

AGENDA



For a meeting of the
RESOURCES POLICY DEVELOPMENT GROUP
to be held on
THURSDAY, 19 MARCH 2015
at
2.00 PM
in
WITHAM ROOM - COUNCIL OFFICES, ST. PETER'S HILL, GRANTHAM. NG31 6PZ
Beverly Agass, Chief Executive

Group Members:	Councillor Mark Ashberry, Councillor Jean Bevan, Councillor Nick Craft (Chairman), Councillor Nick Robins, Councillor Bob Sandall, Councillor Trevor Scott (Vice-Chairman) and Councillor Jacky Smith
Portfolio Holders:	Councillor Terl Bryant, Portfolio: Good Housing
Support Officer:	Jo Toomey Tel: 01476 40 61 52 E-mail: j.toomey@southkesteven.gov.uk

Members of the Group 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 Group's discretion.

2. MEMBERSHIP

The Group to be notified of any substitute members.

3. APOLOGIES

Your council working for you

4. DISCLOSURE OF INTERESTS

Members are asked to disclose any interests in matters for consideration at the meeting.

5. ACTION NOTES FROM THE MEETING HELD ON 29 JANUARY 2015

(Enclosure)

6. UPDATES FROM PREVIOUS MEETING

7. FEEDBACK FROM THE EXECUTIVE

8. POOL CARS

A verbal update to be given at the meeting

9. QUESTION REFERRED FROM COUNCIL ON 2 MARCH 2015

From: Councillor Morgan

How is SKDC planning to increase the locally agreed living wage to match the national living wage?

10. REVIEW OF NEW HOMES BONUS AND COMMUNITY FUND CRITERIA

Report number CFM309 by the Corporate Finance Manager. (Enclosure)

11. CREATION AND OPERATION OF A LOCAL AUTHORITY COMPANY

Report No. SDCF1002 by Strategic Director Environment and Property (Enclosure)

12. FINANCIAL UPDATE

Report number CFM312 by the Corporate Finance Manager. (Enclosure)

13. REPORTS FROM WORKING GROUPS

- Cycle centre

14. WORK PROGRAMME

15. ANY OTHER BUSINESS, WHICH THE CHAIRMAN, BY REASONS OF SPECIAL CIRCUMSTANCES, DECIDES IS URGENT

MEETING OF THE RESOURCES POLICY DEVELOPMENT GROUP

THURSDAY, 29 JANUARY 2015 2.00 PM



GROUP MEMBERS PRESENT

Councillor Mark Ashberry
Councillor George Chivers
Councillor Nick Craft (Chairman)
Councillor Nick Robins

Councillor Bob Sandall
Councillor Jacky Smith
Councillor Raymond Wootten

PORTFOLIO HOLDER

Councillor Bob Adams, Portfolio: Arts and Leisure
Councillor Teri Bryant, Portfolio: Good Housing
Councillor Mrs Frances Cartwright, Portfolio: Grow the Economy and Economic Development

OFFICERS

Chief Executive (Beverly Agass)
Corporate Finance Manager (Richard Wyles)
Executive Manager, Development & Growth (Paul Thomas)
Principal Planning Officer (Justin Johnson)
Governance & Risk Officer (Tracey Elliott)
Senior Project Officer (Ian Powell)
Community Engagement and Policy Development Officer (Carol Drury)
Principal Democracy Officer (Jo Toomey)

OTHER MEMBERS PRESENT

Councillor Susan Sandall

44. MEMBERSHIP

The PDG was notified that Councillor Chivers would be substituting for Councillor Bevan and that Councillor Wootten would be substituting for Councillor Scott for this meeting only.

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45. DISCLOSURE OF INTEREST

No interests were disclosed.

46. ACTION NOTES FROM THE MEETING ON 27 NOVEMBER 2014

The action notes from the meeting held on 27 November 2014 were noted.

47. TRANSFORMATION PROGRAMME

The Chief Executive gave a brief presentation on the transformation programme that had been undertaken. The programme was designed to ensure that the organisation was fit for the future, in a position to deal with changes to funding and meet customers' demands and expectations.

A key element of the programme concentrated on creating a flexible workforce, which included the way the council delivers services to customers and the effective use of the building and assets. Understanding the work of different teams helped identify how the organisation could use desk space most efficiently.

The programme was scheduled to last 18-months with three phases which were determined by the volume of demand for services. This process would provide a single view of the customer and management information to identify peaks in demand and inform business decisions to ensure sufficient resources were available to meet those peaks.

The redesign of the Council's website was also underway. Changes would make it more easily navigable and as up-to-date as possible. Test sessions were scheduled to begin shortly and the involvement of Councillors was welcomed.

Members were reminded that the Council's grant funding had reduced by 40% between 2011/12 and 2015/16, which equated to £2.3m. To help meet required savings and better position the Council to meet future funding demands, different ways of working had been implemented, which included renegotiating and amalgamating contracts, zero base budgeting and invest to save initiatives.

Corporate savings had also been achieved through redesigning management arrangements to create a smaller, more agile management structure. Councillors and staff were consulted on the proposed design, which was then implemented. Members noted that outstanding recruitment would be completed shortly. The redesign was expected to generate savings of approximately £400k per annum and payback was expected to take between six and eight months.

A number of questions were raised by Councillors covering potential changes to the wider staffing structure to support increased flexibility and examples of

invest to save projects, their payback periods and the invest to save reserve.

The Chairman thanked the Chief Executive for her attendance.

48. FEEDBACK FROM THE EXECUTIVE

The Portfolio Holder for Grow the Economy – Economic Development gave feedback to the PDG on its recommendation to introduce maximum stay limits for car parks in Bourne. She stated that she appreciated the good work undertaken by the PDG on the matter but did not consider it prudent to pursue at this time. She explained that the outcome of the General Election could have a significant impact on local parking policy and lead to a district-wide review of car parking arrangements. She also asked the PDG to note that feedback on the recommendations was initially sent in September 2014.

