areas rather than wards as much as possible.

- The value of making direct contact with the Oxford Poverty and Human Development Initiative, and specifically Sabina Alkire, and understanding the multi-dimensional poverty index as employed by the Alkire-Foster method.

Actions

The following actions were agreed:

- To arrange an all member briefing/introduction to the poverty dashboard

48/23 BUSINESS SERVICES TRANSFORMATION UPDATE

(Agenda No. 5)

Cllr Dan Levy, Cabinet member for Finance, introduced the report on the Business Services Transformation Programme Refocus which would be considered by Cabinet on 21 November 2023. The Committee had requested an update on any action before Cabinet made any further decisions on the programme.

Cabinet was recommended to:

a. Approve the refocusing of the programme on the delivery of improvements to existing human resources (HR), finance, payroll and procurement functions and processes.
b. Approve that the programme does not progress the development of detailed requirements and a full business case to review delivery options for corporate support services and underpinning technology.
c. Approve the repurposing £1.23m of the existing approved £1.57m programme funding to deliver the refocused programme and return the remaining £345k to the Transformation Reserve.

Lorna Baxter, Director of Finance, also spoke to the report and explained the rationale for seeking approval for the proposal to refocus, deliver improvements to existing HR, finance, payroll and procurement functions and processes and remain with Hampshire County Council's Integrated Business Centre (IBC).

In discussion with the Committee, the following points were raised:

- The risk register being a qualitative risk register prevented being able to score risks which could lead to the misallocation of resources.
- The majority of costs for implementing the applicant tracking system and the staffing for it were already included in the budget. There is a potential reduction in costs from Hants as a result of the offboarding of that process.
- A separate recruitment package was being procured but the Council would continue to use most of the rest of the package with the hope of improvements. The level of improvement necessary for the recruitment package to be attractive was such that it was not feasible to expect that in any timely fashion.
- All but one of the partners were to remain and so the Council was not unusual in retaining it.
- It was an upgrade rather than a new system and the Council had received assurances that the upgrade would be very limited and, as part of the partnership arrangement, the £250k contributed as part of the development work. Any slight delay in the upgrade
- A core programme team of six FTEs within ICT and within HR. Work would be undertaken to assess.

Subject to the inclusion of a scored risk register, no observations or recommendations were made to Cabinet.

49/23 DIRECTORATE BUDGET PRESSURES & APPROACH TO SAVINGS 2024/25 TO 2026/27
(Agenda No. 6)

Cllr Dan Levy, Cabinet Member for Finance, Lorna Baxter, Director of Finance, and Kathy Wilcox, Head of Financial Strategy were joined by members of the Senior Leadership Team to present a report regarding the budget pressures faced by directorates and the Council's approach to savings for 2024/25 – 2026/27.

Cllr Levy began by recognising the very significant pressures on the Council's budget arising from external factors, particularly the rate of inflation and the expected rise in the National Living Wage. The severity of these pressures made decisions over prioritisation necessarily difficult.

Before allowing directors to introduce the pressures in their budgets, Kathy Wilcox, provided a number of important contextual details:

- Without confirmation from central government that Council Tax rises could remain at the current level of 4.99% the budget had had to revert to the previous ceiling for its budgeting, of 1.99%. This worsened the Council's financial position for 2025/26 by £7m.
- Planned changes to directorate budgets of £30m were had already been confirmed in the previous budget, largely driven by inflation forecasts and demographic changes.
- Directors had over the summer been asked to identify the budget pressures they were currently facing and explain plans around how to manage them

within current budgets. The pressures put forward to the Committee represented those which could not be fully managed.

- Pay inflation in 2023/24 was higher than expected than in the Council's previous forecast, the balance of which was paid from contingency. The level of contingency was deemed to be in need of replenishing creating a pressure of £4m. Further, for 2024/25 an additional £2.4m would be required to cover pay inflation.

Karen Fuller, Corporate Director of Adults and Housing, introduced the Adults budget. A large directorate budget, the primary pressures arose from demographic pressures and population growth, and the effect of inflation on the cost of care packages provided by the Council. The Council's approach was to implement the Oxfordshire Way, supporting individuals to receive care in their homes for as long as appropriate, which had done much to mitigate the challenges posed. The growth in the National Living Wage had a particular impact on adult social care costs. However, the Council had previously been generous to providers in terms of the inflationary uplifts provided, and conversations were to be held to decide whether, given this, scope existed not to continue with the same generosity. Equally, opportunities existed to support capacity development in the voluntary sector for those individuals who did not require statutory intervention to continue to live well in their communities.

