



# AGENDA

For a meeting of the
<b>RESOURCES DEVELOPMENT AND SCRUTINY PANEL</b>
to be held on
<b>THURSDAY, 19 JANUARY 2006</b>
at
<b>2.30 PM</b>
in
<b>THE GALLERY, GUILDHALL ARTS CENTRE, ST. PETER'S HILL, GRANTHAM</b>
Duncan Kerr, Chief Executive

## PLEASE NOTE THE LOCATION OF THIS MEETING

Panel Members:	Councillor Robert Conboy, Councillor Dorrien Dexter, Councillor Brian Fines, Councillor Kenneth Joynson, Councillor John Kirkman (Vice-Chairman), Councillor Reg Lovelock M.B.E. (Chairman), Councillor Andrew Roy Moore, Councillor Gerald Taylor and Councillor John Wilks
Scrutiny Officer:	Paul Morrison 01476 406512 <a href="mailto:p.morrison@southkesteven.gov.uk">p.morrison@southkesteven.gov.uk</a>
Scrutiny Support Officer:	Rebecca Chadwick 01476 406297 <a href="mailto:r.chadwick@southkesteven.gov.uk">r.chadwick@southkesteven.gov.uk</a>

**Members of the Panel are invited to attend the above meeting to consider the items of business listed below.**

- 1. COMMENTS FROM MEMBERS OF THE PUBLIC**  
To receive comments or views from members of the public at the Panel's discretion.
- 2. MEMBERSHIP**  
The Panel to be notified of any substitute members.
- 3. APOLOGIES**
- 4. DECLARATIONS OF INTEREST**  
Members are asked to declare any interests in matters for consideration at the meeting.

**5. ACTION NOTES**

The notes of the meetings held on 24<sup>th</sup> November 2005 and 22<sup>nd</sup> December 2005 are attached for information.

**(Enclosure)**

**6. FEEDBACK FROM THE EXECUTIVE**

**7. BUDGET UPDATE**

The Director of Finance and Strategic Resources to report on:

- Local Government Settlement
- Capital Programme
- Budget Issues

Report number FIN254 to Cabinet attached.

**(Enclosure)**

**8. BEST VALUE PERFORMANCE INDICATORS**

**(Enclosure)**

**9. WORK PROGRAMME**

**(Enclosure)**

**10. REPRESENTATIVES ON OUTSIDE BODIES**

Representatives on outside bodies to give update reports.

**11. ANY OTHER BUSINESS, which the Chairman, by reasons of special circumstance, decides is urgent.**



## MEETING OF THE RESOURCES DEVELOPMENT AND SCRUTINY PANEL

THURSDAY, 24 NOVEMBER 2005  
2.30 PM

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### PANEL MEMBERS PRESENT

Councillor Dorrien Dexter  
Councillor Brian Fines  
Councillor John Kirkman (Vice-Chairman)

Councillor Reg Lovelock M.B.E. (Chairman)  
Councillor Gerald Taylor  
Councillor John Wilks

### OFFICERS

Corporate Director, Finance and Strategic Resources  
Corporate Director, Operational Services  
Corporate Director, Community Services  
Assets and Facilities Manager  
Revenues Manager  
Collection & Enforcement Coordinator  
Acting Scrutiny Officer  
Scrutiny Support Officer

### OTHER MEMBERS PRESENT

Councillor Nick Craft (Budget Working Group member)  
Councillor Mrs. Linda Neal (Leader of the Council)

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### 34. COMMENTS FROM MEMBERS OF THE PUBLIC

None received.

### 35. MEMBERSHIP

The Panel were informed that Councillor Brailsford would be substituting for Councillor Conboy for this meeting only.

### 36. APOLOGIES

Apologies for absence were received from Councillors Moore, Joynson and M. Taylor as a member of the Budget Working Group.

The Vice-Chairman advised the Panel that a letter had been sent to Councillor Moore from the Council following a road traffic accident.

### 37. DECLARATIONS OF INTEREST

None declared.

### 38. ACTION NOTES

Noted.

**39. FEEDBACK FROM THE EXECUTIVE**

The Panel were notified that the Cabinet had accepted the recommendations made by the Resources DSP's Budget Working Group on District CPA, made at their meeting on 26<sup>th</sup> October 2005. The recommendation on car parking charges for Grantham and Stamford was not accepted.

**40. INTERNAL AUDIT**

The Chairman welcomed Caroline Turner and Jon Widdison from Pricewaterhousecoopers (PWC), the Council's internal auditors to the meeting. They gave a presentation to Panel Members on: planning for the audit process, carrying out the audit, reporting mechanisms and a six-monthly update.

PWC had produced a Strategic Plan stating the work they would look to undertake over a three-year period. The Plan had been compiled by the assessment of corporate risks, reviews of council plans and ambitions, interviews with officers and Members and following up work of the previous year. The audit would provide assurance, evaluate internal control systems, appraise policies and procedures and examine accounting records and risk assessment. The audit would draw the attention of management to deficiencies within service areas and duplication and inefficiencies within services.

An annual Operational Plan was produced based on the Strategic Plan. This would draw up terms of reference for audit work with officers. The Operational Plan stipulated work for the coming year, the types of review necessary and a projected timetable to allow the programme of work to progress as conveniently as possible. Terms of reference were agreed with officers up-front, by reviewing objectives, scoping work, identifying key contacts and planning reporting arrangements. Findings will be reported using a number of templates and include follow-up work of the recommendations from the previous year and list detailed findings and recommendations, while highlighting examples of good practice.

Reports issued to date have included a Housing and Rent follow-up review, a Contracts and Tendering follow-up review, a Cleansing follow-up and Planned Maintenance follow-up. Members were asked what form they would like future consultation to take. Members decided that they would like a biannual written summary report where more information would be provided on request, with attendance of PWC representatives at meetings, to allow members to ask questions. One would be a halfway report while the other would be a reflection on what had been achieved and a forward plan. An Audit Review Update would be included as an agenda item.