49. UPDATES FROM THE PREVIOUS MEETING

Pre-application planning advice – householders

At its meeting on 27 November 2014, the PDG had requested information to help them review the impact of the charge for pre-application planning advice for householders. The Executive Manager, Development and Growth presented report number PLA1084 which outlined the Council's current position in relation to charging for pre-application advice and considered the aims of the charge, what had been achieved and the levels of take-up.

Following the introduction of a charge for pre-application advice in April 2013, income reached £35k in 2013/14 and £30k to date in 2014/15. Half of the householders who sought advice proceeded to submit an application; of those the majority were submitted in accordance with the advice that was given.

Previously the PDG had suggested introducing a system of reimbursing pre-application advice fees where applications followed the advice given. The report listed four reasons why operating such a system would not be practical and it was therefore recommended that no changes be made to charging arrangements at this time.

Members recognised the value of charging for pre-application advice because it recovered the costs of officer time spent giving that advice and agreed that no recommendation for change should be made at this time.

Recommendation:

That charging arrangements for pre-application advice for householders should not change at this time.

Cycle Centre

The PDG had a brief discussion on the cycle centre. A report on its use had been produced, which also incorporated feedback on the facilities. The discussion covered differential charging for secure cycle storage and secure cycle storage with access to shower facilities, hours of access for different parts of the facility, refundable deposits for small lockers, publicity for the facility and the Council's wellbeing agenda.

It was agreed that a working group meeting should be called to discuss the issue in detail.

Recommendation:

A working group of the PDG should be convened to consider the cycle centre.

50. INSURANCE STRATEGY

The Corporate Finance Manager summarised report number HOF300 which updated members on the Council's approach to its insurance arrangements for all of its stock and business activities, with the scope covering both the General Fund and the Housing Revenue Account. The draft Insurance Strategy was attached as appendix A to the report.

Members noted that a lot of good work had been done by teams to get the Council's claims history in a good position, which had helped with the current procurement process to secure a new insurance contract. This was the Council's first Insurance Strategy and covered three key areas

- The balance between self-insurance and reliance on third party arrangements (ensuring financial viability to contain risk in-house)
- Policies and procedures to manage insurance (services taking responsibility for their arrangements with central support)
- Ensuring reserves were at an appropriate level

The procurement process had been supported by Procurement Lincolnshire and undertaken in collaboration with other partners. A moderation day was scheduled for Monday 2 February 2015 to meet with potential bidders and it was hoped the contract would be let in due course.

15:27: The Chairman left the meeting to attend a further meeting on behalf of the Council.

As the Chairman had left the meeting and the Vice-chairman was not present, the Principal Democracy Officer invited members of the PDG to nominate a Councillor to preside over the meeting. It was proposed, seconded and on being put to the vote agreed that Councillor Jacky Smith should take the Chair

Members of the PDG were particularly keen that any contract going forward

should continue to provide claim-handling for all insurance claims including those settled through self-insurance arrangements. Members noted that while currently 30% of insurance claims were dealt with through self-insurance arrangements, it was hoped that this could extend to 50% going forward, with an increase in the Insurance Reserve to £500k to accommodate.

Recommendation:

That Cabinet approve the draft Insurance Strategy as attached at appendix A to report HOF300.

51. BUDGET MONITORING REPORT

The Head of Finance summarised report number HOF308 which gave Councillors an update of actual spend against budgeted levels and the forecast outturn at 31 October 2014.

General Fund

Since the report presented to the PDG on 27 November 2014, the forecast outturn position had moved by £27k, which meant a projected variance below budgeted levels of £284k at year-end. Consideration was being given to projects that could be brought forward from 2015/16 to fully utilise the available budget.

A number of key variances and the main movements were highlighted.

- A reduction in the leisure management fee
- Development management income exceeded budgeted levels
- Reduction in the forecast outturn for rural wifi initiatives of £10k
- Reduction in the forecast income for building control by £38k
- Reduction in forecast income level for Bourne Community Access Point of £9k as income from retail units had not met anticipated levels
- The workforce efficiency target was forecast to be fully met

Housing Revenue Account

The forecast variance for the Housing Revenue Account was £87k. Key variances were highlighted.

- Increased use of pool cars led to a forecast saving of £13k in respect of travel claims
- Additional intervention may be required to meet the workforce efficiency target

General Fund Capital Programme

A number of movements in the General Fund Capital Programme were

highlighted.

- The re-profiling of the cinema project moved budget across to 2015/16
- Remaining budget from the acquisition of strategic land would roll into 2015/16
- New customer management and document management systems had been procured

Housing Revenue Account Capital Programme

A number of movements in the Housing Revenue Account Capital Programme were highlighted.

- Remaining budget from the acquisition of strategic land would roll into 2015/16
- Approved infrastructure works had started in December 2014 and would continue into 2015

Headcount

At 31 October 2014 the actual FTE was 553.2 which was a variance of 16.3 FTE below the budgeted level.

Local Authority Mortgage Scheme

Since the second scheme went live in February 2014 10 offers had been made, 8 of which had been finalised. Members noted that there was still a discrepancy between the number of offers in the NG31 postcode area and the south of the district. It was suggested that it might be necessary to review the loan to value levels to take account of the variation in property prices.

52. ALTERNATIVE METHODS OF BUILDING HOMES

The Senior Project Officer presented report number RIM0343 on new build housing utilising off-site manufacture. The report highlighted the benefits of cost-effectiveness and speed on sites with capacity for a minimum of 20 to 30 houses. Members noted that there were three sites that would be suitable in the Council's ownership across the district. If needed, funding could be made available to acquire additional land on which houses could be constructed. PDG members agreed that officers should continue to look for suitably priced, suitably situated land in areas of need.

