

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



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Friday, 14 June 2019, 10.30 am

Committee Members present

Councillor Bob Adams
Councillor Phil Dilks
Councillor Graham Jeal (Chairman)
Councillor Philip Knowles

Councillor Annie Mason
Councillor Charmaine Morgan
Councillor Mark Whittington (Vice-
Chairman)
Councillor Linda Wootten

Cabinet Members

Councillor Adam Stokes, the Cabinet Member for Finance

Officers

Strategic Director (Debbie Muddimer)
Assistant Director, Resources (Richard
Wyles)
Organisational Development and Change
Team Leader (Victoria Brackenbury)
Project Lead (Sam Fitt)
Principal Democracy Officer (Jo Toomey)

Other Members present

Councillor Ashley Baxter
Councillor Paul Wood

5. Membership

The Committee was notified that Councillor Linda Wootten would be substituting for Councillor Sandall for this meeting only.

6. Apologies

An apology for absence was received from Councillor Bellamy.

7. Disclosure of interests

No interests were disclosed.

Recording of meetings

Reference was made to an e-mail that had been received by some members of the Council that advised them of another Member's intention to film the proceedings and distribute them to social media outlets and members of the public. Two members stated that they did not wish for their images to be posted on any form of social media.

The member who had given the notification referred to legislation, the Openness of Local Government Bodies Regulations 2014, which introduced a rights to film, record and photograph public meetings of local authorities.

Officers stated that they would seek legal advice on whether it was possible for a Councillor to "opt out" of being filmed or photographed. Until legal advice had been provided any member wishing to film, photograph or record the meeting was asked to respect the wishes of those Councillors who had indicated that they did not wish to be filmed or their image shared on social media.

8. Cabinet Member Decision - 12 April 2019 - utilisation of the Invest to Save Reserve

The Chairman set out the procedure that would be followed and outlined the options that were available to the Committee after hearing the call-in request. He also thanked those Members who had submitted questions in advance of the meeting. A schedule of responses had been circulated and Members were advised that there would be a short adjournment to give them an opportunity to read the questions and answers.

Those Members who called-in the decision were invited to set out their reasons for doing so:

- They did not consider that the report included sufficient detail about any of the proposed projects
- Questions over why the three items were dealt with in a single decision rather than a separate decision for each theme
- Concerns about the status of Publitas, the organisation that had been identified to deliver the advertising and sponsorship initiative

Those Members who had called-in the decision said that they had approached officers for additional information before calling-in the decision but the information that had been provided had not sufficiently addressed their concerns.

10:51-10:57 – the meeting adjourned to allow Members the opportunity to read the pre-submitted questions and their answers

Members considered and debated each of the proposed projects in turn:

Financial Services Review

The Assistant Director, Resources gave an overview of the Financial Services Review. He explained that as part of the budget preparation process for 2019/20 the Council was continuing its transformation programme, one element of which was service reviews. Financial Services was the first service to be fundamentally reviewed. The officers, working with the Cabinet Member, felt that peer support to deliver the review would be valuable and so secured external support on a fixed-term basis.

During the review the consultant spent time with each member of the Financial Services Team to understand their skills, experience and how they were currently deployed. Following the review, an action plan had been drawn up to ensure the needs of the authority aligned with resources.

It was anticipated that the review would result in savings from the alignment of resources and identification of commercial opportunities to raise income. An example was given of how the Council could provide payroll services to other companies and organisations. Members asked about the demand for providing services to other companies and organisations, noting that the Council already provided services to SKDC's companies. Using the payroll example, Members expressed some concern that organisations would have arrangements in place. Conversations had been undertaken with academies and contact would coincide with the expiration of their existing contracts.

Members asked about the objectives for the review and the outcomes that had been identified. One Councillor suggested that these should have been shared with Members.

Discussion turned to potential risks associated with the review, which were not identified in the non-key decision report. Specific concern was expressed about the impact on staff involved in the review. Members were advised that staff members were fully engaged and informed, but it was not an appropriate time to specify how savings would be delivered. Members asked about the anticipated level of savings and when they could be expected. Members were reminded that the 2019/20 Budget preparation had a savings target of £200k, which was underpinned by interventions including predictive analysis, automation and service reviews. Other services would also be subject to a similar review process to establish whether they were value for money and fit for purpose.

In addition to the identification of savings and opportunities for income generation, the review also included the development of a comprehensive action plan to help the team become more efficient and better support the wider organisation. Members suggested it would have been helpful if they had

been advised of the review's objectives so that they could form a judgement on whether those objectives had been met.

Some Members expressed concern that the review had already been completed and asked about the impact should the committee uphold the call-in request. Officers clarified that the decision was to determine whether the review should be funded from the Invest to Save Reserve. The principle of undertaking service reviews had already been agreed as part of the Council's budget setting process. In the event that the call-in was upheld, the Cabinet Member for Finance would have to consider from where the project should be funded. If the Invest to Save Reserve was not considered an appropriate funding source, Members asked how the project would be funded. The Committee was advised that there was a vacant position within the establishment for the Financial Services Team and that this vacancy would be held until the saving had offset the cost of the review.