A general IT review looking at general controls for all systems had taken place. More specific reviews could be done in the future, including an assessment of the new accountancy software package. It would not be possible to do a full audit of the software until it had been implemented.

Members discussed recommendations that were consciously not adopted. There were two ways in which recommendations were not implemented: officers either agreed to stand the risk of non-implementation or officers agreed

with recommendations but did not enact them.

PWC were assessing risks identified by their predecessor in a priority-based order. Members of the DSP felt that when Members were consulted for audit reviews, there should be a selection from across the Council; consultation should not be exclusively Executive Members. Members had not had access to any of the review reports produced and requested that these should be made available for them to view.

**CONCLUSION:**

1. ***To have a biannual Audit update included on the agenda of a future meeting with a summary report;***
2. ***To invite representatives from Pricewaterhousecoopers to the biannual reviews to answer any questions.***

**41. BUDGET UPDATE**

Action notes from the meetings of the Budget Working Group had been circulated and were noted. The Corporate Director of Finance and Strategic Resources précised his report number FIN253 to the Resources DSP. The Gateway Review Process was underway. Members had been contacted about Stage 2 and there had been lots of interest from Members wanting to be involved.

The Local Government Finance Settlement was due in the first week of December, although no time slot had yet been allotted with the Secretary of State. A recalculation of the Settlement was being prepared for 2004/05 and 2005/06. The consequences for SKDC were anticipated to be minimal. There would be greater implications for Lincolnshire County Council.

In the inspection of the Use of Resources and Value for Money submissions, work was being undertaken to ensure that all services would be at level three standard for the year 2006/07.

The Chairman asked of the progress of the audit work with Human Resources which had been suspended for six months during job evaluation. Informal feedback was due from early January and a formal report received by March.

**42. TREASURY MANAGEMENT ACTIVITY 2005/2006**

The Constitution and Accounts Committee had considered the Treasury Management Activity Review for 2005/06 half yearly report on 20<sup>th</sup> October 2005. All borrowing and investment had been in-line with codes of practice. In July the bank base rate had been reduced by 0.25% to 4.5% and contract renewal had been agreed. The Council are still getting the best returns possible within the permitted parameters.

As part of the work on the final accounts, a balance sheet audit would be carried out. The balance sheet audit would demonstrate whether the Council was getting the best possible returns and would contribute to treasury management policies in the future.

The Review means signing-off, ensuring that money had gone where it was supposed to go. Sign-off by a CIPFA qualified member of the Corporate Management Team.

Members discussed the reserves held by the Council. Approximately half of the reserves held were in the Housing Revenue Account (HRA) and half constituted the General Fund. Reserves in the HRA would be used for repair and renewal, capped level investments and a working balance. The General Fund is composed of a working balance and specific reserves, including pension fund reserves, insurance reserves and provision for the failure of the LSVT ballot.

**43. MOVING TOWARDS A CASHLESS OFFICE**

The Chairman congratulated and thanked the Members of the E-Government Working Group for the paper prepared by them on moving towards a cashless office which he fully supported.

The Corporate Director of Operational Services summarised the report. As part of the Council's modernisation agenda, the Working Group had visited a number of sites. The target would be to provide the same range of services in all area offices as are provided in Grantham. To enable this, the Working Group proposed that the Council should implement an Allpay scheme, which would cover cash payments, direct debits and car parking charges. People would be able to use their Allpay cards at a number of different facilities including rural post offices, local shops and garages; this would help support the Council's rural agenda and provide stability for rural post offices. A list would be circulated to all Members. There would be separate cards for each transaction. The Allpay scheme had been popular with customers elsewhere and the visits had led to the Working Group making recommendations, which they hoped that the DSP would support.

The Working Groups also looked at direct debit payments. Payment days were the first day of the month. It was felt that increasing the choice of days on which people could pay, would encourage increased use of direct debit as a method of payment. The Working Group had undertaken to consult with DSPs and tenants. There would need to be consultation with tenants about the change in payment method, as changing to an Allpay system would alter the terms of tenancy agreements.

An Allpay scheme would significantly reduce the cost of cash transactions.

Members of the Panel discussed the contents of the Working Group's report. Increasing the number of dates on which direct debits were payable may mean a loss of income on monies collected but it would allow more flexibility for the council tax payer and could mean that there would be increased uptake. There had been difficulty getting people to begin using direct debit payments because historically, they had been positively encouraged to pay by cash at the counter. The loss of interest could potentially be offset by the reduction of transaction costs if more people chose to pay by direct debit.

The options of moving entirely to a cashless office and moving to a partially cashless office were considered, with particular focus on costing and saving elements for each option. Members of the Working Group favoured option one, an entirely cashless office. If the Council were only going to partially convert to cashless, the banking process including security elements would need to be retained. A receipt would be issued for all transactions.

Having a single card for all transactions was suggested. Experiences from other Councils suggested that this could complicate transactions. Should the Allpay system be pursued, outlets across the District would need to be encouraged to facilitate an Allpay system. The scheme was thought to be advantageous because it would allow payment from anywhere.

### **CONCLUSIONS:**

#### ***To recommend to the Cabinet that:***

- 1. Cash payments should stop before the opening of the Customer Services Centre;***
- 2. Allpay be introduced and direct debit payment dates be increased;***
- 3. A Council decision be made on this by mid-December 2005.***

#### **44. CUSTOMER SERVICE CENTRE**

The Corporate Director of Operational Services reminded the Panel that as part of the e-government and modernisation agenda, the customer contact centre model should spread to all area offices.

The Assets and Facilities Manager showed concept boards that had been prepared, showing designs for the new customer contact centre for the Grantham offices.

