

# MEETING OF THE BUDGET - JOINT OVERVIEW AND SCRUTINY COMMITTEE



SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL

THURSDAY,  
10 JANUARY 2019, 2.00 PM

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## COMMITTEE MEMBERS PRESENT

Councillor Robert Reid (Chairman)  
Councillor Barry Dobson  
Councillor Bob Adams  
Councillor Ashley Baxter  
Councillor Michael Cook  
Councillor Graham Jeal  
Councillor Charmaine Morgan  
Councillor Bob Sampson  
Councillor Peter Stephens  
Councillor Brian Sumner  
Councillor David Taylor  
Councillor Rosemary Trollope-Bellew

## CABINET MEMBERS

Councillor Matthew Lee, The Leader of the Council  
Councillor Kelham Cooke, The Deputy Leader of the Council  
Councillor Helen Goral, Cabinet Member for Growth & Communications  
Councillor Dr Peter Moseley, Cabinet Member for Environment  
Councillor Nick Neilson, Cabinet Member for Housing  
Councillor Nick Robins, Cabinet Member for Retail & Visitor Economy  
Councillor Jacky Smith, Cabinet Member for Communities, Health, Wellbeing & Skills  
Councillor Adam Stokes, Cabinet Member for Finance

## OFFICERS

The Chief Executive (Aidan Rave)  
The Assistant Chief Executive (Lee Sirdifield)  
Strategic Director for Resources (Debbie Muddimer)  
Strategic Director for Growth (Paul Thomas)  
Strategic Director for Commercial & Operational (Gary Smith)  
Chief Executive, InvestSK (Steve Bowyer)  
Assistant Director for Resources (Richard Wyles)  
Assistant Director for Housing (Harry Rai)  
Civic and Democratic Officer (Anita Eckersley)

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## 1. MEMBERSHIP

The Chairman welcomed everyone to the meeting and ran through the protocol for the meeting. He emphasised that this was an opportunity for

Scrutiny Members to seek clarification on the Budget Proposals. He commented that it was hoped all Members would participate in the discussions and considerations noting that this meeting provided cross party scrutiny of the Budget Proposals for 2019/20. All Members would be provided with an opportunity to participate but they would need to indicate their intention to speak via the Vice Chairman.

The Chairman then requested notification of changes in membership.

It was noted that Councillor Phil Dilks would substitute for Councillor Tracey Forman for this meeting only.

## **2. APOLOGIES**

Apologies for absence had been received from:

Councillors, Frances Cartwright, Rachael Cooke, Nick Craft, Mike Exton, Breda-Rae Griffin, Rosemary Kaberry-Brown, Helen Powell, Judy Smith, Andrea Webster, Martin Wilkins, Paul Wood, Linda Wootten and Ray Wootten.

Members absent were: Councillors Pam Bosworth, Felicity Cunningham, Bob Russell and Judy Stevens.

## **3. DISCLOSURE OF INTERESTS**

Councillor Baxter noted that his daughter was a member of the Market Deeping Swimming club.

No other interests were disclosed.

## **4. ACTION NOTES OF THE MEETING HELD ON 10 JANUARY 2018**

The Action Notes from the meeting held on Wednesday, 10 January 2018, were noted.

## **5. UPDATES FROM THE PREVIOUS MEETING**

In response to Members queries about the progress of car parking charges and whether there was an overview of the deliverables and outcomes in respect of the 2018/19 budget proposals, the Committee was informed that car parking charges would be reconsidered at a later date and that the Growth Overview and Scrutiny Committee received Quarterly Budget Monitoring reports. Monthly monitoring was being introduced by Corporate Management Team (CMT) and Cabinet Members.

## **6. BUDGET PROPOSALS 2019/20**

The Chairman noted that the Cabinet Member for Finance would introduce the Budget Proposals 2019/20 report after the Leader had said an initial few words.

The Leader referred to the current financial year and how it had been a transition period in respect of realigning key parts of the Council's Budgets.

The forthcoming year would be a year of consolidation and would focus on building growth and investment in the District. During the current year, the Council had played a leading role in supporting growth and engaging with organisations and partners throughout the District and further afield. Reference was made to the Economic Summit that took place in October 2018 when the Leader had spoken about future proposals to enhance and develop the economy in the District as well as progress the delivery of housing, mixed use sites, and encourage further investment in the District from organisations outside the District. The aim was to ensure that the Council was well on its way to becoming self-sufficient and master of its own destiny.

