

SCRUTINY FOR POLICIES AND PLACE COMMITTEE

Minutes of a Meeting of the Scrutiny for Policies and Place Committee held in the Council Chamber, Shire Hall, Taunton, on Wednesday 6 March 2019 at 10.00 am

Present: Cllr A Groskop (Chair), Cllr M Lewis (Vice-Chair), Cllr P Ham, Cllr B Filmer, Cllr John Hunt, Cllr L Leyshon, Cllr M Keating and Cllr T Munt (substitute)

Other Members present: Cllr M Chilcott, Cllr D Hall, Cllr J Lock, Cllr L Redman and Cllr J Woodman

Apologies for absence: Cllr N Bloomfield

163 **Declarations of Interest** - Agenda Item 2

There were no declarations of interest.

164 **Public Question Time** - Agenda Item 4

There were two public questions in relation to Item 5 – Revenue Budget Monitoring update and one question in relation to Item 7 – Social Value Policy Statement Refresh.

Nigel Behan, Unite Branch Secretary

- i) How much of the financial changes (in fortune?) are attributable to MTFP 1 (February 2018 when a balanced budget was set) and MTFP2 (September 2018) when there was a forecast of a significant overspend for 2018/19 of £20m+ and how much is due to the additional government permitted “flexibilities”, technical adjustments (and CTAX surplus) and “one-off” government (extra) money as a proportion (percentages please)?

Response from the Interim Director of Finance:

Appendix A and B of the budget monitoring report set out the financial changes between period 8 and 9, with previous budget monitoring reports detailing earlier movements.

Appendix B shows that 85% of MTFP 1 and 2 savings are delivered or on track up from 61% in period 8.

Between the previous period (8) and month 9, the main movements are:

- *£1.031m one-off additional government excess Levy distribution;*
- *£1.5m movement to release the call upon Capital Receipts Flexibilities if required;*
- *Minor service movements which are explained throughout the details of the report.*

- ii) “This quarterly report also sets out a projection of the reserves as at the end of 2018/19. It is encouraging that it is anticipated that the General Fund reserve will reach of total of £11.637m, plus any residual underspend, at the year end, when in September it was thought that it would only reach £7.796m. This improvement is significant in terms of the standing of the Council and for its resilience to deal with the challenges that the Spending Review 2019 (SR2019)

and the Fair Funding Review (FFR) might bring for 2020/21.”
Assuming the pressures are reasonably predictable, what is SCC “expecting” (lobbying for?) - in terms of at least maintaining forecast service provision (for 2019/20) – for each Service (e.g. Adult Services, Children’s Services etc....) in terms of Revenue (and Capital)?

Response from the Interim Director of Finance:

The council continues to respond to governments technical consultations on potential proposals for the review of local government funding planned with effect from April 2020 covering Fair Funding Review and Business Rate Retention review.

The current MTFP assumes a net neutral impact of these consultations and the Spending Review on the level of councils future funding.

iii) It is stated (in the draft refresh) that:

“Applications to provide services from organisations should demonstrate their and, where appropriate, their supply chains’, ability to add economic, social and environmental value above and beyond simply providing the tendered service and provide evidence demonstrating this.

Measures should be put in place to ensure that agreed social value activity is monitored and tracked as part of any contracting arrangements.

To improve transparency, wherever possible and practicable, steps should be taken to enable SCC to report centrally on added social value achieved across the Local Authority through commissioning and procurement arrangements.

Examples of best practice from both within the Local Authority and other local authorities should be developed to inform future commissioning activity.”

The Councils Constitution (B Contract Standing Orders) – 28. Most Economically Advantageous Tender section states:

<http://www.somerset.gov.uk/organisation/key-documents/the-councils-constitution/>

“Award Criteria shall be comprised of both commercial and quality considerations, which shall be represented in the Procurement Documents as a ratio of 70:30 weighted in favour of price, although the Officer may vary the given ratio in favour of price.”

In recent years the **cost: quality ratio** (in the Council’s Constitution) has changed from 50:50 to 60:40 to now 70:30 in favour of cost/price. Has the Strategic Commissioning Group (of Somerset County Council) considered how these changes in favour of cost/price have affected (impacted on) the application of the Social Value Policy and what evidence is there to demonstrate outcomes etc.?