Construction methods and finish varied across providers. Some concern was expressed that off-site manufacturer would limit the use of local trades. Members noted that while use of local labour formed part of procurement, cost was still the key principle. Cost differences between traditional manufacturing methods and off-site manufacture were detailed in appendix 1 to the report.

Recommendation

That the Council continues with the proposed arrangements for building new Council housing as laid out in the Housing Revenue Account business plan subject to full Council approving the proposed budget provision on 2 March 2015.

53. WORK PROGRAMME

The Community Engagement and Policy Development Officer informed the PDG that as its next meeting was the last one before the election, it would be given a report that summarised the work it had undertaken and the outcomes to which it had contributed.

54. CLOSE OF MEETING

The meeting was closed at 16:26.

REPORT TO RESOURCES P.D.G.

REPORT OF: Corporate Finance Manager

REPORT NO: CFM 309

DATE: 19 March 2015

TITLE:	REVIEW OF NEW HOMES BONUS AND COMMUNITY FUND CRITERIA	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	N/a	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor Linda Neal - Leader	
CONTACT OFFICER:	Richard Wyles – Corporate Finance Manager Tel: 01476 406210 Email: r.wyles@southkesteven.gov.uk	
INITIAL IMPACT ANALYSIS: Equality and Diversity	Carried out and Referred to in paragraph (7) below	Full impact assessment Required:
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council’s website: www.southkesteven.gov.uk	
BACKGROUND PAPERS		

1. RECOMMENDATION

- 1.1 Resources PDG is asked to note the national evaluation of New Homes Bonus and the impact it has had for South Kesteven District Council and to re-affirm the use of the reserve in order to fund the delivery of the Council priorities. Resources PDG is asked to recommend to Cabinet the application criteria and the determining body that will be used for considering financial awards for community bids wishing to access funding from the Council's Community Fund.

2. PURPOSE OF THE REPORT

- 2.1 The Department for Communities and Local Government (DCLG) has recently published a report entitled 'evaluation of the New Homes Bonus' to assess the impact the funding policy is having on attitudes and behaviours for the recipients of the receipts. The DCLG report was published on 16 December 2014 and can be found at <https://www.gov.uk/government/publications/evaluation-of-the-new-homes-bonus>. The report also provides a proposal for the criteria to be used to administer the Community Fund.

3. DETAILS OF REPORT

New Homes Bonus

- 3.1 In February 2011, following the consultation on the government proposals for the New Homes Bonus (NHB), the government published its final scheme design for the policy. The aim of the Bonus is to provide a financial incentive to reward and encourage local authorities to help facilitate housing growth. The five key stated principles of the policy are that it should be:
- (i) a **powerful** incentive;
 - (ii) **simple** in terms of understanding and implementation;
 - (iii) **transparent** in terms of its recognition, significance and rewards from growth;
 - (iv) **predictable** in terms of expected future funding and perception of being a permanent feature of local government finance and;
 - (v) **flexible** in terms of how receipts are spent and spent in line with the wishes of the local community.
- 3.2 The Bonus is a grant paid by central government to all upper and lower tier councils to incentivise them to increase the number of available homes. Each additional home added to the council tax base, after deducting demolitions, results in an authority receiving an annual Bonus payment. Payments are based on the national average council tax band relevant to each property, and are paid annually for six years. The payment recognises newly built properties and conversions as well as for bringing long term empty properties back into use. There is also an additional payment for each affordable home delivered of £350 per year, again paid for six years. Full analysis of the funding breakdown for South Kesteven is provided later in the report. For areas jointly governed by district and county councils the Bonus is split, with 80 per cent paid to the district council and the remaining 20 per cent going to the county council.

3.3 The first payment of the Bonus was made to local authorities in the financial year 2011/12 when the grant was funded entirely from central government (around £200m). In each subsequent year central government have contributed £250m to the grant with the remainder being funded by a top slice from the local government revenue support grant.

Bonus payments are “non-ring fenced” meaning they can be spent by authorities at a local discretion level.

The NHB is a financial incentive aimed at encouraging local authorities to help facilitate housing growth. To fulfil this aim a wide range of policy interactions need to occur such as housing, planning, regeneration and finance and a good knowledge of understanding of how HNB can influence behaviours and decision of the Council.