A 4metre envelope would be added to the banking hall (towards Abbey Gardens), the area where the Housing Department is based would also be incorporated. Access would be possible directly from Abbey Gardens or coming round from St. Peter's Hill. Minor modifications to the Abbey Gardens area would need to take place to allow access to the Guildhall Arts Centre for loading and unloading.

On entry, there would be a customer service desk with two operators, which would be backed by two self-service stations. All corporate visitors would be directed straight to the corporate waiting room, from which they would be escorted into the main building. There would be 10 operators located along a back wall. Customers wishing to speak to them would wait on a centrally placed seating island and would be seen using a number queuing system. Behind the ten operators, it was proposed that there should be plasma screens listing meetings, events and other information about Council activities. There would be three interview rooms, including one that could be PACE compliant. Any cash would go in a tube and be taken to a cash-handling area.

The Development Control Committee granted planning permission for the project on Tuesday 15<sup>th</sup> November 2005. It was hoped that building and fitting work would be completed by 30<sup>th</sup> June 2006 and that the whole scheme would be fully operational, including computers and software by November 2006. All work to date had been achieved on budget and there had been interest from a number of companies who wanted to be involved in the project.

The banking hall would remain open until 6<sup>th</sup> January 2006. After that date, provision would be made for banking hall staff to work from the main reception area. Other interim measures would also need to be made to allow staff within all areas to fully carry out service functions.

Members discussed that this would allow the Council's modernisation agenda to progress and provide better services for customers, 80% of whom it was hoped would be dealt with at the first point of contact. There was also concern that the members of staff who would be working in this area should have access to facilities. Members were advised that a rest area would be provided for service staff, to permit breaks from intense work. Facilities would be included in this area.

**45. BUSINESS RATE COLLECTION RATES 2005/2006**

The Revenues Manager had been invited to the meeting to explain the performance indicator for Business Rate Collection Rates 2005/06. A detailed report had been circulated with the agenda. The indicator was red because the targets set were challenging. Due to the large amounts involved, the percentage collected could vary on a monthly basis. This would occur because one business ratepayer may not be paying an instalment or a change in the rateable value can be the difference between achieving and missing the target. Improvement in annual collection rates since July 2005 had been steady and the Council was approaching its target.

**CONCLUSION:**

***The DSP will closely monitor the Non-Domestic Rates collection rates for 2005/06.***

**46. REVIEW OF DISCRETIONARY RATE RELIEF SCHEME**

The Revenues Manager reminded the DSP that the Council had decided to disinvest in discretionary rate relief. Registered charities would receive mandatory rate relief of 80%. Organisations not registered as charities could receive up to 75% discretionary rate relief; these groups would be encouraged to apply for charity status. Organisations had been sent written notice advising them that the scheme is likely to change.

Panel Members discussed the potential effects of changing the system on village halls and agreed that they should be encouraged to apply for charity status. It was suggested that village hall committees did not realise the potential rate charges they could face.

No condition could be imposed to stop people applying for discretionary rate relief or top-up. Each organisation would need to apply and applications would be judged on the merits of each case. The Panel agreed that there would need to be ruled in place should an organisation appeal against a decision.

### **CONCLUSIONS:**

#### ***The Panel recommends that:***

- 1. The new Discretionary Rate Relief Scheme should be adopted with effect from 1<sup>st</sup> April 2006;***
- 2. All awards for Discretionary Rate Relief and Mandatory Rate Relief are delegated to the Revenues Manager;***
- 3. Appeals are dealt with by the Corporate Director of Finance and Strategic Resources in conjunction with the Portfolio Holder for Finance plus three members of the Resources DSP.***

#### **47. SOUTH KESTEVEN CITIZENS' ADVICE BUREAUX FUNDING**

The Corporate Director of Community Services gave a verbal report on the funding of the South Kesteven Citizens' Advice Bureaux (CAB). The CAB had been awarded a grant of £50,000 for the financial year 2005/06. To ensure the provision of certain services and service standards, the Council and the CAB entered an agreement in March 2005. The agreement outlined opening hours, required quality standards and the provision of statistical information including the number of people to whom advice was given each year. All conditions had been complied with.

Discussions on the future funding of CAB had begun; these will form part of the Council's budget setting process. It had also been mooted that to permit the Grantham office to remain open, there may be a request for a small supplementary grant.

Between April and September 2005, the CAB had met with almost 2,500 people and had made approximately 6,000 advice referrals. No baseline data was available for comparison.

Discussion ensued on whether it would be appropriate for the Council to award an additional grant for the Grantham office. Opinion was mixed views included that the additional monies should be granted because of the work the CAB do for vulnerable people, that no additional money should be provided and that any additional funding should be dependent on whether the service provided was good value for money. The Panel stated that should the CAB apply for an additional grant, they requested the opportunity to consider the matter in detail.

### **CONCLUSION:**

***Should the CAB apply for additional grant funding to keep the Grantham office open, the Resources DSP should review the request.***

#### **48. BEST VALUE PERFORMANCE INDICATORS**

Noted.

**CONCLUSION:**

***That the performance indicator for staff turnover should be no longer submitted as a target but an indicator of percentage turnover with the national average.***

**49. WORK PROGRAMME**

Noted. Following the publication of the Forward Plan, the item 'Budget 2006/7' was renamed 'Budget 2006/7 – Setting the Council Tax Base'. A key decision on this would be taken by Cabinet of December 5<sup>th</sup>, 2005. The Council would identify the preferred Landlord for the housing stock at a special meeting on 5<sup>th</sup> January 2006, in preparation for stock transfer subject to the positive ballot of tenants.

**50. REPRESENTATIVES ON OUTSIDE BODIES**

Nothing to report.

**51. ANY OTHER BUSINESS, WHICH THE CHAIRMAN, BY REASONS OF SPECIAL CIRCUMSTANCE, DECIDES IS URGENT.**

None.

**52. CLOSE OF MEETING**

The meeting was closed at 16:52.