Members were interested in how savings from the review would be reported to them. Questions were also raised about whether the review identified any shortfalls in the team's skill base and whether the right level of resource was in place. It was expected that there would be changes to the way in which resources were deployed, which would be managed through the service review action plan. There was no intention to report savings directly however Invest to Save spending would be visible as part of budget-setting.

Members felt that they should have been informed at the start of the process with the intended outcomes clearly stated. It was noted that, had the proposal not been to fund the Financial Services Review through the Invest to Save Reserve, it would not have been brought to Members' attention. Reference was made to historic requests for information on the detailed plans and objectives of the Council; rather than the high-level information with which they had been provided, Members suggested it would be more helpful if the detail had been shared with them.

Committee Members raised questions about the origins of the Invest to Save Reserve. It had been created to accelerate funding for opportunities that arose in-year where a one-off injection of funding could lead to ongoing reductions in the revenue budget with a typical payback period of two years. Ordinarily the reserve was used for revenue costs but it was possible it could be used to fund one-off capital expenditure. The Invest to Save Reserve was discretionary; Council had approved a sum of £1m and a policy on how it should be accessed and used. Once funding for a project had been agreed, it moved to the revenue budget line. As part of its annual budget setting process Council would need to determine whether it wished to "top-up" the Reserve to £1m or whether its intention was for the funding to be drawn down until there was none left.

Members noted the value of the contract and clarified that the individual conducting the review had been appointed through an agency, rather than

acting on her own behalf or as a company. Rather than the value of the contract, members were most concerned about the process that had been followed in setting objectives and how it was funded.

The suggestion was made that there were other, more appropriate funding streams for the review than the Invest to Save Reserve. Members were advised that the service review focused resources on areas that needed to be modernised or that were traditionally high cost; the method of delivery for each review would depend on its complexity. The use of peer support was felt to be the most appropriate tool in this instance.

Internet of Things

Members were given an overview of the 'Internet of Things' project. The Council was working on the project with a company called Digital Catapult, which helped local authorities use innovation and technology to deliver enhanced digital solutions. The project they were working on with SKDC was the development of intelligent street lights that incorporated sensors to capture additional information. Examples of the sorts of data that the Council was looking to collect included footfall, air pollution and noise pollution. Councils working with Digital Catapult would set out the problem for which they wanted a solution. Digital Catapult would put that problem to a network of Small to Medium Enterprises (SMEs) who would develop solutions. The Council would then choose whether it wanted to take forward any of the options.

In the first instance, the savings identified in respect of the project related only to the replacement of existing streetlamps with energy efficient LED on the basis of a 7-year payback. It was hoped, however that a successful solution could generate further savings by reducing *ad hoc* staff time needed to repair faulty lamps or collect other types of data. Members were also interested in who would own the intellectual property behind any solution that was developed into a marketable product. Ownership of the rights would be shared between the Council and the developer. Specific work would need to be undertaken on this should any product proceed to market.

Members were interested in whether Lincolnshire County Council had been consulted. As the relationship was between South Kesteven District Council and Digital Catapult, there had been no discussion with Lincolnshire County Council. If any prototype proved successful, then there would be an opportunity to consider working with partners to rollout the product on a wider basis.

Members were advised that the sample size for the testing phase was 15 to 20 lamps which would cover different environments, for example half the quota would be sited in a car park and half on a village street. Members commented that the sample size was small and asked how the Council could ensure that the data collected was meaningful. The locations of the Council's street lamps would be shared with innovators for them to identify which lamps

would provide the best sample. The sample would provide the Council with to evidence to determine whether the technology could be scaled up. One member suggested the car park at the Deeping Leisure Centre as a test site, particularly if the prototype had the ability to record footfall ahead of the development of any new leisure provision. Members also wondered whether there would be opportunities to gain additional data where streetlights were linked.

Questions were raised about how much funding had been committed to date (the £10,000 initial spend was for access to the innovators to come up with solutions). Members asked whether the Council was under a contractual obligation that committed it to the additional £20k.

The Committee asked about security measures that would be taken to protect the data that was collected through the sensors. Part of the remit of the project included ensuring that a secure network was used.

Officers confirmed that while Digital Catapult had worked with a range of different local authorities, none of the projects involved street lighting. Even though the innovators that worked with Digital Catapult had not worked on any street lighting projects, they had been involved in other projects through which sensors were deployed on different pieces of street furniture.

It was anticipated that the 3-month testing of any prototype device would begin in approximately 7 months. It was expected that data would be available very quickly.

Members suggested that it would have been beneficial if the report on which the decision was based had included the business plan and details about Digital Catapult.

