

Meeting of the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Tuesday, 16 July 2019, 10.30 am

Committee Members present

Councillor David Bellamy
Councillor Phil Dilks
Councillor Graham Jeal (Chairman)
Councillor Philip Knowles

Councillor Annie Mason
Councillor Rosemary Trollope-Bellew
Councillor Mark Whittington (Vice-
Chairman)
Councillor Linda Wootten

Cabinet Members

Councillor Helen Goral, the Cabinet Member for Growth
Councillor Adam Stokes, the Cabinet Member for Finance

Other Members

Councillor Paul Wood

Officers

Director of Finance (Richard Wyles)
Head of Organisational Development and Change (Elaine Pepper)
Organisational Development and Change Team Leader (Victoria Brackenbury)
Performance Lead (Ben Russell, Clare Milner)
Principal Democracy Officer (Jo Toomey)
Senior Management Accountant (Claire Morgan)

10. Membership

The Committee was advised that Councillor Trollope-Bellew would be substituting for Councillor Adams for this meeting only.

11. Apologies

An apology for absence was received from Councillor Morgan. Councillor Robins, the Cabinet Member for Planning also apologised as he was unable to attend the meeting.

12. Disclosure of interests

No interests were disclosed.

13. Action notes of the meetings held on 4 June and 14 June 2019

The action notes from the meeting held on 4 June 2019 were noted subject to the clarification that Councillor Paul Wood was in attendance as a guest and not a member of the committee.

The action notes from the meeting held on 14 June 2019 were noted.

14. Updates from previous meetings

Advertising and Sponsorship Initiative

At its meeting on 14 June 2019, the Committee heard a call-in request made in respect of a decision that had been taken by the Cabinet Member for Finance. The decision covered three items, two of which were resolved at the meeting. The third area related to an advertising and sponsorship initiative where the committee decided not to uphold the call-in subject to a review of the process for the awarding of the contract by the Chairman and Vice-Chairman of the Committee. The review was carried out by the Vice-Chairman, who provided the Committee with an update.

The Vice-Chairman explained that in undertaking the review he had met with the Director of Finance and the Assistant Chief Executive, Transformation and Change, reviewed a range of documents, received written references from other authorities that had worked with Publitas, read the internal options appraisal and reviewed the original scoping tender document that gave an indication of the other work Publitas had done for local authorities. Officers had also provided a timeline which indicated that the Council had started dealing with Publitas in October 2018. A review of the final report produced by Publitas was also undertaken; the report was detailed and set out everything the company thought it could do and the support it could provide to generate advertising income for the authority.

Reference was made to commercially sensitive documentation that set out how Publitas undertook its work and its business model including how it negotiated on behalf of local authorities, management of space and value that the company could add. The document also set out how Publitas would

manage the contract on the Council's behalf and the training that would be provided to the Council's officers to support performance monitoring.

The Vice-Chairman concluded that a logical process had been followed in awarding the contract and that Publitas had a lot of experience producing good results for other local authorities. The Vice-Chairman considered that the references that had been received were very good and that the company possessed a lot of skills that the Council did not have available in-house. He also noted a gap was factored in halfway through the process which would provide Members and officers with an opportunity to review how the project was working. Clarification was given that the £40k fee was a one-off fee that would cover all of the work.

The Vice-Chairman outlined those areas where he felt improvements could be made in the future. Firstly, he felt that Members would have benefitted from additional documentation, including the timeline of events and the options appraisal. He also felt that sharing the written references would have been helpful. Overall, the Vice-Chairman indicated that he was happy with the process that had been followed but commented that the project would need to be scrutinised going forward.

Action Point

- **The Vice-Chairman to provide a written note to the committee summarising the findings of his review**

Statement of Common Ground, land at Stamford North

At its meeting on 4 June 2019, the Committee recommended the draft Statement of Common Ground in respect of land at Stamford North to Cabinet for adoption. The Committee was notified that Cabinet agreed to adopt the statement at its meeting on 11 June 2019, subject to the addition of a delegation to the Cabinet Member for Planning to make any minor amendments following decisions by Rutland County Council and Lincolnshire County Council and to approve the final document.

15. 2018/19 outturn

The Cabinet Member for Finance presented his report which set out the budget outturn position at the end of 2018/19 in respect of the General Fund Revenue Budget, the Housing Revenue Account Budget and the Capital Programmes associated with both the General Fund and the Housing Revenue Account. He advised Members that the outturn report had already been approved by the Governance and Audit Committee on 21 June 2019 and Cabinet on 9 July 2019.