Response from the Service Manager, Commissioning Development

If we understand the social value possibilities early in the commissioning cycle the expectations can be written in to the Service Specification for the activities we are seeking to procure. We are then making the evaluation part of the expectation of the contract and not as part of the evaluation criteria.

This point presents a real risk if we are only looking at social value as part of part of the evaluation. Our Commercial and Procurement Service has a service development plan which includes a project on social value for this year to review how we assess Social Value through the procurement process against this policy statement and then ensure it is delivered once contracts are operational. This issue will be highlighted as part of this work.

165 **Revenue Budget Monitoring Report** - Agenda Item 5

The Committee considered this report which outlined the projected revenue outturn based upon the Month 9 position. In a verbal update, the Committee were informed that the Month 10 report has now been published and will be considered at Cabinet next week.

The Committee heard that the underspend projected in previous reports is sustained and has increased marginally.

In addition to this projected underspend, opportunity has been taken to make a further contribution to reserves and to release some pressure on the need to use Capital Receipts Flexibilities to support the revenue budget. Both of these adjustments will further improve the resilience of the Council and the robustness of the accounts. £1.5m has been moved to reduce the pressure on capital receipt flexibilities.

In addition to the strong grip on the revenue budget and the consistent delivery of planned savings, the most significant improvements to the revenue account between month 8 and month 9 are the introduction to the monitoring projection of the refund of the Government levy money (£1.031m mentioned in the month 8 report), a range of favourable service forecasts totalling £1.646m (as detailed later in the report) and the release of nearly £0.800m from the contingency. With regard to the latter, it is judged that only £2.000m needs to remain in the contingency for the rest of the financial year to underwrite unexpected financial challenges.

It was highlighted to Members that the £2m contingency fund will remain should there be no call upon it but this could be affected by unpredictable events such as severe weather events and service demands.

Members asked for further explanation of capital receipt flexibilities and it was clarified that this was introduced by the Government in 2016/17 in recognition of the financial challenges faced by local authorities. In order to be eligible for flexibility, a robust business case is required to demonstrate how the flexibility will deliver long-term savings. The Interim Finance Director explained that there was some nervousness about the robustness of some of these business cases, therefore, they are all being reviewed this month. The movement of

£1.5m means that we don't have to rely on capital receipts if a business case is found insufficient.

Members questioned what would happen if a business case was found inadequate and it was explained that this would be reviewed on a case-by-case basis.

It was confirmed that this flexibility will not impact at all on the sale of County Farms. Going forward we hope to have less reliance on capital sales so whilst the asset management policy has not changed, the asset team will be able to take more time to ensure the best sale possible.

Members commented that reserve levels are relatively low and questioned what the normal expectation should be. It was explained that there are two elements to reserves: general reserves which are for emergencies and unexpected events; and earmarked reserves which are set aside for anticipated spend. No level is specified for general reserves, but usual levels are 3-5% of the net budget. However, when the level of financial uncertainty is high, it is prudent to increase the levels of reserves to ensure and sustain financial integrity. £15m of reserves would represent around 5% of Somerset's net budget and we would consider this a safe position. We are looking to add to our reserves year upon year until we reach this level.

A Member raised that significant parts of the budget fall within Adults and Children's services and questioned how it would be ensured that they are able to maintain services at the same time as making significant savings. It is anticipated that this will be monitored through the two other scrutiny committees. The Children's Board has also been set up to report through. A lot of work is taking place in this area and this committee will continue to receive regular updates on the financial implications. Looking forward, only a small number of savings will impact on services.

A Member expressed that savings proposals seem more realistic and achievable now.

Members welcomed the inclusion of graphics within the report and asked for this to be continued in future reports.

The Committee noted the report.

166 **Leisure Services Update** - Agenda Item 6

The Item began with an introduction from the Director of ECI Commissioning. Members were informed that 1610 Ltd were formed in 2009 following the externalisation of Somerset County Council's in-house leisure services provider.