Anny Coyle, Interim Director of Children's Services, introduced her directorate with the support of Jean Kelly, Deputy Director of Children's Social Care.. Children, Education and Families likewise held a large budget, covering multiple areas. Key pressures related to the increased investment in SEND provision following the recent inspection, and school improvement investments following the Education Commission. Elevated demand levels for social care, SEND services and Home to School Transport remained a pressure, compounded by inflation. Although a money-saving measure in the medium term, the Recruitment and Retention Strategy required investment and thus presented as a pressure in the interim. Having been subject to significant turbulence and change, a comprehensive Financial Strategy was being developed for Children, Education and Families to incorporate savings into the wider issues of managing the market for care, finding and developing permanent staff, managing the increase in care home costs, and partnership working into a renewed vision and strategy for the directorate.

Bill Cotton, Corporate Director of Environment and Place, presented next. An important factor to understand was that the directorate generated almost as much as its £74.6m budget in income from sources such as parking charges and charges to utility companies. Parking charges, for instance, presented as a pressure because the Council was extending this across the County, but it would also bring in additional income. Key pressures related to a failure of the Shepherd system to achieve its planned savings in Home to School Transport, The weather had caused a need for increased funding for potholes, with some months having double the average number reported. A change in the law on how persistent organic pollutants were disposed of had made the process more complex and costly. A number of urgent repairs, including those necessary to remain health and safety compliant or maintain the service.

Ansaf Azhar, Director of Public Health introduced the Public Health pressures. Public Health received a ring-fenced grant for the majority of its income, within which the Council needed to deliver a number of statutory services such as drug and alcohol and sexual health services. The non-ringfenced contribution primarily related to Domestic Abuse services. Budget pressures primarily related to improvements to services, funded mainly by grant increases, around Health Visiting, increased demand for drug and alcohol services, and research. Though being pressures, each was an investment in preventing additional demand downstream, which was the primary approach being taken to manage costs.

Community Safety was also introduced by Ansaf Azhar. The main pressure related to an increase in the cost of replacing expired fire service vehicles owing to inflation. Again, the primary focus was on ensuring demand was prevented wherever possible.

Lorna Baxter, Director of Finance, and Kathy Wilcox, Head of Financial Strategy, spoke to the pressures on Resourcing and Law and Governance. The change to the structure of the Senior Leadership Team meant a pressure, though the budgetary provision being made for it was the maximum it could be, and it was expected that other budget changes could help mitigate the cost. Temporary post-Covid increases in capacity to the Finance team were being made permanent to reflect the demands on the service. A significant pressure derived from the Schools Catering Service, which faced steep food-price inflation. This service was supposed to cover its own costs, and business plans were under development to chart a path to doing so. However, significant price increases to parents could undermine demand, thereby making it harder to break even. This was made harder by the fact 60% of demand was from free school meals, to whom costs could be passed on to. As such, a pressure needed to be borne in the interim.

In response, the Committee raised a number of question and observations, including:

- The differing approaches to market management in adult and children's social care, in-housing in children's and outsourcing for adults, and whether one approach was sub-optimal. In reply, it was explained that the markets were very different, particularly in terms of scale. The number of adults in need of care far outweighed those of children. Furthermore, the Council was bound by decisions made historically, to outsource much of its provision to the Order of St John's Trust, meaning there was simply not the capacity to in-house for adults to the same extent as children. A national shortage of children's home placements made developing in-house provision more viable than for adults, where the same shortage did not exist.
- Whether pothole provision also included maintenance of pavements and cycleways, which is was confirmed it did.
- Whether, given the level of unmet savings in the previous year, the figures for pressures were actually sound. It was recognised that in the current year saving-realisation rates were below expectations and there would be a renewed focus on in-year monitoring to ensure this was not replicated.
- Whether, and when the Council would be informed of any ability to raise Council Tax beyond 1.99% in 2025/26. The expectation of officers was that this information would not be known for at least another year.

- The sunk costs of the Shepherd project and the alternatives which had been investigated. The sunk costs were estimated to be at around £100k. Alternative suppliers tended to be focused at much larger organisations than the Council's requirements, Transport for London, for example. One of the key aims of the Shepherd project was to know where vehicles were and which pupils were on them at any point, enabling accurate charging and accountability for service delivery on providers. Alternative means of addressing this would be considered instead.
- The extend of contingency. In relation to the pressures, challenge was put to the figures to ensure that the right figures were used with no contingency. There was, however, a corporate contingency held, which the S. 151 officer determined the necessary level of based on the risk profile of the budget, savings and forecasts of demand.
- The rationale behind the increased Parking Service operational costs. These were explained owing to the expansion of Parking Services across the county, more operatives and infrastructure were necessary, along with increased maintenance costs.
- Coverage of future pay awards in light of inflation expectations. It was confirmed that the budget had previously covered 2.5% pay rises, but that further inflation increases were now budgeted for also. It was noted, however, that the outcome of any future pay negotiations was very difficult to predict.
- The scope to make below-inflation rises for social care. So far as the Council was not limited by Fair Cost of Care requirements, it did so through its joint commissioning unit in Adults. Learning from the Fair Cost of Care exercise was also very valuable in informing this commissioning. In Childrens it was more difficult because of the lack of places nationally, which weakened the Council's hand when negotiating.