The Cabinet Member for Finance summarised the report, highlighting the in-year changes that had been made to the Council's budget which increased

the total budget to £19.502m. He gave an explanation as to how the Council had benefitted from the 100% business rate pilot scheme. The report outlined variances of £20,000 by directorate and set out budget carry forwards, which all related to specific items; these carry forwards had been agreed by the Governance and Audit Committee.

Committee members were advised that the surplus relating to the Housing Revenue Account had been transferred to reserves to provide additional internal funding for the HRA Capital Programme.

The report gave an updated position in respect of the Capital Programme, with the report showing carry forward amounts. The Cabinet Member for Finance drew members' attention to the Local Priorities Reserve, which was funded by the New Homes Bonus, and a new crowd funding reserve that had recently been created.

Committee members were given the opportunity to ask questions and discuss different aspects of the report:

- The authority did not budget for pensions; variations came from actuarial review and were shown as non-cash items meaning that they were reversed out before the amounts were declared for each account
- The Housing Revenue Account bought professional services from the General Fund; the draw down was liable to change dependent on demand for those services
- Right to buy was budgeted at an assumed level. There had been a stepped increase in tenants buying their property which was driven by changes to the discounts from which they could benefit
- Void rates were budgeted at an assumed level. Work had been undertaken to improve the turnaround time, but this depended on the quality of the stock and the condition of those properties that became vacant
- Rent write-offs arose from tenants' poor performance of paying rent and tenant arrears. It was noted that if a debt had been written-off and the tenant reappeared those arrears would be written back on and would need to be cleared before they were to take a tenancy
- Business rate income grew in 2018/19 because of the Council took part in a 100% business rate pilot; this exceeded the budgeted level because the council had made conservative predictions during budget-setting
- Section 31 grants were provided by government to offset changes to the business rating system that would otherwise lead to losses for local authorities
- The Valuation Office Agency undertook asset revaluation on a regular basis to reflect market changes on asset values. Any changes in valuation were reflected in depreciation changes
- To avoid taxpayers becoming liable for non-cash items they needed to be removed from the accounts as accounting adjustments

- Minimum Revenue Provision (MRP) was prescribed by government as 50 years and did not correlate with borrowing projections or the life of any asset
- There was national debate about whether councils should set aside MRP for investment in assets that would return money back to councils
- The only borrowing that the Council expected to undertake related to the Cummins site. To date, it had only been necessary to borrow internally but there would be a future need to go to the market and MRP would be factored in
- The Housing Investment Programme for 2018/19 covered three years and included an allocation of £5m per annum to fund the council's new build and property development ambitions; this had been overtaken by the housing delivery programme
- The Governance and Audit Committee approved a carry forward in the HRA Capital Programme of £90k for Repairs Vehicles
- During 2018/19 work had commenced on 7 housing schemes; the majority were now due to be completed in 2019/20 and budgets needed reprofiling to reflect the revised completion date
- Members identified a potential ongoing issue with the spending of disabled facilities grant provision and requested a written update from the relevant Cabinet member

Action Point

- **The Cabinet Member for Communities, Health and Wellbeing to provide a written update setting out action that was being taken to reduce the underspend in respect of disabled facilities grant funding**

16. Performance Reporting

The Committee was invited to consider the report of the Deputy Leader of the Council, which set out performance information for quarters 3 and 4 of 2018/19. Members were advised that in both quarters 3 and 4 the number of apprenticeships was slightly below target; a plan had been put in place to help the Council achieve this target. At the end of quarter 4 rent collection from council homes was also slightly below target.

Members noted that the occupancy rate of retail units had exceeded the targets; this was attributed to work undertaken by InvestSK and with landlords. The committee felt it would be helpful to have a breakdown for each market town to make sure under-performance in one town was not being masked by strong performance in the others.

Action Point

➤ **A breakdown of the occupancy of retail units by market town to be provided to committee members**

The committee was advised of changes that were being made to the way performance data was being collected and reported. Rather than working on an historic snapshot position, the new system that was being introduced enabled live reporting to allow the council to take a more proactive approach in respect of performance. The performance leads had begun working with the directorates and Cabinet Member to populate the dashboard. The report showed examples of how data was displayed in the old and the new performance systems. Members were also shown examples of the dashboards within the system and how they could be used to drill down to a detailed level, including examples of indicators for planning, housing and human resources.

