

Finance, Economic Development and Corporate Services Overview and Scrutiny Committee



SOUTH
KESTEVEN
DISTRICT
COUNCIL



Tuesday, 22 September 2020 at 10.30 am
Virtual meeting - This meeting is being held remotely using Skype for Business

Committee Members: Councillor Graham Jeal (Chairman)
Councillor Mark Whittington (Vice-Chairman)

Councillor Bob Adams, Councillor David Bellamy, Councillor John Dawson, Councillor Phil Dilks, Councillor Philip Knowles, Councillor Charmaine Morgan and Councillor Linda Wootten

Invited Cabinet Members Councillor Kelham Cooke, the Leader of the Council
Councillor Adam Stokes, the Cabinet Member for Finance and Resources

Agenda

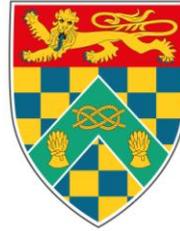
This is a supplementary agenda pack, and contains updated reports or reports marked as “to follow” on the original agenda.

Joining instructions can be found on the original agenda.

4. **Action notes of the meeting held on 28 July 2020** (Pages 3 - 13)
12. **Exclusion of the Press and Public**
To exclude the press and public from the meeting during the discussion of the following items of business due to the likelihood that information that is exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended) because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
13. **St Martin's Park, Stamford Project Update on Financial Submissions** (Pages 15 - 43)

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



SOUTH
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Tuesday, 28 July 2020, 10.30 am

Committee Members present

Councillor Graham Jeal (Chairman)
Councillor Mark Whittington (Vice-
Chairman)
Councillor Bob Adams
Councillor David Bellamy

Councillor John Dawson
Councillor Phil Dilks
Councillor Philip Knowles
Councillor Ian Stokes

Cabinet Members

Councillor Adam Stokes, Cabinet Member for Finance and Resources

Officers

Head of Finance (Alison Hall-Wright)
Jo Toomey (Head of Governance)
Susan Hislop (Democratic Officer)

Other Members present

Councillor Ashley Baxter
Councillor Jacky Smith

80. Register of attendance, membership and apologies for absence

It was noted that Councillor Ian Stokes substituted for Councillor Linda Wooten. All other Members of the committee were present.

81. Disclosure of interests

No interests were disclosed.

82. Action notes of the meeting held on 30 June 2020

Members confirmed that all were in receipt of the action notes from the meeting held on 30 June 2020.

One Member expressed disappointment over the late arrival of the action notes of the meeting held on 30 June 2020, which were issued as a supplementary report two business days prior to the meeting. A Member indicated that they had been assured that action notes from the meeting held on 13 June 2020 would arrive in 'good time'. The Vice-Chairman explained that he had received the action notes for verification but had been on holiday at the time of receipt. He processed these on his return from holiday which accounted for the delay to other Members.

Reference was made to section 74 of the action notes of the previous meeting, which related to the Outturn Report 2019/20. One Member suggested the paragraph "*The committee questioned if there was a simplified way of presenting this information to laypeople and members of the public which could be more helpful going forward*" should have been an action point to see whether this was feasible. The Chairman, in response to the Member, informed the Committee that he had raised his comment as an example of one way the accounts could be made more accessible. The Chair was satisfied that this did not need to be recorded as an action point, with which the Member expressed satisfaction. The Cabinet Member for Finance and Resources confirmed that the request was being undertaken.

A Member suggested that a further comment, which had been made at the previous meeting, should also be captured as an action point: "more could be achieved from financial reports if they also contained lessons learned for the future". It was reported by the Cabinet Member for Finance and Resources that this suggestion would be reflected within the report on the amended budget, which would be presented to the Joint Budget Overview and Scrutiny Committee in August. The report would include lessons learned regarding savings.

Reference was made to discussions during the last meeting of the Committee where a lack of pre-decision scrutiny on the Future High Streets Fund was raised as a matter of concern. The Member did not feel the action notes [*bottom of page 13 of the action notes of the previous meeting*] reflected the conclusions of the Committee, which was that the view of the Committee was generally positive, other than the fact that it had not been consulted earlier and concerns over the governance of the Town Team. As these areas were not reflected in the recommendation, there was concern they had not been brought to the attention of the Cabinet, particularly as the timing of the meeting meant that the Committee's recommendation was not captured in the report to Cabinet.