4 Impact by type of authority

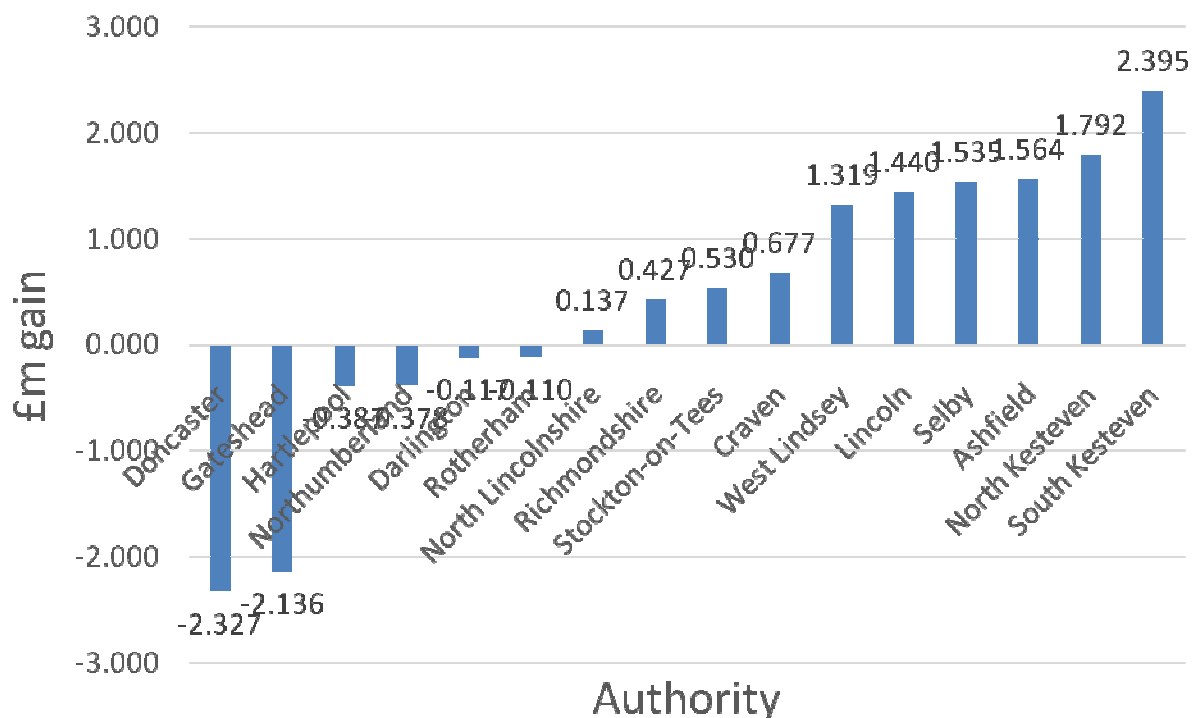
4.1 The following is a summary of the key findings of the report analysis that has been undertaken by the Local Government Chronicle (LGC):

- Some district councils have received income equivalent to a quarter of their settlement funding under a scheme designed to boost housebuilding, LGC analysis reveals.
- LGC’s study of government data on the New Homes Bonus reveals districts are becoming increasingly reliant on the fund. Twenty-three councils, all districts, have seen financial benefits over a four-year period worth at least a fifth of the value of their settlement funding, the analysis shows.
- Of 201 district councils, 117 gained funding under the New Homes Bonus programme worth at least 10% of their grant funding.
- LGC’s analysis shows that the biggest cash winner under the NHB was Tower Hamlets LBC, which was £35.9m better off over the four-year period than it would have been without the policy. Islington LBC was second at £20.5m and Wiltshire Council was third at £18.5m.
- In cash terms, Lancashire CC lost most: the county would have been £14.7m better off over the four-year period had the policy not been introduced. Liverpool City Council and Derbyshire CC would have been £9.5m and £8.9m better off - respectively.
- Of the top 10 losers in cash terms, eight were counties.
- Districts have benefited more than any other type of authority, with the country’s top 177 NHB gainers - when the figure is calculated as a proportion of settlement funding - all falling into this category.
- Just one district did not gain from the bonus - Chorley DC, which lost funds equivalent to 2% of its grant.
- Uttlesford DC was the biggest winner, gaining bonus funding equal to 34% of its grant over four years. It was followed by Basingstoke & Deane BC with 30% and South Cambridgeshire DC with 26%.

- By contrast, the report found, “the most negative impacts were seen in authorities in the north of England and Yorkshire and the Humber.”
- The government’s report also found the NHB was “having only a limited role and impact on planning applications and decisions.” Just over a third of planners said they took into account NHB receipts when considering planning applications, with over half saying they never took such receipts into account, it said. It found bonus payments were “largely being used to support authorities’ general fund or core services”, although there were “numerous examples of receipts being used to directly support housing growth”.

5 South Kesteven Impact

5.1 The graph below shows, by authority, the biggest gainers and losers based on an east midlands analysis of attendees at a regional seminar. It clearly shows that rural districts that are experiencing local housing growth are therefore financially benefiting at a higher proportion as evidence by the Government report.



As at 31 March 2015 the Council’s NHB the reserve is forecast to be £6.4M following £300K of the balance being utilised to fund the formation of the Community Fund. However in order to avoid external borrowing to finance the General Fund capital programme it is projected that £1.124M will be used during 2015/16 to fund capital expenditure. It is not yet clear how future allocations by Central Government will be distributed following the general election due to different policy objectives by the main parties. Therefore future projections of NHB income will need to be reviewed once the new Government sets out its policy. In terms of the specific type of allocation received the following is an analysis of the monies by category type:

New Home Bonus

Split of elements within total receipts as at 31 March 2015

	11/12	12/13	13/14	14/15	Total
	£	£	£	£	£
New homes	631,598	1,202,463	1,831,471	2,241,316	5,906,848
Empty homes reduced	34,025	17,398	99,801	287,075	438,299
Affordable homes enhancement	-	69,160	116,760	150,920	336,840
Adjustment grant - returned funding from RSG	-	-	27,170	-	27,170
Transfer to Community Fund	-	-	-	(300,000)	(300,000)
Total	665,623	1,289,021	2,075,202	2,379,311	6,409,157
	665,623	1,289,021	2,075,202	2,379,311	6,409,157*

*This figure will be reduced by £1.124M in order to fund an element of the capital programme for 2015/16 reducing the balance to £5.285M. There may also be a need to utilise the reserve further in future years as a funding source for emerging capital schemes.

The report found that the top 3 uses of the NHB monies were maintaining Council services, keeping Council Tax low and providing infrastructure for new housing.

The Council is proactively encouraging empty homes back into occupation recognising that this initiative not only enhances the local neighbourhood but also drives additional new homes bonus income. Officers are working in parallel with external expertise to specifically target long term empty properties and promote refurbishment grants. The PDG will receive further information with respect to empty homes later in the year and it may form a key part of it's workplan for 2015/16.