Members asked about whether information from the performance dashboards would be available to the public. The committee was advised that the primary intention was to use the system as an internal resource and, where useful, information would be made available to members of the public. It was possible to publish snapshots of dashboard information on the council's website without needing additional licences; it would not, however, allow for publication of live information. It was anticipated that the Council would not be in a position to publish performance data for the public to view until the end of the year. Discussions were underway about who should have access to the system and the level of access they should have.

Members indicated that they would find it useful to have access to the system and suggested a soft launch to Members prior to making anything available to the public. They suggested that it would help by giving a period in which the Council could ensure that there was an archive of data to make the published information useful. They also suggested it would be helpful to understand how the system worked so that they could address any questions or concerns raised by their constituents. Members agreed that it would be helpful if training was made available to them prior to the system going live. There would be a full communications plan surrounding the rollout of the system setting out with whom there would need to be communication and any training that would be required for users.

Recommendation

That the system is launched for Councillors several months ahead of the public to give them time to understand it and build an archive of data

Members agreed that the system provided an improvement from the format in which performance data had previously been accessed and presented.

A question was raised about whether any published information would include commentary or whether raw data would be published for people to come to their own understanding.

Members asked about how the cost of the new system compared to the old in relation to both the initial procurement and ongoing costs. Councillors were advised that the cost of the outgoing system was approximately £11,000 each year. The new system was based on the purchase of individual licences.

Action point

- **Officers to supply a full breakdown of costs, including ongoing costs, and information about other users of the system**

Officers were asked questions about how the new system was hosted and the security measures in place to protect the Council's data. The system was hosted in the cloud with other council systems. The licensing arrangement also provided an additional level of security.

Members were interested in the number of fly-tipping incidents following an increase between January and March 2019. Members wanted additional contextual information to identify whether the issue was seasonal or the start of an upward trend.

Action point

- **Additional information on fly tipping to be circulated to committee members**

During general discussion Members suggested that some indicators could do with an additional breakdown of information, citing town centre occupancy and rent collection. They also stated that it may be useful to include an explanation of how the indicators were recorded, again referring to the rent collection indicator, which was shown as a proportion of the total rather than a budgeted amount each month. Questions were also raised about the frequency with which some of the data was collected, with Members suggesting the rateable value of the district should be refreshed more regularly than annually.

Committee members asked about how much legacy data was available and whether it could feed into the new system. Officers stated that historic data could be translated into the new system and that the mechanisms for importing live data were being explored. Where possible it was hoped the new system could be fed directly from systems within each service area; considerations about security would be a key part of this work.

17. Funding Update

The Director of Finance gave Members an overview of the national funding context as a backdrop to its financial review and budgeting work, highlighting the challenges that the Council would face in the short to medium term.

Lower tier authorities had seen the biggest reduction in funding because the services that they provided were those that were deemed to be under the most pressure. It was noted that more recently the 4-year funding deal had provided a period of stability.

The overall reduction in funding in real terms sat at just under 29%. Some local authorities responded to the reductions by making cuts in the first instance but since that time local authorities had begun responding in new ways focusing on innovation and growth.

The Council's income came from three sources: council tax, business rates and fees and charges (including commercial income). There were restrictions associated with two of these areas; council tax could only increase by a fixed amount and the council had no control over business rates.

The revenue support grant had now been withdrawn, meaning that the Council was no longer receiving any direct grants from government, which increased the volatility of the Council's funding arrangements. As a result of the changes to the way in which local government was being funded, the government was reviewing business rates and undertaking a fair funding review.

Members were advised that the government set a baseline level of the amount it thought each council needed to deliver its core services. While local authorities would receive a proportion of business rate income, which was expected to increase from 50% to 75%, the remainder would be distributed based on the calculated need. There was a risk that any review of the baseline of business rates income would mean that over time the benefits seen from economic growth would be taken away.

The fair funding review would take account of a range of factors in determining the amount local authorities needed to deliver their services. Unlike the current methodology, it was proposed that the calculation would recognise sparsity, deprivation and rurality as cost pressures.

These changes had originally been intended to come into effect for the 2020/21 financial year however, as Parliamentary time was limited, it was anticipated that changes would now come into effect from 2021/22. This would mean that the budget deficit projected in the Medium Term Financial plan would be deferred by a year. Members sought clarification that this would not mean the Council would face a cumulative deficit the following year.