Action:

Action notes to be amended from "*Governance arrangements for the Town Team to be shared when available*" to "*Governance arrangements to the Town Team to be reported back to this Committee*"

A Member questioned the phrasing on page 6 of the action notes from the previous meeting, which referred to the 2019/20 budget as 'ambitious'. He stated that it had been acknowledged in February 2020 it was 'not realistic' and should be referred to as such.

A point was raised by a Member concerning the Disabled Facilities Grants recorded on page 8 of the action notes. His request for year-on-year figures for disabled facilities grants had not been captured as an action note.

Action:

A written breakdown of yearly application dates with completion dates for Disabled Facilities Grants to be supplied to the Committee.

The Chairman referred the Committee to the bottom of page 11 of the action notes regarding the publication of performance dashboards on the Council's website.

Action:

The Committee to be provided with a timetable setting out the date by which performance reports would be published on the Council's website.

83. Updates from previous meeting

Asset revaluation adjustment

Details on the asset revaluation had been circulated to Committee Members. It was noted that the document was 'restricted'. While recognising there were commercial values within this document, Members questioned why the list of assets was restricted. It was confirmed that some information within the document could be shared in the public domain.

Action:

The Head of Finance to confirm which information relating to asset revaluation adjustments could be made publicly available.

District Council-owned recreation assets

One Member indicated that he had additional questions, about which he would liaise directly with the Democratic Services Team.

Leisure Centre working group

Members felt that the response provided by the Deputy Leader in respect of the Leisure Centre Working Group did not address why the working group,

which consisted of Members of the Committee, had been set up but never met. The response provided by the Deputy Leader referred to the involvement of local Members, but it was noted that not all Ward Members had been involved in respect of the Deepings leisure centre.

Action:

To seek clarification from the Deputy Leader as to why no meetings of the working group have been called.

New build Council housing

A breakdown of council housing had been requested by a Member which had been provided but without context. Information had not included targets.

Action:

The target for new build council housing to be provided to Committee Members by the Interim Assistant Director of Housing, together with confirmation as to whether any more could be expected during the year.

Provision of information

Members noted that responses to all the actions had been collated before circulation. They stated a preference for information to be provided on receipt. A question was raised about the timing of information being provided and the resourcing of Democratic Services.

Action:

Request response from the Chief Executive regarding resourcing within the Democratic Services Department.

84. Welland Procurement Annual Report

The Cabinet Member for Finance and Resources introduced the report, which was the first annual report to be provided by Welland Procurement for review by this Committee.

The Head of Finance explained that a decision had been taken to withdraw from Procurement Lincolnshire in March 2019 of which the Council had been a member since 2008. Appendix A to the report was the Welland Procurement Annual Report 2019/20, while Appendix B was its activity report. The Annual Report document showed a saving of £75,891 for the 2019/20 financial year. Additional benefits provided by the service included ensuring legal compliance of procurements and best value. This supported the improvement of the procurement practice across the Council.

The Chairman introduced Amy Myers, the Head of Procurement for Welland Procurement, who made a presentation to the Committee, which covered:

- The services provided by Welland Procurement
- The Councils that were supported by Welland Procurement
- How Welland Procurement supported the Council
- How Welland Procurement provided updates to the Council
- The benefits of being a member of Welland Procurement
- The support provided to the Council by Welland Procurement in 2019/20
- Training that had been delivered to officers of South Kesteven District Council
- Customer satisfaction and performance
- Plans for 2020/21
- Resources provided by Welland Procurement

Members were advised that the satisfaction survey would be amended for next year as it did not identify which council was responding.

Committee Members were provided an opportunity to ask questions. Key points raised included:

- The relationship between the resource provided by Welland Procurement and the Council's Procurement Lead
- Whether inhouse resources represented better value than the use of the shared service
- The value of current procurement arrangements in comparison to the previous arrangements
- Whether the feedback survey presented by Welland Procurement constituted a representative sample of customers' views
- Clarity around the calculation of initial and whole life savings

Members were told that temporary staffing resource was to fulfil compliance obligations and was not provided by Welland Procurement. It was acknowledged that feedback from the satisfaction survey was too narrow with methodology changes planned and with project completion figures impacted by project cancellation. It was acknowledged that the presentation of the projected savings was confusing particularly when projects straddled beyond a year.

It was noted that it was not unusual for procurements to fall across more than one financial year. The proportion of completed procurements (4 out of 14) was consistent with other partners.

Action:

The Head of Finance to provide the cost of membership of Procurement Lincolnshire

Members were advised that the role of the Council's Procurement Officer was designed to complement the work of Welland Procurement by identifying contracts from which significant savings could be achieved whilst driving forward good procurement practice.