# MEETING OF THE RESOURCES DEVELOPMENT AND SCRUTINY PANEL

THURSDAY, 22 DECEMBER 2005  
9.00 AM

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## PANEL MEMBERS PRESENT

Councillor Conboy  
Councillor Joynson  
Councillor Kirkman (Vice-Chairman)  
Councillor Lovelock M.B.E. (Chairman)

Councillor M Taylor  
Councillor G Taylor  
Councillor Wilks

## OFFICERS

Scrutiny Officer  
Chief Executive  
Administrative Officer  
Corporate Manager Democratic & Legal  
Services (Monitoring Officer) – present for  
minute 53 only  
BEHA Williams Norman Ltd Consultant  
Scrutiny Support Officer

## OTHER MEMBERS PRESENT

Councillor Bryant  
Councillor Mrs Cartwright  
Councillor Kerr  
Councillor Martin-Mayhew  
Councillor O'Hare  
Councillor Turner

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## 53. CALL-IN REQUEST VALIDITY

Following a short adjournment, the Monitoring Officer advised on the validity of the call-in request. It was suggested by some of the members that, in light of Rule 16 of the Overview and Scrutiny Procedure Rules, the request was invalid because there was no evidence that the Cabinet decision had not been taken in accordance with the principles set out in Article 14. The Cabinet had only made a recommendation, which would then be debated by Full Council. The Monitoring Officer advised that in accordance with the Local Government Act 2000, the decision subject to the call-in request was valid for call-in because it was a minuted decision of the Cabinet, notwithstanding that it was a recommendation to Full Council.

## 54. MEMBERSHIP

The panel was advised that Councillor Moore had been replaced by Councillor Brailsford until the next annual general meeting of the Council and that for this meeting only, Councillor Brailsford had been replaced by Councillor Mike Taylor.

**55. APOLOGIES**

Apologies for absence had been received from Councillors Mrs Dexter and Fines.

**56. DECLARATIONS OF INTEREST**

There were none declared.

**57. CALL-IN OF CABINET DECISION 5TH DECEMBER 2005 - LARGE SCALE VOLUNTARY TRANSFER: PROGRESS REPORT**

The Scrutiny Officer advised that this special meeting had been called to consider the call-in request of Cabinet decision CO90. He outlined the procedure to be undertaken in the meeting and reminded members that the power to support the call-in rested with the panel. Three members who had signed the call-in request were present at the meeting and they were invited to explain further the reasons for the call-in request.

One of the members explained that the essence of the call-in related to decision 2(a) of CO90, which recommended the proportion of capital receipts from stock transfer to be allocated to affordable housing. He suggested that the decision to make affordable housing a Category A priority had been made based on the anticipated capital receipt from stock transfer. It was not appropriate to limit the funds to that service. Cabinet had not given their decision sufficient debate, given the level of finance involved. This also had not been detailed in the report considered by Cabinet.

The member referred to:

- A media release following the decision of the Cabinet.
- Minutes from the Council meeting in May 2005 relating to stock transfer.
- Sections from the Audit Commission report on affordable housing that criticised the Council's strategic housing function.

The evidence presented and whether or not to support the call-in request was discussed by the panel with the officers. A proposal to not support the call-in was made and seconded. On being put to the vote, five members supported the proposal and two voted against.

**Conclusion:**

**That the Resources DSP does not support the call-in request. The Cabinet decision CO90 is therefore implemented.**

**58. CLOSE OF MEETING**

The meeting closed at 9.52a.m.

<b>REPORT TO CABINET</b>
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REPORT OF:           DIRECTOR OF FINANCE AND  
STRATEGIC RESOURCES

REPORT NO:          FIN 254

DATE:                 9 January 2005

<b>TITLE:</b>	BUDGET 2006/07 AND 2007/08 - PROVISIONAL LOCAL GOVERNMENT SETTLEMENT 2006/2007 AND 2007/08 BUDGET REQUIREMENT AND RESERVES - RENT INCREASE PROPOSALS 2006/07
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	POLICY FRAMEWORK & KEY DECISION

<b>COUNCIL AIMS/PORTFOLIO HOLDER NAME AND DESIGNATION:</b>	<b>CABINET AND FINANCE PORTFOLIO HOLDER</b>
<b>CORPORATE PRIORITY:</b>	<b>CORPORATE GOVERNANCE</b>

**Introduction**

1. The purpose of this report is to comment upon:
  - (i) the Provisional Local Government Settlement for 2006/07 and indicative settlement for 2007/08.
  - (ii) Budget Requirement and Reserves
  - (iii) Housing Rents 2006/07
  - (iv) Other Budget issues.

**Recommendations**

It is recommended the Cabinet:

1. Note the impact of the provisional Local Government Settlement for 2006/07 and 2007/08.
2. Set a target General Fund budget requirement of £13.959m for 2006/07 and consider preparing indicative figures for 2007/08. These to be reviewed by the Cabinet later in the Budget process.

3. Ensure the scale of charges are reviewed as part of the Gateway Budget Review.
4. Agree to the rent proposals set out in the report and these to be consulted with the Tenant Compact.
5. Request further feedback on budget consultation from the Budget Working Party and public feedback from SKNews and the LAA meetings in January, in time for its consideration of budget plans in February.

#### Provisional Local Government Settlement 2006/07

The provisional settlement data was received on the 5<sup>th</sup> December 2005. The final settlement data will be received in time for the setting of Council Tax in the New Year. The consultation closes on the 11<sup>th</sup> January 2006.