Committee members asked whether the council needed to be pushing more for fairer funding but reassurance was given that the intention was to update

the formula to recognise the cost of service delivery to rural areas the only restriction was the Parliamentary time that was available. The Cabinet had responded to every consultation and the council was a member of both Sparse and the Shire Districts Network, which provided extra channels through which it could lobby. Some concern was expressed that urban local authorities were now starting to lobby for additional funding having recognised the lobbying being undertaken by rural authorities.

Three possible scenarios were outlined which resulted from the delay: a one-year spending review with no funding reform, a one-year spending review plus funding reform or a three-year spending review plus funding reform. One member referred to recent conference sessions that he had attended. He stated that the indication there had been that there would be a one-year spending review with no funding reform.

Members' attention turned to growing commercial income as a council and how the councils who pursued commercial opportunities would fare better than those that relied on more traditional forms of funding. There was some concern about the impact of any decision by CIPFA to adjust the prudential code which might prevent a council from developing commercial income. Members were advised that whilst it was important to diversify, the council needed to be cautious that it did not over-expose itself by relying on one form of income. CIPFA was asking local authorities to consider setting up a reserve around commercialism which would help stabilise any fluctuations in commercial income.

Within the diagrams showing the breakdown of council funding, Members suggested it would be helpful to show income from commercial activity separately; it was noted that commercial activity had only come to fruition within the past two to three years.

18. Contract tendering process review

The Director of Finance gave a brief presentation on contract tendering. The Council's Contract Procedure Rules were a key part of the Council's Constitution. Members were advised that the procedure rules were under review following a change from working with Procurement Lincolnshire to Welland Procurement, which took effect from April 2019. This shared service provision gave the Council access to expertise that it did not have in-house.

The procurement route pursued was dependent on the value of the whole contract over its duration. For procurement exercises between £0 and £10,000 contracts could be let by a direct approach to a single supplier while contracts between £10,001 and £25,000 needed at least three written quotations in a specified format. Both processes included a local supplier dimension. For contracts between £25,001 up to EU thresholds the letting of a contract would be subject to formal tender and assessed by an evaluation panel rather than a

single officer. Welland Procurement would provide specialist support for contracts let at this level.

The tendering process for procurement where contracts exceeded EU thresholds was more regulated, with the option to go to a formal competitive process or to make a direct award or carry out further competition with companies that already sat on a framework related to that activity. These contracts would be assessed by an evaluation panel with support from Welland Procurement, with the decision being based either on the lowest cost or a balance of cost and quality to demonstrate best value.

Members of the Committee noted the explanation and requested the circulation of the presentation given by the Director of Finance.

19. Remit of the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee

Members considered the remit of the committee. A copy of the remit of the former Growth Overview and Scrutiny Committee, together with some suggested areas of work relating to finance and corporate services. Members agreed the list that was circulated but expressed some concern about the volume of items and suggested that the remit be reviewed after a year of operation.

The Committee agreed its remit should include:

- Business rate relief
- Business transformation
- Car parks, bus stations and town centre infrastructure
- Charitable rate relief
- Council-owned property, assets and maintenance (non-council house)
- Large-scale development projects
- Shop front designs and funding
- Street furniture
- Street parking permits
- Town centre developments and partnerships
- Budget monitoring
- Review of outturn
- Fees and charges
- Budget setting
- Medium term financial planning and national funding proposals
- Performance reporting
- Data protection policy
- Customer access strategy

20. Work programme

The committee agreed to make the following amendments to its work programme:

- Changing customer access from 4 February 2020 to 5 September 2019
- Addition of the asset management strategy for the meeting on 5 September 2019
- Moving the housing delivery test action plan from 5 September 2019 to 4 February 2020
- Addition of the Deepings Special Expense Area to 5 September 2019

One Member asked to be provided with a written overview of how the Bourne Special Expense Area came to exist.

Recommendation

- **The Finance, Economic Development and Corporate Services Overview and Scrutiny Committee recommended that the Rural and Communities Overview and Scrutiny Committee reviews the way the Council looks to re-let void properties**

Action Point

The committee agreed to hold its meeting on 21 April 2020 at Bourne CAP or Bourne Town Hall

21. Close of meeting

The meeting was closed at 12:42pm.