At this time the County Council entered into a 10-year contract with Somerset Leisure Ltd (1610's original name) to deliver leisure services on its behalf. The contract, referred to as the Funding and Service Level Agreement, was signed to deliver community leisure services from dual-use sites at a number of school settings. This contract is now due to expire on 31st March 2019.

During the 10-year period of the contract 1610 have diversified their operations effectively and have grown as a business into becoming one of the largest and most respected leisure operators in the South West. They have secured contracts with other Local Authorities to run community leisure facilities in Devon and Dorset, have secured a contract via the Building Schools for the Future contract to deliver services from Chilton Trinity and East Bridgwater sites as well of opening a number of other private facilities.

1610 Ltd currently employs over 400 staff and since their formation have provided employment opportunities to thousands of people across the region, some of whom have gone onto have highly successful careers within the leisure sector nationwide. The services delivered by 1610 have given countless groups and individuals, including, through targeted initiatives, those who are traditionally difficult to engage, the opportunity to get and stay active. These actions have played a key part in helping the county attain its Health and Wellbeing outcomes.

The Director of ECI Commissioning then invited the Chief Executive of 1610, Tim Nightingale, who has been at the helm since before 1610's inception, to present a summary of the key achievements of 1610 over the last 10 years to the Committee.

The Chief Executive formally thanked the Council for enabling 1610 to form a company that has been able to be widely appreciated across the county. Lottery funding was used to build leisure facilities but the creation of the Trust model enabled the long-term strategy needed to secure its future use.

At the beginning of the contract, 32% of funding came directly from the Council so this was quickly identified as a risk. The Trust began to invest money into facilities in anticipation of losing funding from the Council with the aim of making facilities self-sufficient. During the first three years, the company focussed on growth, tripling its business and engaged commercially with a range of global partners.

During the middle years, huge financial pressures were faced by the Council and consequently the company was asked to make savings. This situation was tough but manageable. There were some tensions, but these were worked through as a partnership. The Chief Executive highlighted that pension liabilities were a particularly serious consideration when moving through such a transformation and he urged the Council to consider this in future commercial contracts.

1610 has seen significant membership growth and increased activity at schools although the academy status of schools complicates the contract. The company is now focussing on incorporating technological advances. In partnership, the Council has created a very successful commercial entity which will now continue to operate without subsidy.

A Member questioned the security of jobs within the 1610 community. It was confirmed that 7 of the 12 sites will continue to operate and talks are on-going with Castle School. All staff at Castle School have moved to other roles.

Redundancies were kept to a bare minimum and those affected were offered support and other roles wherever possible.

A Member commented that St Dunstan's School will have to pay more to sustain the service with no subsidy and that community groups are having to travel to other facilities which is more expensive. The service is continuing to talk to St Dunstan's about the opportunities. It is more complicated at this site because of safeguarding challenges but there is a small amount of funding available to help with any transformation. There are a lot more leisure operators in Somerset now, so people do have more choices. Where sites are not continuing to operate it is because they are not financially viable. It would need a huge investment in St Dunstan's to make the site viable and solve the challenges around access.

Members queried whether 1610 will continue to liaise with GP's for health referrals. This partnership is still on-going and will continue under a new and focussed model. 1610 is now able to support people with much wider needs than previously.

A Member raised concerns that, although schools are taking over facilities, they cannot use to school funding to continue community provision. In Minehead there is no alternative provision within an hour. Are there other areas with similar access difficulties? Access points are growing exponentially, and we are launching a fitness centre in Minehead. There are operators in virtually every town, but West Somerset is the most rurally deprived area. The member highlighted that the gap in provision is less for fitness facilities and more for specific facilities such as all-weather football pitches and netball courts. It is important to remember that the Council is not statutorily required to provide access to community leisure facilities and where possible schools will continue to lease facilities for community use.

Members suggested that, after the end of the contract, 1610 could publicise where their facilities are and any alternative community arrangements in place.

The Chair formally thanked the Chief Executive and all of the staff at 1610 Ltd for their contribution and congratulated them on the successful delivery of services. The Committee noted the report.

167 **Social Value Policy Statement Refresh** - Agenda Item 7

The Committee considered this report which presented a refreshed version of the Council's Social Value Policy Statement.