2. This report covers the following areas;
  - a. New grant distribution system
  - b. National summary of Settlement
  - c. Capping and Level of Council Tax
  - d. Impact at South Kesteven and likely target Budget Requirement

#### New Formula Grant Distribution System

3. During the summer the Government consulted on the options for changing the formula grant distribution system. They have opted for the four block model. The new distribution method is similar to the previous system in that slices of money will be distributed according to authorities relative needs; the system will equalize for potential to raise income and a mechanism will be retained to prevent detrimental changes to their grant allocation (the floor damping system).
4. The main change is the removal of notional spending and tax elements i.e. spending as measured by Formula Standard Spending shares and assumed levels of Council Tax. The Government believes these figures previously have been subject to misinterpretation. The new system focuses on cash amount of grants.
5. A brief synopsis of the four blocks follows.

##### i) Relative Needs Block

This is split into seven main areas of service need- Children's Services, Adults' Personal Services; Police; Fire; Highways Maintenance; Environmental Protective and Cultural Services (EPCS); and Capital Financing.

The relative needs formula (RNF) is designed to reflect the relative needs of individual authorities in providing services. They do not measure the actual amount required to be spent on services. The building block for each area will be an amount per client, topped up by factors such as deprivation and area costs. Since the formulae only reflect relative differences they are expressed as a proportion of the total RNF.

The amount of monetary grant is set by the results of the next three blocks.

Authorities are grouped into those delivering similar services. The RNFs are added together to give a total RNF for each group. The total for each group is then divided by the total population for that group of councils as measured by the mid year population estimates. The minimum RNF per head across all Councils providing the group of services is then subtracted from the RNF per head for each council. The sum of the RNFs above the minimum for each Council is then calculated and is multiplied by the mid-year projected population. The control total for the block is then distributed in proportion to this.

The Relative needs block for South Kesteven is the EPCS block.

ii) Relative Resources Amount

This will be a negative figure and is an assessment of the ability of Councils to raise money locally. Those that can raise more money locally require less government support. The Council tax base is the important factor of this block.

iii) Central Allocation

The remaining money left in the grant pot is then distributed through the central allocation pot on a per head basis.

iv) Floor Damping Block

This exists to ensure that all authorities receive a reasonable grant increase. The Government sets a minimum increase in grant and increases above the floor are scaled back to pay for the floor guarantee.

## **Summary of National Position**

6. The key points of the settlement as provided by the Local Government Association (LGA) are:
- A headline increase of 4.5% in aggregate External Finance in 2006/07 and 5.0% for 2007/08, (including schools). In 2005/06 the increase was 6.2.%.
  - An increase in Formula grant beyond the Spending review 2004 of £305m in 2006/07 and £508m in 2007/08.
  - Total increase in Formula grant of 3.1% in 2006/07 and 3.8% in 2007/08
  - Relief of spending pressures through
    - -funding of net cost of new burdens
    - -financing cost pressures of pensions rule of 85 rule
    - -agreement to work with LGA on managing pressure on pay, waste, adult social care

- -commitment costs of new licensing will be met by national fee regime.
- Increase in ring-fenced grant of over 50%-in particular the introduction of ring-fenced Dedicated schools grant in 2006/07.
- New formulae changes for Personal social care and Concessionary fares
- Damping arrangements-the floors will be 2% for 2006/07 and 2.7% for 2007/08, for those with Education and social services, 3.2% and 3.7% for police Authorities, **3% and 2.7% for Shire districts**, and 1.5% and 2.7% for fire authorities.
- Publishing of notional amounts for capping purposes for those Authorities impacted on by the changes in Education Funding.

Table 1 below summarises Government Funding for 2006/07 and 2007/08(£M)

Table 1 - Aggregate External Financing

		2005/06 Adjusted	2006/07	Change Adjusted	2007/08	Change Adjusted
	TOTAL AEF	59,423	62,103	4.5%	65,083	5.0%
Of						
which	Special Grants	39,190	41,179	5.1%	43,433	5.5%
	NET AEF (SR2004)	44,281	47,184	6.6%	49,608	5.1%
Plus	Total post-SR transfers	-24,049	-26,260		-27,958	6.1%
Equals	NET AEF	20,233	20,924	3.4%	21,650	4.0%
Minus	NNDR Distributable Amount	18,000	17,500	-2.8%	17,500	0.0%
Equals	TOTAL RSG	2,233	3,424	53.4%	4,150	25.0%
Minus	RSG for specified bodies	63	65	2.6%	58	-4.4%
Equals	TOTAL RSG FOR RECEIVING AUTHORITIES	2,170	3,360	54.8%	4,092	25.5%
add						
back	NNDR Distributable Amount	18,000	17,500	-2.8%	17,500	0.0%
plus	Police Grant (incl. Met. Special Payment)	3,883	3,931	1.2%	4,028	2.5%
equals	FORMULA GRANT	24,053	24,791	3.1%	25,620	3.8%

Source LGA/ODPM

7. The above table demonstrates the macroeconomic switches of funding between special grants, NNDR and Formula Grant. The NNDR rate in the pound will rise by 2.7% in line with September 2005 RPI, taking it to 43.3p in the pound. It is expected that the level of external support should keep Council Tax increase to less than 5%.

Table 2 below shows the changes in Special grants (£m)

Table 2: Special Grants

	2005/06 Adjusted	2006/07 Latest	2005/06 to 2006/07 Change	2007/08 Latest	2006/07 to 2007/08 Change
Education	28,676.0	30,466.3	6.2%	32,288.9	6.0%
PSS	2,805.0	2,901.8	3.5%	2,894.5	-0.3%
Fire	0.6	0.6	0.0%	0.6	0.0%
Police	4,442.0	4,519.0	1.7%	4,868.3	7.7%
EPCS	389.4	392.3	0.7%	390.6	-0.4%
Capital	425.0	455.0	7.1%	535.0	17.6%
Unallocated	2,453.5	2,443.9	-0.4%	2,455.2	0.5%
TOTAL	39,191.6	41,179.0	5.1%	43,433.1	5.5%

The above table highlights the authority's level of special grants for Education, Police and Personal Social Services. Those with Education powers will be working out the impact of the dedicated schools budget and whether there is an adverse impact on other services of the ringfence.