6 Use of NHB Reserve

6.1 The Council's approved medium term financial strategy (MTFS) sets out a clear principle with respect to use of the reserve which is:

- Principle 4 - the monies received from New Homes Bonus should be used to fund the delivery of Council priority projects and initiatives.

As part of the 2015/16 budget framework, £300,000 has been used to formulate a Community Fund. The PDG is asked to consider the proposed criteria for the utilisation of the fund and further information is provided below.

The Community Fund has been set up as part of the Council's 2015/16 budget framework in order to offer financial assistance to local projects and events that benefit the residents of South kesteven. A proposed criteria for the process of applying and

determining funding awards will need to be developed and can be based on best practice where community funds have been successful elsewhere.

7. Community Fund – Summary of key points

7.1 As stated above the Community Fund has been allocated £300,000, utilising the New Homes Bonus reserve, as part of the budget proposals for 2015/16. It will be for projects and events capable of delivering wide community benefit within the district. Suggested overarching “governance” principles are as follows:-

- Applications will be accepted from community and voluntary groups, parish and town councils, charities and social enterprises to deliver projects that benefit communities within the South Kesteven District. (Applications from individuals will not be accepted).
- The award must be used as an enabler to access other sources of funding and needs to be evidenced accordingly
- Organisations that are applying must have their own constitution/articles of association (unless a parish council) and bank account, with at least two unrelated signatories.
- Applications will be assessed by a panel who will make an award recommendation to the Council. The PDG is invited to make recommendations regarding the panel composition and whether the panel should be independent to the Council.
- Bids would be invited for a specified period to enable bids to be considered within a timely manner.
- It is proposed the fund will be available for the financial year 2015/16 only and any unused amounts at the year end will be transferred back to balances. The fund will be assessed as to its success against the original objects at the end of the first year.

8. Criteria for Funding

8.1 Any qualified and/or eligible organisation whose programmes or activities directly benefit the South Kesteven community and underpin the Council’s priorities can apply for an award, the contribution must be specifically earmarked for local programmes and activities, and must be physically located within the district of South Kesteven. Members are asked to suggest suitable criteria that will ensure bids are evaluated in a fair and transparent way in order to ensure the community fund objectives are met.

9. OTHER OPTIONS CONSIDERED

N/a

10. RESOURCE IMPLICATIONS

10.1 There will be some resource implications if it is recommended that an external Panel consider the bid applications by way of an administrative financial contribution.

11. RISK AND MITIGATION

Risk has been considered as part of this report and any specific high risks are included in the table below:

Category Risk	Action / Controls
The criteria are not sufficiently robust to reasonably determine applications	Strict arrangements to ensure criteria is robust in order to enable applications to be considered

12. ISSUES ARISING FROM IMPACT ANALYSIS

N/a

13. CRIME AND DISORDER IMPLICATIONS

N/a

14. COMMENTS OF FINANCIAL SERVICES

14.1 These are contained in the report.

15. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

15.1 The panel which will determine applications must be established with appropriate terms of reference and authority to permit decisions to be made on behalf of the Council. That panel should be provided with suitable administrative support and advice. Any criteria set must be reasonable and be capable of being applied to deliver a consistent approach to determination.

16. COMMENTS OF OTHER RELEVANT SERVICES

N/a

REPORT TO THE RESOURCES P.D.G.

REPORT OF: Strategic Director-Community Focus

REPORT NO: SDCF1002

DATE: 19th March 2015

TITLE:	The creation and operation of a Local Authority Controlled Company	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	Key Decision	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor Linda Neal - Leader and Strategic Resources Portfolio	
CONTACT OFFICER:	Tracey Blackwell – Strategic Director t.blackwell@southkesteven.gov.uk Tel:01476 406058	
INITIAL IMPACT ANALYSIS: Equality and Diversity	Carried out and Referred to in paragraph (7) below Not applicable	Full impact assessment Required:
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	Localism Act 2011	

1. RECOMMENDATIONS

- Recommend to Cabinet the creation of a Local Authority Controlled Company (LACC) trading as a company limited by shares for the development and management of residential and commercial property and delivery of other services as appropriate.

2. PURPOSE OF THE REPORT

- Following the presentation this report to Communities PDG on the 5th March and with their acceptance of the reports recommendation officers are now seek to advise Members of the Resources PDG of the legal requirements and the benefits for the Council to create a Local Authority Controlled Company (LACC) and to seek their acceptance of the same recommendation.

3. DETAILS OF REPORT

3.1. Whilst existing legislation allows local authorities to trade with other public bodies the Localism Act 2011 requires a Local Authority to create an incorporated company if it wishes to trade commercially. A number of local authorities have established similar trading arrangements to deliver community benefit at reduced costs to the local tax payers.

3.2. The creation of a wholly owned LACC would provide the Council with the opportunity to develop, acquire and manage housing in the private sector and so provide a good quality alternative for private rented property at various levels of affordability. This proposal, if approved, could deliver the following benefits within South Kesteven:

- Have a positive effect on the availability of good quality private rented housing
- Reduce the Council's ongoing revenue costs; and
- Create a new property asset base which will generate a new revenue stream and increase in capital value over time

3.3. Consideration would need to be given to lend the LACC capital /and or transfer land to enable developments to be progressed. The Council would lend the capital at a commercial rate based on the relative risks associated with particular projects which would generate a new revenue income stream from the interest on the loan.

3.4. A range of related services could be delivered by the company on behalf of the Council with the ability to trade commercially to provide further income streams to offset the company's costs.

3.5. The Council would be able to trade and procure services from the Company without going out to tender to other organisations. It should be noted that whilst this permits the Council to deal solely with the LACC, if the LACC needs to procure services, the procurement regulations must be followed.