Concerns were raised over whether contract arrangements were in place for disabled adaptations, and whether extensions to contracts were used. The Head of Finance confirmed that contracts would often go out to tender for a defined period with opportunities to extend included.

Action:

The Head of Finance to confirm whether the contract for disabled adaptations had been extended beyond March 2020

The Head of Finance informed Members that the cost of Welland Procurement was £41,000 per annum with £12,000 spent so far this year. Fees were paid through Melton Borough Council as they hosted the partnership.

A Member requested the inclusion of additional information within the appendices. He suggested it would be helpful to include the length of the contract. Members also asked for clarity around the calculation of the 'whole life saving' associated with a contract. As an example, the table at the bottom of the Annual Report on page 10 stated a saving of £75,891 in year one however the whole life saving was shown as only £60,230. Most of the savings for 2019/2020 related to a one-month consultancy project; this was therefore reflected only in year one with no whole life saving.

Action:

Head of Finance to circulate a detailed spreadsheet demonstrating procurement savings yearly.

In response to questions over the structure and operation of Welland Procurement, Amy Myers reported running costs of £300,000. Costs were split across the partners and depended on the level of service provided. The service was also subsidised by Melton Borough Council. It was also confirmed that:

- One training session per year was included though any additional training would be chargeable.
- Due to the variation in the level of involvement and scale of procurement it was difficult to assess service provision level per council. The spend figures per council were available and could be provided to the Head of Finance.

- Future survey runs could be improved to avoid any unreliability of figures caused by a low-level of feedback.
- A procurement overhead of around 7% to 8% was also paid by other councils with the majority not having an internal resource, with the provision from Welland Procurement or inhouse commissioning teams considered sufficient.
- Two councils would be leaving the scheme as a result of the formation of unitary authorities in Northamptonshire with an alternative procurement arrangements already in place.

Members were informed that procurement challenges were rare with one known case. The Council had responsibility to respond should a complaint be raised. Welland Procurement only provided a legal response should any complaint progress to court.

There was an expectation to see more detail in the Annual Report with reasons to use services. This was not covered with Members requesting that future versions of the Annual Report provide additional detail to demonstrate continued reasons for use of Welland Procurement by the Council.

The Chairman questioned the Head of Finance over the use of internal resource while other councils had none in place and the Committee was advised that this was due to the Council's savings target. This was an additional service to identify areas where there were no contracts in place or to enable additional savings by merging multiple contracts across the departments into a single, corporate contract. This had identified savings of £300,000 last year and £350,000 this year.

A Member referred to a recent audit of procurement, which had received partial assurance. There was concern that services were not following corporate procurement procedures and creating a risk that procurement activity was not legally compliant. Issues around internal procurement were acknowledged by the Head of Finance who emphasised the support provided by Welland Procurement and the Internal Procurement Officer to ensure that the Council was compliant. The Cabinet Member for Finance and Resources added that he believed that internal audit would notice making improvements in procurement practices was a priority.

The Chairman thanked the Head of Procurement from Welland Procurement for her presentation. The Committee's thanks were also extended to the Head of Finance.

85. Housing Revenue Account 30 Year Business Plan

The Cabinet Member for Finance and Resources introduced his report on the Housing Revenue Account (HRA) financial business plan. The business plan

was a requirement of the self-financing system. The 30-year forecast was detailed in Appendix A.

An explanation of the financial structure of the HRA was provided by the Head of Finance. The HRA subsidiary system was replaced in 2012 with a self-financing system. Under the system the Council was required to produce a 30-year plan, which showed income and expenditure expected to be incurred by the HRA to ensure it was financially sustainable. The Council was required to make a £122 million payment to Government, which was associated with the debt related to the Council's housing stock. Currently there was £93 million outstanding. Under the self-financing arrangements, the Council could keep housing income for reinvestment into council houses.

Members heard that the business plan ensured a robust long-term plan. Certain assumptions needed to be captured within the plan, including annual modelling, and updated estimates of income and expenditure to ensure affordability of future plans. Assumptions made when producing the plans included using historic information to anticipate right-to-buy sales which would impact on rental income. It was noted that the number of new builds had not kept pace with the number of properties lost through the right to buy. Other assumptions related to major expenditure such as bathroom and kitchen replacement, the rate of voids and inflationary increases on rental income.

The Head of Finance explained the data that was presented in Appendix A to the report, highlighting the main changes within the 30-year Business Plan. It was noted that the reduction in reserves and the reduced level of interest needed to be reviewed in the context of COVID-19. Rental payment presented the highest consequential risk from COVID-19 though this was reported as having no inverse impact at that time. This would continue to be monitored with the Business Plan being adjusted accordingly.