### Formulae Changes

8. There are a lot of Formulae changes included within the settlement. The Lincolnshire Missing Millions campaign responded to the consultation paper on the changes. In terms of South Kesteven District Council the formula changes in the EPCS block for concessionary travel were the ones requested by the Lincolnshire Authorities. I will need to analysis the data in detail to ascertain any other formulae changes impacting on South Kesteven District Council, in particular those relating to density, sparsity, capital financing and flood defence. Individual authority tables have now been published and I will update the Cabinet on any relevant issues for South Kesteven.

### Winners and Losers - Re-Distribution of Formula Grant

9. Table 3 overleaf shows the % change in formulae grant across the regions. The East Midlands has the greatest increase in formula grant over the next 2 years.

Local Authority type	2006/07 (%)	2007/08 (%)
London area	2.7%	3.5%
Metropolitan areas	2.6%	3.6%
Shire areas	3.3%	4.0%
Isles of Scilly	7.1%	12.1%
Inner London boroughs incl.		
City	2.6%	3.7%
Outer London boroughs	2.6%	3.2%
London boroughs	2.6%	3.5%
GLA - all functions	3.0%	3.6%
Metropolitan districts	2.4%	3.6%
Metropolitan fire authorities	1.7%	2.9%
Metropolitan police authorities	3.5%	3.7%
Shire unitaries with fire	3.5%	6.1%
Shire unitaries without fire	2.8%	4.2%
Shire counties with fire	3.1%	4.2%
Shire counties without fire	2.9%	3.7%
Shire districts	4.8%	4.7%
Combined fire authorities	3.4%	3.6%
Shire police authorities	3.4%	3.7%
FLOOR GROUPS		
Education/PSS Authorities	2.7%	3.7%
Police Authorities	3.4%	3.7%
Fire Authorities	2.4%	3.1%
Shire Districts	4.8%	4.7%
GO REGIONAL SUMMARY		
South West GOR	3.3%	4.2%
South East GOR	3.1%	3.4%
London GOR	2.7%	3.5%
Eastern GOR	3.5%	4.1%
East Midlands GOR	3.6%	4.5%
West Midlands GOR	3.0%	4.0%
Yorkshire and Humber GOR	2.8%	3.6%
North East GOR	2.7%	3.5%
North West GOR	2.9%	3.8%

**South Kesteven District Council-The local impact and interpretation of the Settlement**

10. The remainder of the report considers the settlement data specific for South Kesteven District Council and offers some comments on the settlement generally.

It should be borne in mind that the comparison between 2005/06 and 2006/07 assumes that any new obligations in 2006/07 have been adjusted in the 2005/06 grant figure shown to create a like for like comparison of grant increase. The cash increase in grant will simply be the 2006/07 grant, plus the net impact of the amending reports over the grant received in 2005/06. It will be important to determine how much of the Council budget is allocated to the new areas, in particular free concessionary fares because this will determine the real increase in resources to the Council. Table 4 below is a summary of the position for South Kesteven.

Table 4 - South Kesteven's Settlement Figures

Description	2006/07	2007/08
Relative needs Amount	£3.218m	£3.269m
Relative Resource Amount	£-2.215m	£-2.413m
Central Allocation	£8.294m	£8.820m
Floor Damping	£-.0028m	£-.062m
Formula Grant	£9.269m	£9.615m
Formula grant after Amending reports	£9.323m	
FG- rsg	£1.493m	
FG-nndr	£7.7776m	
Amending grant	£.0054m	
Adjusted Grant 2005/06	£8.973m	£9.269m
Grant Received 2005/06	£8.368m	
Increase in Formula grant on Adjusted 2005/06	3.3%	3.7%
Increase including amending reports	3.9%	
Increase on cash base-assume no additional functions	10%	

11. Table 4 illustrates the calculations of grant at local level. Overall it is not a bad settlement for South Kesteven District Council. In terms of the rest of the Lincolnshire Districts table 5 below shows the position.

Table 5 - Increases in Lincolnshire

Authority	Increase 2006/07	%
Boston	8.1	
East Lindsey	7.6	
Lincoln	3.0	
North Kesteven	9.8	
South Holland	5.2	
West Lindsey	10.9	

12. Thus on a relative basis South Kesteven District Council has not fared as well in the settlement as its neighbours. I will need to investigate the detailed formulae to see whether the impacts of weightings for sparsity have been changed. Although South Kesteven increase is just above the average countrywide it remains very close to the floor, and thus sensitive to any changes in damping arrangements.
13. It is the relative position that is so important. The new grant system formulae will over time redirect monies from one area to another and we must review the individual factors in the formula to ensure we respond to future Government consultation on the formulae.
14. Following a seminar I attended on the Local Government settlement a number of interesting factors emerged. Firstly that there is a clear expectation from the ODPM that local authorities would announce indicative Council Tax figures for 2007/08, in order that Council Taxpayers would be advised in advance of the likely situation. For this to be meaningful we would require the major precepting authorities to provide their figures. I am studying the Budget requirement regulations to ensure any Council resolutions relating to 2007/08 are included if required.
15. Secondly, the new grant system creates a major change in who is paying for Local Services. The removal of Education funding from the ODPM to the DFES as a specific grant moves 50% of funding from formula grant to a single service. Thus the resultant situation is at least 70% of services are being funded by redistributed business rates. If national estimates on the collection of business rates prove poor there could be a funding problem for the Government. It also means the ODPMs flexibility on the size and format of funding is limited because control has been passed to the sponsoring department.
16. At District level, three changes have given the improved funding position. The £350m added for concessionary fares, the amendment of the calculation on interest receipts within the capital financing element, and a change in the national council tax base by Authority type. I am unable to ascertain the additional funding the Council has received from the input of Concessionary Fares. The new money is added to the pot and then goes through the same formula as the rest of the grant and is affected by damping etc. The capital financing change might be more evident when the individual tables are analysed for each Council. The share of national tax base has been tweaked by the ODPM. This is used in the calculations to assess tax raising abilities by class of authority. For 2006/07 Districts have seen a reduction of 3.93% whilst County Councils, Metropolitan Areas have seen an increase. This effectively means Districts would receive more grant within the Resource equalization process.
17. In simple terms the adjustments for the new system and responsibilities perhaps are best measured through the grant increase between 2005/06 cash received and the adjusted grant for that year. For South Kesteven District Council this amounts to £600,000. South Kesteven remains just above the floor. If the government continues to want to see the new grant system work through properly the Council could find its increase at the minimum level only. I think it would be worthwhile reviewing the factors that leave South Kesteven District Council in a relatively poor position to see whether any data can be challenged in future years.