3.6. Advice received recommends that a LACC should be established as a company limited by shares where the Council holds all the shares and appoints all the directors. This arrangement provides commercial flexibility whilst protecting both the General Fund and HRA account from financial risks.

3.7. The Council already has an existing constitutional mechanism for appointing Councillors to external organisations and therefore if the LACC required Councillor representation at an board level this could be facilitated.

- 3.8. It is proposed, in the first instance, that SKDC staff would carry out activities on behalf of the LACC to deliver services which would be charged back to the LACC and so reduce SKDC revenue expenditure.
- 3.9. The costs of delivering housing and other property related services by the LACC would be offset against its income to be taken into account in relation to corporation tax liabilities.
- 3.10. It is expected that external financial and legal input would be required to assist with the establishment of the company and annual accounting. The set up costs associated with an LACC are not expected to exceed £5,000.
- 3.11. It is proposed that the LACC should be created with a sufficiently wide remit to allow flexibility to develop the provision of services and avoid the need for unnecessary changes in the future. The company would initially operate by using existing staff resources from the Council. These services will be contracted out on an hourly rate or commission basis between the Council and the LACC. This will enable the Council to explore trading in a way that optimises expertise, skills and resources within the Council's current staff without requiring an initial TUPE transfer of staff to the new company.
- 3.12. Examples of LACC activities delivered by other Local Authorities include:
- Commercial waste services- sack and small premises customers
 - Private land cleansing services- car parks, business parks etc
 - Building control services- private developers
 - Property management services- private sector land and property owners
 - Finance and HR services to other public entities such as schools
 - ICT services to other public entities such as schools
 - Venue and marketing services to third parties
 - Architect and design services- private and public sector developers
 - Environmental Health services- non statutory assistance

4 OTHER OPTIONS CONSIDERED

- In order to trade in a commercial environment the Council must create a Local Authority Controlled Company. So the only alternative option is not to trade commercially which would restrict the Council's opportunity to improve the private rented housing offer in the community and mitigate the current and future years reduction in external funding.

5 RESOURCE IMPLICATIONS

- a. The resources required to establish a LACC are detailed in the report.

6 RISK AND MITIGATION

Risk has been considered as part of this report and any specific high risks are included in the table below:

Category Risk	Action / Controls
Governance	<p>Detailed governance arrangements for the LACC will be required and would cover:</p> <ul style="list-style-type: none"> • Directors and their roles and responsibilities • Companies House reporting responsibilities • Financial controls and authority levels • Financial and operational auditing • Annual and other periodic meetings • Annual management plan

7. ISSUES ARISING FROM IMPACT ANALYSIS
N/A

8. CRIME AND DISORDER IMPLICATIONS

None

9. COMMENTS OF FINANCIAL SERVICES

The proposal to formulate a LACC will require detailed financial appraisal in order to demonstrate the financial viability of the company. This will include its ability to meet any borrowing requirements, operational costs, corporation tax and VAT. These costs will be offset from the income the company would receive from its commercial activities. The General Fund and Housing Revenue Account would be able to provide services to the company and receive a contribution for those services.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

The Localism Act 2011 provides at s.1 local authorities with the General Power of Competence. The Act puts limits on doing things for commercial purposes. If a local authority does things for a commercial purpose, it must do them through a company (s4(2)).

The power to transfer general fund land to a LACC from a local authority is governed by s.123 of the Local Government Act 1972. Consent of the Secretary of State is not required where best consideration is received for the transfer. A general disposal consent from the Secretary of State permits disposals at less than best consideration up to a £2m ceiling in value difference provided the disposal complies with the terms of the disposal consent will achieve a wellbeing purpose.

HRA fund land can be transferred (if vacant) in accordance with s.32/43 of the Housing Act 1985. A general consent requires transfers at a market value with a maximum of 5 transfers taking place in any financial year. S.25 of the LGA88 permits local authorities to provide assistance for the provision of privately let accommodation. It is important to note that all the above powers and consents contain conditions which must be met to satisfy use of the powers available.

11. COMMENTS OF OTHER RELEVANT SERVICES
N/A

12. APPENDICES:
None

REPORT TO RESOURCES PDG

REPORT OF: CORPORATE FINANCE MANAGER

REPORT NO: CFM312

DATE: 19th March 2015

TITLE:	Financial Report for 2014/15 – Monitoring Information	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	None	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Cllr Mrs L Neal Leader of the Council	
CONTACT OFFICER:	Richard Wyles –Corporate Finance Manager 01476 406210 Email: r.wyles@southkesteven.gov.uk	
INITIAL IMPACT ANALYSIS:	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
Equality and Diversity	N/A	No
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council’s website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	HOF267 – Determination of Budget 2014/15 HOF289 – Monitoring Information HOF299 – Monitoring Information HOF308 – Monitoring Information The above reports can be located by putting the reference number in the search section of the committee website via the link below: http://moderngov.southkesteven.gov.uk/ieDocSearch.aspx?bcr=1	

1. RECOMMENDATIONS

- 1.1 Members are asked to review the comments and figures contained in this report and identify any variances that require further action.

2. PURPOSE OF THE REPORT

- 2.1 In order to ensure effective budget management it is important that the members are updated with budget monitoring information. This serves the purpose of ensuring members are kept informed of actual spend compared to budget and the forecast outturn position. The report provides a summary

of the year to date (YTD) position against original budget for 2014/15 and the forecast outturn covering the following areas:

- General Fund Revenue Budget
- Housing Revenue Account Revenue Budget
- Capital Programme – General Fund and HRA

2.2 Forecast outturn work is undertaken during the course of the year by the service areas in order to anticipate the outturn position. This process enables options to be considered in respect of the spending proposals for the remainder of the year or alternatively it is used to identify emerging financial issues that can then be investigated and mitigating actions put in place. This report includes activity for the financial year 1st April 2014 – 31st January 2015.