The Chairman thanked the Leader for his comments and invited the Cabinet Member for Finance to present the Budget Proposals 2019/20 Report.

The Cabinet Member for Finance commented that as a key part of the development and scrutiny of the budget for the coming year, the Budget Joint Overview and Scrutiny Committee was being asked to consider the budget proposals for 2019/20 in respect of the:

- General Fund – Revenue and Capital
- Housing Revenue Account – Revenue and Capital

The Committee was reminded that the Council was required to set a balanced budget and agree the level of Council Tax for 2019/20. The report provided details of the Cabinet's draft proposals for the 2019/20 budget which had been formulated by the Cabinet following close working with senior officers through a number of budget workshops. The objective was to realign resources and spending plans to ensure the key priorities and aspirations of the Council could be delivered.

The report covered areas such as the funding position for the General Fund (section 2), the draft general fund budget proposals (section 3), Fees and Charges (section 4), the Housing Revenue Account (HRA) position (section 5), the Capital Programme 2019/20 to 2021/22 (section 6) and the Reserves and Balances (section 7).

Reference was made to the provisional Finance Settlement 2019/20 and how the Council remained within the Government's four-year funding deal after having successfully submitted an Efficiency Plan. It was noted that 2019/20 would be the last year of the four-year plan. The Government was yet to conclude the findings of the "fair funding" review which was launched last year and this meant the position for future Settlement Funding for the Council was uncertain. The four-year plan covered the period 2016/17 to 2019/20 which allowed the Council to consider annual Council Tax increases of £5 per annum for the period of the Plan without the need to call a local referendum.

The options available for Council Tax setting were referred to, but a £5 increase was noted as the preferred option. Table 1 summarised the proposed funding allocation for the Council:

<b>Table 1</b>	<b>2019/20 £m</b>	<b>2018/19 £m</b>
Settlement funding assessment (SFA)	3.610	4.022
New Homes Bonus	1.957	2.086
Rural Services Delivery Grant	0.295	0.236
Compensation for under-indexing the business rate multiplier	0.118	0.081
<b>Total</b>	<b>5.862</b>	<b>6.425</b>

This equated to a 9% variance reduction between 2018/19 and 2019/20.

The Committee was informed that the Government had indicated any future Business Rate pilot schemes would be awarded to areas not previously involved. The Lincolnshire bid had, therefore, been unsuccessful and the scheme would revert to the pool system in the new financial year. The Medium Term Financial Plan (MTFP) had assumed that this would be the case so no adverse financial implications were expected.

The overall General Fund position for 2019/20 was shown at table 2 in the report which showed an estimated total service expenditure, net of direct income, as £13.780m for 2019/20. The table showed a balanced position for 2019/20 but the forecast for the following years showed the Council could be facing a deficit position based on current budget proposals. Uncertainty was further compounded by the proposed changes in the national funding formula which looked at radically altering the methodology of how future funding would be allocated to local government and would also take into account national and local measures. Section 3.3 of the report provided further detail of how the Council would be embarking on a corporate wide review programme that would be supported by a range of initiatives.

Table 3 in the report provided an overview of the review of core department budgets that had been undertaken to remove or reduce budgets deemed unnecessary. The review process had identified just over £900k in revenue budget reductions. In addition, a corporate savings target of £300k and transformation savings target of £200k were also included across the three-year period. A radical transformation programme incorporating a number of themes would be undertaken to achieve the annual budgeted savings target.

The budgetary proposals for 2019/20 also included a number of new growth proposals that were designed to underpin the transformation and capacity and build into priority areas of the Council. More detail was provided at Appendix A of the report but areas such as potential land requisition revenue costs, Members training and development along with the provisions of new ICT equipment, set up costs for a new market at Market Deeping and car park enforcement cost increases were referred to.

Both the Community Fund (£150k) and Ward Member grant scheme (£56k) would continue and had been included in the budget proposals. Cabinet had agreed that the ward member grant scheme would continue with a mid-term review to assess the community impact.

A number of proposed allocations were included in the 2019/20 budget framework to support the Council's wholly owned company InvestSK. Further detail could be found in Table 4 of the report but reference was made to core funding, arts and heritage, skills (Capacity bid) and economic development.