## **Budget requirement and Capping and Reserves**

- 18.** Given the relative position I advise setting a target budget requirement for budget formulation purposes of £13.959m and resultant Council Tax of £105.84, subject to ensuring investment plans are clearly laid out for the Councils priorities. It is likely the capping regime will be harsh and I will need to assess the Government guidance on this before giving final advice on the target budget requirement and level of Council Tax. I would advise that an indicative rise in Council Tax for 2007/08 be assessed within the range of 4.5% to 5% and be linked to the investment plans laid out in the Councils priorities.
- 19.** The Cabinet must also have regard to the level of balances held and the purpose for which they are held. The General Fund working balance which at 31 March 2005 is £3.097m is set at 5% of the Council gross expenditure budget. It exists to cover the Council for any unanticipated expenditure or loss of income that may occur in the year. This reserve is set at an adequate level for normal activity. The Council's specific reserves are shown below, in Table 6.

**Table 6 - Specific Revenue Reserves**

SOURCE	Balance 31 March 2005 £'000
Insurance Reserve	935
Direct Works Organisation	-
Future Minimum Revenue Provision	1,210
Building Control	319
Capacity Building, Priority Setting and Service Improvements	1,300
Stock Option Ballot Reserve	1,000
Pensions Reserve - Former Employees	372
- Current Employees	1,616

- 20.** Specific reserves must only be held if their use is clear and the timing of their use identifiable. I think it would be prudent for the Cabinet to give serious consideration to using the Capacity and Priority setting Reserve (£1.3m) over the next 2 years. This was set up to pump priming the investment required in achieving the quality outcomes. As part of the 2006.07 budget round I would expect to see plans for the reserves use. It has been used to fund some supplementary estimates in the year relating to the Housing Solutions reviews and Strategic Director posts. During the review of the revised position for 2005/06 it will be possible to estimate the likely requirement of this reserve.
- 21.** The Minimum Revenue Provision (MRP) (£1.2m) Reserve has been reviewed by Butlers, a Treasury Management Consultancy, as a piece of their work on the Treasury management activity of the Council. This reserve was set up to mitigate the impact of any fluctuations in the MRP required by the Council to avoid large increases in Council Tax in any one year arising from the commutation of Loans Charges in 1992/1993. The prudential code is now settling down and following any adjustments required for 2004/05 to bring the old capital financing system in line with the new system, the remainder of this reserve can be brought back to the General Fund and provide further investment to achieve priorities. Thus, the future spending plans need to incorporate the use of this reserve.

22. The Councils capital reserves (£4.6m General Fund) are fully utilized in funding the general fund capital programme. The capital programme will provide a substantial investment in maintaining existing assets and delivery any future priorities.
23. The LSVT ballot reserve (£1m) was set up at the end of 2004/05 and will be used to offset any costs of a failed ballot. Consideration of the use of this reserve will only be made post-ballot.
24. The other specific reserves relate to the insurance fund and the pensions funding deficit. It can be demonstrated the purpose and use of these reserves and they will be maintained at required levels, to ensure Council Tax is not unduly influenced by changes in pension contributions, or insurance market fluctuations.

### **Housing Revenue Account - Rent Setting 2006/07**

25. The main element of policy relating to the Housing Revenue Account is the setting of rents for 2006/07. The Councils current policy is to keep in line with Government guidance on Rent restructuring and guideline rent increases. The following is an analysis of the Government proposals for 2006/07 that will need to be implemented.
26. A review of the ten year rent restructuring policy was undertaken in the summer of 2004, three years into the process. Numerous issues were raised, leading the ODPM to delay implementation of the recommendations until 2006/07.
27. The following changes need to be implemented in full for the 2006/07 rent year:
  - new bedroom weightings for 3,4,5 and 6+ bedroom dwellings
  - new national average rent at April 2000
  - new national average property value at January 1999
  - amend annual updates from the GDP deflator plus real cash increase to RPA  
All items plus real cash increase
28. The ODPM have previously recommended a 3.2% rent increase for 2006/07 based on a 2.7% RPI All Items Inflationary element plus 0.5% real cash increase. Individual property rents are not to be increased by more than the 3.2% plus £2 from 2005/06 to 2006/07 and are still subject to caps and limits as specified by the subsidy determination.
29. The ODPM have specified the average rise over all stock for each of 2006/07 and 2007/08 must not exceed 5%. However, the transitional process of rent restructuring together with the annual rent rise will lead to individual rents increasing by amounts above and below 5%. Authorities have the discretion to vary individual rates by +/-5% and are "encouraged to have regard to the policy intention to create more realistic differentials for larger properties" when adjusting the average rent to 5%. A compensation scheme to cover lost rental income is planned by the ODPM.

### **Other Budget Issues**

30. Through the analysis of service plans I would advise the Cabinet to review the scale of charges for individual services. A summary of initial proposals is shown in table 7 below and these will be used in discussions as part of the Gateway Reviews.