3 DETAILS OF REPORT

General Fund Revenue Budget

3.1 The original net cost of service budget for 2014/15 was set at £15.038m. The financial position as at 31st January 2015 shows expenditure to date of £11.4M. The details are summarised in Table A below:

Table A - General Fund Total Revenue Summary

Corporate Area	Annual Budget £'000	YTD Budget £'000	Net Spend to Date £'000	YTD Variance £'000	Forecast outturn £'000	Forecast variance £'000	Forecast Movement £'000
Community Assets	3,206	1,051	1,035	(16)	3,251	45	(77)
Corporate	2,404	1,539	1,467	(72)	2,265	(139)	(24)
Development & Growth	1,730	677	328	(349)	1,213	(517)	(90)
Environmental Services	5,476	2,141	2,060	(81)	5,360	(116)	(24)
Finance	3,769	3,527	3,498	(29)	3,694	(75)	(18)
Housing & Neighbourhoods	681	471	452	(19)	665	(16)	(16)
Legal & Democratic	1,577	719	671	(48)	1,518	(59)	(33)
People, Projects & Performance	2,405	1,541	1,449	(92)	2,306	(99)	(91)
Property Development	1,468	287	215	(72)	1,312	(156)	(97)
Special Expense Areas	609	160	221	61	673	64	64
Workforce Efficiency Target	(357)	(297)	0	297	0	357	0
Recharged to Services	(7,482)	0	0	0	(7,482)	0	0
Cost of Service	15,486	11,816	11,396	(420)	14,775	(711)	(406)
Set-Asides 2013/14	(360)	0	0	0	(339)	21	0
Reserve Financing	(88)	(88)	(88)	0	(171)	(83)	(83)
Additional Expenditure Items	0	0	0	0	151	151	151
Set-Asides Proposed 2014/15	0	0	0	0	119	119	119
Net Cost of Service	15,038	11,728	11,308	(420)	14,535	(503)	(219)

3.2 The previous report presented to the Resources PDG on the 29th January 2015 identified a forecast under spend of £284k as at 31st October 2014. This represents a movement of £219k of which the key movements are summarised below;

3.2.1 **Community Assets**

Guildhall Arts Centre – Ticket sales in respect of the annual pantomime have exceeded the anticipated level by £10k.

Gravity Fields Festival – The forecast outturn has been increased by £28k due to additional expenditure being incurred for areas including security, printing and accommodation. The additional costs will be financed by the Events & Festivals reserve.

Leisure Centres – The management fee across all sites has been reduced by £156k following contract negotiation. This has however been partly offset by an increase in premises related expenditure due to vandalism, works in response to health and safety requirements and urgent water filtration works (£60k).

3.2.2 **Corporate**

Strategic Management – The forecast outturn has been reduced by £24k due to 2 vacant posts within the service area.

3.2.3 **Development & Growth**

Economic Development – A number of projects budgeted for in this financial year will not now be completed until 2015/16 due to the prioritisation of other projects. These include Town Centre Business Support and the development of a Business Improvement scheme. A set-aside has been requested for £62k to continue these works next financial year.

Conservation – A vacant Assistant Conservation Officer post has reduced the forecast outturn by £15k for the year.

3.2.4 **Environmental Services**

Closed Circuit Television – The Lincolnshire Police Crime Panel has confirmed it will no longer be allocating funding from second homes income from this financial year going forward. Income has therefore been reduced by £20k.

Health & Safety – Under spends in relation to a part year vacant advisor post and associated health and safety budgets (£37k) are requested to be used in 2015/16 to undertake health and safety initiatives and training programmes.

3.2.5 **Finance**

ICT Services – Grant funding has been received to support the new regulations with respect to Local Authority Open Data (£14k).

3.2.6 **Housing & Neighbourhoods**

Homelessness – a decrease in demand has been seen in the need for emergency accommodation and has resulted in a forecast reduction in expenditure of £16k for the year.

3.2.7 **Legal & Democratic**

Legal Services – the forecast outturn has been reduced by £15k due to vacant posts within the service.

Register of Electors – A saving of £18k has been identified as a full canvass of properties was not required.

3.2.8 **People, Projects & Performance**

Centralised Budgets – A number of key budget headings were centralised in year in order to identify efficiency savings and economies of scale to reduce expenditure. The forecast outturn has been reduced by £83k in respect of centralised stationery, postage, printing and advertising costs. A set-aside has been requested for 2015/16 to support Elections printing and statutory notices required for the cinema project in Grantham.

Communications – a vacancy within the service area has reduced the forecast outturn by £8k.

3.2.9 **Property Development**

Miscellaneous Property – Additional income of £38k has been forecast due to an increase in the rental space occupied by the NHS (£8k), full occupancy of industrial units (£6k) and new office leases (£24k).

Property Development – The forecast outturn has been reduced by £49k due to a number of high level vacancies within the service which have not been replaced pending a staffing review.

3.2.10 **Special Expense Areas**

The grounds maintenance costs in respect of special expense areas (specifically Stamford and Grantham) is currently showing a forecast overspend of £64k due to changes in the service delivery model. The service area is currently revisiting the contract and working with the contractor to reduce expenditure. Any over spend identified will need to be funded by the SEA reserve at the end of the financial year.