It was proposed that EnvironmentSK, which had been established primarily to deliver the grounds maintenance service in 2019/20, would receive the same level of funding as the outgoing contractor in order to provide a like for like service. The proposed allocation was shown at Table 5 of the report.

The General Fund Budget Assumptions were set out in table 6 and included potential financial impact. The Treasury Investment Financial Forecasts in respect of base rates and investment rate interest were provided in table 7.

Table 8 provided more detail of the options Cabinet had considered in respect of Council Tax setting, these were a) a £5 increase which was 3.25% and equated to £158.62 at Band D, b) 3% increase equating to £158.22 at Band D and c) No increase which equated to £153.62 at Band D. The £5 increase was the preferred option. The difference in income between a) and b) was £19K.

The budget proposals for 2019/20 had been compiled on the assumption of a recommendation of a £5 increase in Council Tax for 2019/20 which would take advantage of the limited availability of the higher level (without the need for a referendum). This assumption had been included in the Medium Term Financial Plan. Should a lesser amount be proposed then other options detailed in the report would need to be considered. Table 9 also provided more detail of the impact on the Council's Medium Term Financial Plan should the £5 option not go ahead in 2019/20.

Reference was made to the proposed draft fees and charges for 2019/20 that were set out at Appendix B and to the wide range of services the Council provided and able to charge for, either under statutory powers (set by the Government) or discretionary (set by the Council). Definitions of the two main categories of charge were provided in the report. Table 10 also provided further detail of the service, proposed changes and effective change date.

Areas highlighted in regards to the Housing Revenue Account were: the additional expenditure as a result of the Government's direction for all social landlords to reduce their rents by 1% every year from 2016/17 for four years in order that rent convergence could be achieved; an increase in garage rents in line with inflation; the enablement of key areas of activity to be carried out such as improving energy efficiency of housing stock, ongoing investment in access to sheltered schemes and communal areas and the acquisition and development of additional homes within the HRA. A number of additional

items of expenditure were included in the proposals: the appointment of the Assistant Chief Executive for Housing Delivery and pivotal to progressing the delivery of housing, and an increase in the HRA proportionate share of central support and democratic services which would reflect the increased activity of communications, public relations, transformation, innovation and customer facing services.

The Capital Programme had been formulated to reflect the priorities of the Council. More detail was provided at table 15 in the report but reference was made to the provision of resources to support the cinema project, investment in the Council's assets and the continuation to invest in fleet to support key services.

In respect of Reserves and Balances, it was noted that the three main reserves were used to a) maintain a working balance for the Council to meet its' cash flow requirements, b) to protect services from unforeseen events not included in the budget framework but with the potential of a financial consequence and c) to build up funds to meet any known or unpredicted liabilities.

The Chairman thanked the Cabinet Member for the presentation and reminded the Committee that reference to page numbers would be required when asking their questions.

Members discussed:

- The identification of local and national risks such as the impact of Brexit or the implementation of Universal Credit and whether more detail in respect of budgetary risks should be included in the report. It was noted that the Government had recently put the implementation of Universal Credit on hold.
- In response to Members queries on what outcomes there were in respect of the proposals for the current year's budget, it was noted that the current year's budget was being monitored by the Growth Overview and Scrutiny Committee and this would continue. In addition, the CMT and Cabinet Members were introducing monthly monitoring of budgets and progress.
- Reference was made to the options available for Council tax setting and it was acknowledged that a £5 increase was the overall preferred option.
- Members acknowledged the Government's indication that future Business Rate pilot schemes would be awarded to areas not previously involved, and that the County's Bid had been unsuccessful and the scheme would revert to the pool system in the new financial year. A Member did query what options were available for businesses in larger premises, such as a clothing store, that did not necessarily generate a large income to that of businesses in smaller premises that had the potential for a higher income on smaller

items such as jewellery and watches. It was noted that Business Rates were calculated on floor space rather than income.

- Discussion took place on the current level of reserves and the forecast reductions. Members queried whether consideration had been given to what a minimum level of reserves might be and when and how quickly the reserves would be replenished. During the discussion it was noted that the reduced level of reserves held by SKDC were still significantly more than reserves held by other local authorities. It was also noted that the reserves were being used in the short term and was set out in the table in Appendix C of the report.