Advertising and sponsorship initiative

Members turned their attention to the element of the decision that related to the advertising and sponsorship initiative. Members were advised that the Council was already working with Publitas on the completion an audit of advertising income received by the Council and the potential extent of the opportunity within the local market. The audit report also highlighted opportunities to make better use of the Council's assets to generate additional advertising income. The report was asking for a £40k funding to take forward this project.

A question had been raised about the status of the company and whether the Companies House registration number with which Members were provided was valid. Officers confirmed that Publitas LLP was no longer trading. It had instead been rolled into Incandore Ltd, which traded as Publitas Consulting.

Members asked about the due diligence that had been undertaken prior to the appointment of Publitas. Officers stated that a contract of that size would not require a review of the company's accounts nor the detail of the company's structure. Prior to working with Publitas Consultancy officers had taken telephone references from other local authorities with which they had worked with; these were followed up with written testimonials, which could be provided to members if required. Several members who spoke suggested that a greater level of due diligence should have been undertaken and reference was made to the level of checks carried out by one of the district's town councils when making a small grant.

Members referred to the company's balance sheet and related it to the size of the contract that had been placed by the Council. Some concern was expressed whether Publitas was sufficiently resources to fulfil the contract. The consensus amongst members was that as Publitas was acting in an advisory capacity only, it would be practical for a small number of people to deliver the contract.

Councillors asked to what the Council had already committed with Publitas. Publitas began the audit of sponsorship opportunities in October 2018; the Council had paid £10,000 for this work. There was no contract that committed the Council beyond this.

Committee members clarified that no interests had been disclosed by any member or officer in connection with either of the companies Publitas or Incandore. Reassurance was given that all officers were required under the Council's Contract Procedure Rules and Code of Conduct to make their manager or relevant director aware if they were likely to be involved with any activity or company of which they had knowledge or a family connection.

Councillors asked whether there was an agreed code of practice that would control the types of advertisements the Council would allow; this had not yet been developed. The Council would remain in control of the sites and what was in scope, while Publitas would help with the procurement of specialist suppliers of advertising and sponsorship, implementation, management and sales

The Committee asked which other Councils had commissioned Publitas to undertake this work. Members were advised that Publitas was just beginning this stage with Newport Council. Members were concerned that there may be a lack of experience in delivering this part of the programme and were only in the process of developing a full suite of OJEU-compliant procurement documents.

Officers were asked about market testing prior to the appointment to see how many other companies would be able to provide a similar service. Members of the Committee enquired whether other options had been considered, suggesting the amount due to be spent with Publitas would be sufficient to provide in-house expertise. Members also expressed concerns about the

potential implications if there was an error made in respect of the OJEU procurement process. Officers provided reassurance that the due diligence carried out on Publitas ensured that the company had adequate professional indemnity and liability insurance.

Councillors asked whether it would be possible for other organisations to piggy-back the Council's arrangement with Publitas, suggesting their services might be of interest to parish councils and schools, which all had a lot of space that could be available for advertising.

The Committee also sought reassurance that prior to any space being sold, there would be consultation with the relevant parish or town council. Members were advised that appropriate consultation would be undertaken where needed.

Conclusions, actions and recommendations

The Committee began to draw conclusions. Members agreed it would be helpful if reports requesting funding from the Invest to Save Reserve contained more information. They suggested that business cases should be provided, with any commercially sensitive information being presented on pink papers.

Recommendation

- **Applications for funding from the Invest to Save Reserve should include as much information as possible, with commercially sensitive information supplied on pink papers where necessary**

Members expressed concern that the matters had only been brought to the Committee's attention because of the proposed funding mechanism; had the projects been funded from service budgets, Members would not be aware of the projects.

Action Point

- **Operational processes around tendering to be added to the Committee's work programme**

The Committee agreed that they did not uphold the call-in of those parts of the decision that related to the Financial Services Review and the 'internet of things' programme. Greater concern was expressed about the advertising and sponsorship project. It was suggested that Members could accept the decision subject to the Chairman or Vice-Chairman of the Committee carrying out further exploratory work. If they were satisfied, the Committee was happy to uphold the original decision. If there was anything about which the Chairman or Vice-Chairman was concerned, those matters should be reported to the

Committee's next scheduled meeting on 16 July 2019 with a view to it reconsidering its conclusions.

Conclusion

- **To not uphold the call-in for those parts of the decision relating to the Financial Services Review and the 'internet of things' meaning they were both effective immediately**
- **Subject to no adverse feedback from the chairman or vice-chairman on the sponsorship and advertising initiative, the Committee did not uphold the call-in. Should the Chairman or Vice-Chairman raise any concerns, they should be reported at the Committee's next meeting on 16 July 2019 so that the Committee could re-consider its conclusion**

Future meetings

The Committee noted that it was next scheduled to meet on 16 July 2019, when items included the outturn and performance information for 2018/19 and discussion on the Committee's remit.

Committee required an additional meeting to consider quarter 1 financial and performance reporting; it had been agreed that this would be held on Thursday 5 September 2019 at 10:30am.

9. Close of meeting

The meeting was closed at 13:14.