A Member noted that figures showed an estimated 50 properties being lost each year under the right-to-buy scheme and questioned how many have been lost over the past year and how many new build properties the Council anticipated being built in the coming years. The Member additionally asked whether there were plans to improve how voids were prepared prior to reletting.

Action:

The Interim Assistant Director of Housing to provide an indication on the total net loss of property year-on year from April 2012 and the number of replacements

The Interim Assistant Director of Housing to provide details of void repair and improvement prior to re-letting.

It was noted that figures within the tables on pages 35 and 36 (Housing Revenue Account 30-year Business Plan and Housing Revenue Account Reserve Balances) would include brackets to demonstrate clearer methodology in future reports.

The Chairman questioned whether the terms of the Equal Instalments of Principal (EIP) loan had a fixed interest rate, which the Head of Finance confirmed.

It was suggested that the Council, if it chose, could repay the loan in full, saving the interest payable. It was noted that there would be a penalty for exiting early.

The Chairman indicated that he would have anticipated the report would include detail around the choices that had been made. Committee Members noted that this detail was captured in the Housing Strategy, which was last reviewed by the Cabinet in July 2019. The Cabinet Member for Finance and Resources confirmed that the decision was made to refinance the loan due to the low interest rates along with flexibility that would be provided by having cashflow available for investment in the Council's housing stock.

The Chairman extended his appreciation for the report and noted his and the Members comments.

86. Financial Update Report

The Cabinet Member for Finance and Resources introduced the report to Members explaining that this was the third report that provided the latest financial position for 2020/2021 with regard to the Budget framework and the financial impact from COVID-19.

The report presented an updated deficit forecast of £2.2 million, representing a reduction from the previously reported figure. The forecast included Government grants, which reduced the forecast overspend for the net cost of services from £3.9 million.

The Council had also received additional income, which reduced the forecast overspend. This included a letting opportunity at St Peter's Hill, £700,000 savings related to supplies and services, income received for employees who had been furloughed, a £100,000 saving from the Gravity Fields Festival and business rate savings in respect of leisure centres. The salary vacancy was below target by £140,000.

Income had been impacted by COVID-19 with a £915,000 shortfall that resulted in a reduction in budgets and these were being continuously reviewed.

Capital programme schemes were under review to identify any that could be deferred or postponed to ease pressure on financing. There was an improved surplus position on the HRA due to delay in repairs because of COVID-19.

The Council had received £194,000 as part of a Government support package. There was also an indication that the Council would receive additional funding for unrecoverable costs. This figure was not yet known as further information was awaited. The Government had also made provision for the phased repayment of the collection fund deficit, which enabled payment over three years.

Cash flow modelling was reviewed daily and showed a positive position when benchmarked against other authorities. The collection rate for council tax and business rates was slightly lower compared to the same time last year. Rent collection rates were slightly improved on the same point in 2019/20, however it was noted that the number of rent weeks in a year had an impact.

The Cabinet Member for Finance and Resources notified Members that the amended budget would be presented to the Budget Overview and Scrutiny Committee on 26 August 2020, Cabinet on 8 September 2020 and Council on 17 September 2020.

Whilst praising the presentation and the report provided, a Member questioned whether there was any indication as to when funds and details of the Government's funding scheme for local authorities would be known. The Head of Finance stated that there was no indication when the information would be made available, however the Council was able to model on anticipated funding as well as what was expected to be included. This was subject to sensitivity analysis. Estimates needed to be cautious, because the long-term recover was unknown

A Member warned of the impact on council tax collection and increased unemployment in the context of economic recovery and the Bank of England warning of a severe recession.

Members noted that previous iterations of the report had included a risk register, and requested it be reintroduced for future versions of the report. The Cabinet Member for Finance and Resources confirmed that a risk register would be included in the report, which would be presented at the Committee's next scheduled meeting on 22 September 2020.

Action:

Include the risk register in future versions of the report.

The Committee expressed their thanks for the level of details provided.

87. Work programme

The Chairman reported to Members that there were several issues on the work programme and that he had discussed with the Vice-Chairman what additions should be made. Discussion was deferred on this item with the Chairman requesting Members to send their suggestions to both himself and the Vice-Chairman for inclusion.

The Chairman requested a review of the work programme as some items should be changed. He expressed gratitude at the inclusion of the Committees work programme.

88. Close of meeting

The meeting was closed at 12:39.

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