3.2.11 **Additional Expenditure Items**

The following items of expenditure have been identified during the budget setting process to be funded by current year under spends;

Description		Amount £
Stamford Leisure Centre	Refurbishment of pool water filters (health and safety requirement)	24k
Guildhall Arts Centre	Replacement of worn feature carpet	16k
Stamford Arts Centre	Replacement of worn feature carpet in main foyer, Victorian staircase, landing and ballroom.	15k
Lighting Maintenance	Maintenance works include replacement lamps, new supply boxes, the straightening of leaning columns, replacement of damaged column doors etc.	36k
Non Consolidated Payments	Following pay negotiations the National Employers and the Trade Unions agreed a formal pay award which covers the period 1 January 2015 to 31 March 2016. This includes a range of Non Consolidated one off payments to be made in 2015/16.	60k
Total		151k

In the event that these items cannot be delivered by the end of the financial year, it is proposed to create set-asides to complete the works in 2015/16.

3.2.11 **General Fund Set-Asides for 2014/15**

The following items have been proposed as set-a-sides from this year's budget framework totalling £119k;

- Economic Development Projects £62k
- Health & Safety Initiatives £37k
- Advertising for Cinema Project £10k
- Printing for Elections £10k

3.2.12 **Workforce Efficiency Target**

The workforce efficiency target of £357k is forecast to be fully achieved following the review of service arrangements and the overall target will be met by 31st March 2015.

Housing Revenue Account

- 3.3 The financial position as at 31st January 2015, shows a forecast under spend of £12k as summarised in Table B and Table C below:

Table B - HRA Expenditure Summary

Area	Annual Budget £'000	YTD Budget £'000	Net Spend To Date £'000	YTD Variance £'000	Forecast Outturn £'000	Forecast Variance £'000	Forecast Movement £'000
Expenditure	11,776	7,790	7,675	(115)	11,836	60	13
Other Expenditure	9,679	8,066	8,066	0	9,679	0	0
Interest	3,142	2,618	2,618	0	3,142	0	0
Total Expenditure	24,597	18,474	18,359	(115)	24,657	60	13
Workforce Efficiency Target	(110)	(91)	0	91	0	110	0
Reserve Financing	0	0	0	0	(182)	(182)	(112)
Deficit/ (Surplus)	24,487	18,383	18,359	(24)	24,475	(12)	(99)

- 3.3.1 Finance has worked with the service area over the last quarter to identify vacant posts that can contribute to achieving the workforce efficiency target of £110k. Savings of £123k have been identified and the target is now forecast to be fully met by 31st March 2015.
- 3.3.2 One off additional costs incurred as a result of the corporate re-design programme have been forecast and will be funded by the Transformation Reserve at the end of the financial year.
- 3.3.3 Grounds Maintenance is currently showing a forecast overspend of £26k due to changes in service delivery. The service area is currently revisiting the contract and working with the contractor to reduce expenditure

Table C - HRA Income Summary

Income	Total Income Due £'000	YTD Income Due £'000	YTD Income Received £'000	YTD Income Due %	YTD Income Received %
Dwelling rents, garage rents & service charges	(25,918)	(21,141)	(20,965)	81.57	80.89

Capital Programmes

3.4 The capital programmes include a number of significant capital projects for 2014/15. The current financial position as at 31st January 2015 is outlined in the table below;

Table D - Capital Programmes

Programme	Annual Budget £'000	YTD Budget £'000	Total Spend to Date £'000	YTD Variance £'000	Forecast outturn £'000	Forecast variance £'000	Forecast Movement £'000
General Fund	5,842	2,134	1,789	(345)	2,198	(3,644)	(117)
HRA	7,633	6,217	5,954	(263)	6,826	(807)	6
Total	13,475	8,351	7,743	(608)	9,024	(4,451)	(111)

Key Movements

3.4.1 The forecast outturn has reduced on the General Fund programme due to re-profiling in respect of the St. Peter's Hill Development.

Headcount and Budgets

3.5 The position as at 31st January 2015 shows that against an original FTE budget of 569.5 the actual FTE (including agency and wages staff) is 546.1 equating to a variance of (23.4) FTE.

3.6 Local Authority Mortgage Scheme (LAMS)

Scheme 1

The scheme went live in June 2012 and an analysis of the take up of the scheme is provided below.

Month	Offers made (cumulative total)	Completed	Cumulative indemnity amount
July 2012 - Sept 2014	0 (64)	46	£925,596*

*Remaining indemnity as at 30 January £74,404

In term of postcode analysis, the 64 applications received to date are received in respect of the following postcode areas:

NG31 – 47
NG32 – 2
NG33 – 2
PE9 – 12
PE6 – 1

Scheme 2

At the Council meeting in July 2013 a further £1M was approved to support the scheme and the maximum loan size per application was increased to £147,250 in order to increase the take up of the scheme. Unfortunately due to difficulties with the lender being unable to provide management information it has only been possible to obtain a cumulative figure for the period February – September 2014.

Scheme commenced in February 2014.

Month	Offers Not Completed in Month	Completed (cumulative)	Cumulative indemnity amount
Feb 14 – Sept 14	6	2	£204,258
Oct 14	8	3	£226,108
Nov 14	4	8	£249,738
Dec 14	5	10	£275,775
Jan 15	3	12	£317,775*

*Remaining indemnity as at 31st January 2015 £682,225

In terms of postcode analysis, the 12 completions are in respect of the following postcode areas:

NG31 – 11
NG32 – 0
NG33 – 1
PE9 – 0
PE6 - 0

4. OTHER OPTIONS CONSIDERED

None applicable

5. RESOURCE IMPLICATIONS

None applicable

6. RISK AND MITIGATION

None applicable

7. ISSUES ARISING FROM EQUALITY IMPACT ANALYSIS

None applicable

8. CRIME AND DISORDER IMPLICATIONS

None applicable

9. COMMENTS OF FINANCIAL SERVICES

Financial considerations are included in the report.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

As part of good governance it is important members are kept updated in respect of the financial position of the Council expenditure during the course of the year.

11. COMMENTS OF OTHER RELEVANT SERVICES

None applicable

12. APPENDICES:

None