No recommendations or observations were agreed by the Committee at this stage.

Actions: It was **AGREED** that:

- Members would be provided with the sunk costs of the Shepherd project and the stages at which they were incurred.

50/23 BMMR UPDATE

(Agenda No. 7)

Having been a Cabinet member during the period covered by the report under consideration Cllr Phillips withdrew from the meeting at the commencement of this item and did not return.

Cllr Levy, Cabinet Member for Finance, Lorna Baxter, Director of Finance, and Kathy Wilcox, Head of Financial Strategy, were joined by Louise Tustian, Head of Insight and Corporate Programmes to present the Council's Business Management and Monitoring Report, detailing the Council's position with regards to finance, performance and risk.

Louise Tustian introduced the key issues around performance and risk. Six measures in the report were rated red. However, new data was to be published to Cabinet imminently, which showed that treatment of highways and revenue variance across the Council had been upgraded to red and amber respectively. The Council's strategic risks were in the forthcoming report to be updated; Major Infrastructure Capital Projects now referred specifically to HIF1 and HIF2, Demand Management for Adults and Children were to be elided into one measure and a specific risk around SEND added. Two further risks around Policy and Budget, and Delivering the Future Together were also to be added.

Kathy Wilcox presented the financial situation. An in-year directorate forecast overspend of £17.4m would in the following report be shown to have improved slightly to £13.6m. This largely came about due to agreements over contributions to health budgets. The major contributor to the overspend was the forecast £11m overspend in children's services for care placements and home to school transport. Slower than anticipated reductions in agency spend were the primary cause of the £3m overspend in Resources as well as inflation costs for school meals. The overall overspend, once money from contingency and reserves was taken into account was £8.5m, or 1.5%. The deficit for funding High Needs once the High Needs Dedicated Schools Grant was taken into account was £18.3m. This deficit would increase the total High Needs Deficit to £59.4m at 31 March 2024. This negative balance would, as required, be held in an unusable reserve which would be due to come to an end on 31 March 2026. Members were reminded this was a material factor for them to hold in mind when considering the budget proposals. Previously planned savings were forecast to reach £17.8m (63%) were assessed as delivered or expected to be delivered, £4.4m (16%) as amber and 6m (21%) red. Of the savings planned but not delivered in the last financial year 4m (40%) were assessed as delivered or expected to be delivered in 2023/24 and 4.9m (48%) as red.

In response, members raised the following issues:

- Whether the need to reach a balanced budget disincentivised making available savings, and thus were there savings to be made before having to make tradeoffs. Budgets were challenged as part of the budget setting process, and unjustified provisions were to be taken as savings. Any savings made would offset the same quantum of pressures and would therefore relive some of the pressure of reaching a balanced budget. It did also need to be remembered, however, that delivering a balanced budget was one side of the Council's requirements; it also needed to deliver to the maximum of its ability, services and funding levels needed to be reflective of the demand on services and the Council's duty to supply. Members noted the threat of 'gatekeeping' if budgets were restricted too far.
- The realism of budget assumptions based on the previous track record of delivering savings. It was explained that the s. 151 officer needed to sign off the budget with her agreement that the assumptions and forecasts were indeed robust. It was clear to her that previously there had been insufficient clarity over precisely how savings would be delivered. Greater challenge and scrutiny of savings proposals was already being undertaken and would be expected to yield higher rates of achievement. It was important context to recognise that the Council's medium term track record of savings delivery was much stronger than the last two years (91%), which were significantly worse.

- The methodology which allowed the Council's overspend position to have moved from red-rated to amber. The threshold for the change was confirmed to be 1.5% of the budget spend, which the current position met.
- Whether previous underspends reported around in Environment and Place could be used to cross-subsidise other areas. It was confirmed that this could be done and was already being undertaken. A caution was necessary, however, in not undermining the donor directorate's ability to deliver its own services.

No observations or recommendations were made to Cabinet.

.... in the Chair

Date of signing 200