Table 7 - Scale of Charges 2006/07

SERVICE	COMMENT	2006/07 CHARGE
Bus Station Departure Charges	Increased in 2004	No increase proposed in 2006/07
Markets	Increased in 2002	Should recovery cost of service
Car Parks	Increase in April 2006	Policy of increase every 2 years
Land Charge Fees	Increased in 2003	No increase proposed - full cost recovery being achieved
Grantham Cemetery	Increased in April 2005	Proposed charges in April 2006 to reflect cost increase on grounds maintenance
Helpline Service	Increased in April 2005	Inflationary increase in 2006/07
Licences	Reviewed in 2005	Inflationary increase in 2006/07
Hackney Carriage	Reviewed in 2005	Inflationary increase in 2006/07
Air Pollution	Increased in 2003	Fees set by Dept of Environment
Building Control Fees	Increased in 2005	Increased proposed 2006/07
Planning Fees		Charges to be set by ODPM
Arts Centres	Increased in 2005	Inflationary increase in 2006/07
Bourne Corn Exchange	Increased in 2005	Inflationary increase in 2006/07
Fairs	Increased in 2005	Inflationary increase in 2006/07
Leisure Centres (inc. Stadium)	Increased in 2005	Inflationary increase in 2006/07 in accordance with management contract
Outdoor Recreation	Increased in 2005	Inflationary increase in 2006/07
Pedal Park	Increased in 1999	No increase proposed due to poor usage

31. Budget consultation will be undertaken through SKNews, the LAA's and a joint meeting with Lincolnshire County Council and Police Authority. The Budget Working Group will review the main budget issues as part of the consultation and development process.

### **Conclusion**

32. I will continue to analyse the detail of the settlement and budget and update accordingly.

John Blair  
Corporate Director of Finance and Strategic Resources

## Resources DSP - Performance Monitoring 2005/06

Those indicators with a number in the PI column are from the Government's Best Value Performance Indicators suite used by many Councils. The remaining indicators are local to SKDC and may be relatively simple measures/indicators only. The reader is asked therefore to exercise an element of caution when interpreting any data attached to them.

Key: C=cumulative; A=average; N=number; %=percentage; CA=cumulative average; Q=quarterly; blank=monthly

PI	SKDC Priority Area and PI Description	IND Type	Reporting	2004/05 SKDC Outturn	2003/04 Upper Quartile	2005/06 SKDC Target	April	May	June	July	August	Sept	October	November	Are We Improving Yr on Yr?	2006/07 SKDC Targets	2007/08 SKDC Targets	Apr	May	Jun	July
	<b>COUNCIL TAX COLLECTION Priority B</b>																				
9	Council Tax collected	C		97.97%	98.5%	98%	11%	20.85%	30.41%	39.83%	49%	59%	68%	78%	Y	98.2%	98.5%				
Local	% of CT payers paying by direct debit/self serve	C			56%	56%	55.23%	55.81%	58.39%	58.5%*	65%	66%	67%	67%	N/A	58%	60%				
	<b>OTHER BVPIs - CORPORATE HEALTH BASED</b>																				
8	Invoices paid on time	C		98.64%	96.74%	99%	100%	100%	100%	99.72%	99.75%	99.56%	99.62%	99.52%	Y	99.2%	99.4%				
10	NDR collected	C		98.46%	99.12%	98.9%	12.82%	23.26%	32.26%	40.17%	49.60%	59%	69.89%	79.07%	N	99.5%	99.5%				
12	Days sick per member of staff	A		8.82	8.93	8.5	6.98	7.29	8.16	7.47	7.45	7.92	8.11	8.14	Y	8.30	8.3				
15	Ill health retirements / staff	C		0.81%	0%	0.6%	0%	0%	0%	0%	0%	0%	35%	30%	Y	0.4%	0.4%				
Local	Number of FTE staff employed by SKDC	N			560	560	536	548	539	549	553	555	555	553	N/A	560	560				
Local	Number of leavers from SKDC in month	C			60	60	7	10	12	15	17	21	25	29	N/A	60	60				



## DEVELOPMENT AND SCRUTINY PANELS (DSPs) WORK PROGRAMME 2005/6

# Agenda Item 9

### INTRODUCTION

This Work Programme is partly derived from the Cabinet's Forward Plan, but also contains items that have been brought forward by the DSPs themselves. Such items are in *italics*.

Where the item has appeared on the Forward Plan, the anticipated date of the key decision is listed in the second column. The third column shows the last available date that the full DSP can consider this item before the key decision is due to be taken (unless a special meeting is called). This does NOT necessarily mean that the item will appear on the DSP agenda, this will only happen if this is requested by the Chairman or members of the DSP. There will also be instances where there is no DSP meeting before a decision is due to be taken; in these cases the next meeting date after the decision date is shown.

As Cabinet meets monthly and the DSPs meet bi-monthly it is not possible within the current timetable of meetings for the DSPs to consider every single Cabinet or Cabinet Member decision. Scrutiny members are therefore encouraged to read this Work Programme and bring forward items for consideration where they think that an item should be considered by the DSP.

**DEVELOPMENT AND SCRUTINY PANELS (DSPs)  
WORK PROGRAMME 2005/6**

**RESOURCES DSP**

<u>ISSUES FOR CONSIDERATION</u>	<u>DATE OF KEY DECISION (IF APPROPRIATE)</u>	<u>DSP MEETING</u>
Grants to Outside Organisations	N/A	Identified as an issue for consideration by Scrutiny Liaison Group on 8.11.04
Budget 2006/7 – setting of Council Tax base	05.12.05	19.01.06 Cross DSP Working Group is meeting
LSVT – financial aspects	Ongoing until May 2006	Ongoing
Council Tax on second homes – to decide on use of proceeds	January 2006	19.01.06
Revenue and Capital Budgets 2006/7 onwards and approval of service plans	January 2006	19.01.06
Rent setting and Scale of Charges	January 2006	19.01.06
Business Rate Relief Scheme – to review the criteria for awarding discretionary rate relief	January 2006	19.01.06