The Social Value Policy Statement outlines how the Council will embed social value and demonstrates Somerset County Council's commitment to delivering social value benefits through our commissioning and procurement arrangements.

It is a legal requirement (The Public Services (Social Value) Act 2012) for Somerset County Council to have regard to economic, social and environmental well-being in connection with public services contracts; and for

connected purposes. The Act requires Local Authorities to consider how the services they commission and procure which are expected to cost more than the thresholds provided for in the Public Contracts Regulations might improve the social, economic and environmental wellbeing of the area.

SCC goes further than the legal minimum and expects social value to be considered as part of the commissioning process every time we buy something (procurement) because we see one of our key roles as helping to ensure value for money (including social value) across whole systems. The Social Value Policy Statement is our public commitment to this and was last updated in 2016. Whilst no major changes are required, and only a few additions are recommended, it is important that we regularly review this document and our commitment. The Committee were asked to consider and endorse the revised Social Value Policy Statement.

Members questioned whether the Council is working with the Local Enterprise Partnership (LEP) and it was confirmed that the Council will continue to ensure that a joined-up approach continues. Members were reassured that social value is high on the LEP agenda too.

Members asked for a plain English version to be made available on the web.

The Committee was reassured that social value is included on decision reports to ensure that it is considered.

Members queried how outcomes are assessed and were informed that work is in place to monitor and measure this. This could be reported back to the Committee once the assessment has been completed. It was noted that some elements are difficult to quantify and demonstrate numerically. Social value already sits very firmly behind the County Vision and is included in contracts but the challenge is how to demonstrate this.

A Member commented that they were not aware of the policy before the meeting and suggested that more could be done to raise awareness with Members and the public. It was recognised that a lot is achieved already but that we need to be better at sharing and celebrating this.

A Member suggested that there is a lot within the paper that could address the Climate Change Emergency and that this should be included in the policy.

A Member questioned whether the weighting attached to social value should be revisited at a higher level.

The Committee recommended the following amendments be made to the policy:

- Work with the LEP to ensure a joined-up approach is taken to social value
- Develop a plain English version for public use/web publication

- Consider how outcomes will be assessed and monitored and fed back to the Committee. Suggestion that this could be included in the quarterly performance monitoring reports received by the Committee
- Consider how to raise Member and public awareness of the policy and demonstrate successes explicitly
- Consider including case studies to demonstrate success
- Consider whether the weighting of social value for procurement should be reviewed
- Add Climate Change Emergency

The Committee noted the report but requested a further update before the November 2019 Full Council meeting to include an update on the amendments suggested and an assessment of outcomes.

168 Scrutiny for Policies and Place Committee Work Programme - Agenda Item 8

The Committee requested the following items be added to the work programme:

- Invest to Save Reserve
- Prevention Reserve
- Update on the monitoring of business cases for Capital Receipts flexibility
- Social Value Policy update
- Climate Change Emergency Task & Finish Group Scope of Work (April)

169 Any other urgent items of business - Agenda Item 9

The Committee discussed a proposal to form a Member Task & Finish Group to form a Climate Change Strategy following the motion passed at full Council.

The Committee were informed that:

- Officers are already working to monitor the 2008 policy and the information already available;
- The District Councils have already or may shortly pass similar motions, so it makes sense to work together and pool resources. There is consensus for this amongst District Council colleagues;
- A small internal officer group has already been set up to agree a scope and carry out an audit. The group includes officers from ECI, property, social value, lead local flood authority services and will join with District colleagues;
- There would also be benefit in setting up a Member Task & Finish Group to enable Member input as well as provide opportunity for community and expert participation;
- The Task & finish Group would need to be carried out in a focussed and timely manner;
- £25k has been agreed to develop a strategy only and it may be necessary to secure more funding for any implementation.

The Chair added her concerns that the Task & Finish Group needs to be timely and needs to provide solutions.

The Governance Manager suggested that officers should put together a scope of work and bring this to the Committee at its April meeting. At this point the Committee would be able to agree the scope and membership of the group. This approach was agreed by the Committee.

(The meeting ended at 11.55 am)

CHAIRMAN