The Leader reminded the Committee of the continuing reduction in Government Grants. The Cabinet was committed to growing the local economy, encouraging investment and providing opportunities to develop more revenue for the Council. InvestSK would be bidding for funding to support the development of skills which would create more opportunities for employment in the district. The Cabinet's aim was to ensure that the Council would be able to support itself in the future. In addition, it was highlighted that projects such as the cinema would be an asset for the Council and provide an income. It was also noted that due to the diligence of the previous administration, the Council was in a good financial position and the reserves had been used to move forward which was not only enhancing the work gone before but building on it and encouraging further investment and growth in the District.

*Members requested that the Final Budget Proposals 2019/20 should include details of indicative income generated by the Council's Assets.*

- Discussions then moved to fees and charges. It was noted that more information would be provided once it had been received from the provider and that any increases taking place be in line with inflation.

The Meeting adjourned at 3.40pm and reconvened at 4.00pm.

*Councillor Rosemary Trollope-Bellew left the meeting during the adjournment.*

- Proposed corporate savings for 2018/19, whether these had been achieved and what future corporate savings were anticipated. It was noted that the corporate savings had been achieved and brought forward into the budget proposals. New corporate savings were proposed from 2020/21. More detail would be provided once the Financial Outturn for the current year. The Chairman reiterated that Growth OSC was receiving and would continue to monitor the Quarterly Budget Monitoring reports.
- Discussion ensued on the proposals to include an allocation of £15m capital expenditure in the HRA for identifying and procuring appropriate strategic sites across the District for housing development. Potential sites

could be adjacent to existing sites which. If purchased this could then enhance the delivery of housing or mixed site development. A further query was raised on whether the £15m included build costs as well as the purchase of the site. Reference was made to the table at Appendix D of the report which noted that property development was split over three periods, 2019/20, 2020/21 and 2021/22. Projected new building costs were also noted in that table across the same three periods.

- Clarification was sought by Members on how and when the £25m maturity loan would or could be re-financed. Members queried whether they would be provided with details of the options available in respect of re-financing this maturity loan. It was noted that the Growth OSC would receive details of options in respect of any proposals to re-finance the £25m maturity loan during 2019/20. The Chairman noted that the Growth OSC would have a conversation about the potential for refinancing the maturity loan at the first meeting in the new municipal year.
- Members queried whether the housing proposals related to private or social housing, whether the social housing would be eligible for right to buy or if restrictions would be in place. It was noted that Social housing would be the priority, some properties would be eligible for right to buy in line with both the Council's and Government Criteria. Some properties would be excluded. Affordable housing was also included in the housing proposals. Members were informed that an Assistant Chief Executive for Housing would soon be in place to take forward housing delivery.
- Discussion took place on the Pension Fund and the current use of the earmarked reserve for employer contributions in respect of members of the Local Government Pension Scheme and the proposal to revert back to budgeting the costs at service level from 2020/21. In response to a Member's query about what additional costs there would be it was noted that money was still required to pay pensions but after 2021/22 the cost would be met from the budgets.
- Other areas referred to were:
  - The use of the New Homes bonus monies
  - The Government lifting the cap on borrowing for house building
  - The differences of house building costs throughout the District
  - The period of anticipated payback from projects and the need for business cases for each project
  - The relationship between Corporate Savings and the Transformation programme
- The Chairman commented on the Governance Review of the scrutiny process that was currently being undertaken noting that it was still in progress. He requested that consideration was given to funding provision



for a Scrutiny Officer being included in the Budget Proposals 2019/20. The Leader acknowledged this request.

**Action Point:**

- For the Final Budget Proposals 2019/20 to include details of indicative income generated by the Council's Assets.

**Recommendations:**

- (a) Following in-depth review and consideration of the Budget proposals for 2019/20, the Budget Joint Overview and Scrutiny Committee supported the proposals in the report in respect of the:
  - General Fund – Revenue and Capital
  - Housing Revenue Account – Revenue and Capital
- (b) After consideration of the options available, the Committee supported the £5 increase in Council Tax.
- (c) The Committee also requested that financial provision is included in the Budget Proposals 2019/20 for a Scrutiny Officer.

**7. CLOSE OF MEETING**

The chairman thanked everyone for their input into the discussions and closed the meeting at 4.45pm.