

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



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Tuesday, 22 September 2020, 10.30 am

Meeting held virtually, via Skype

Committee Members present

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

Councillor Charmaine Morgan
Councillor Ian Stokes
Councillor Mark Whittington (Vice-
Chairman)

Cabinet Members

Councillor Kelham Cooke (Leader of the Council)
Councillor Adam Stokes (Cabinet Member for Finance and Resources)
Councillor Rosemary Trollope-Bellew, (Cabinet Member for Culture and Visitor
Economy)

Officers

Karen Bradford (Chief Executive)
Paul Thomas (Strategic Director, Growth)
Richard Wyles (Interim Director of
Finance, (Section 151 Officer))
Shahin Ismail (Head of Law and
Governance)
Nova Roberts (Head of Customer
Experience)
Debbie Roberts (Corporate Project
Officer)
Zena West (Scrutiny Officer)
Shelley Thirkell (Democratic Officer)

Other Members present

Councillor Ashley Baxter
Councillor Virginia Moran

1. Comments from members of the public

No comments from members of the public were received.

2. Register of attendance, membership and apologies for absence

The membership of the Committee had changed following the Annual meeting of full Council on 17 September 2020. Councillor Linda Wootten no longer served as a Committee member and Councillor Ian Stokes had joined as a full Committee member.

Apologies for absence were received from Councillor David Bellamy.

3. Disclosure of interests

No interests were disclosed.

4. Action notes of the meeting held on 28 July 2020

The action notes of the meeting held on 28 July 2020 were considered by the Committee.

Members had requested at a previous meeting for information relating to the location and value of Council owned properties, that was still yet to be received. The Interim Director for Finance informed members that some of the information relating to the request was of a commercially sensitive nature and would only be able to be circulated to members at that time.

ACTION

- 1. Details of the location and value of South Kesteven District Council properties be circulated to all Members. Members were to note that the information would be restricted at that time and not for publication.**

Councillor Morgan requested for her apologies to be reflected in the notes, rather than being listed as present, she had submitted her apologies prior to the meeting

ACTION

- 2. That Democratic Services amend the attendance at the meeting to reflect Councillor Morgan's apologies.**

A Member queried minute number 83, New Build Council Housing. The Member noted that no definitive answer had been provided in relation to the number of Council Houses that had been built so far and how many were anticipated to be built that year. It was agreed that the information was available and that it would be provided to Members via the Cabinet Member for Housing and Planning.

ACTION

- 3. That the Cabinet Member for Housing and Planning advise all Members how many Council Houses had been built and how many would be completed during the current year.**

- 5. Updates from previous meeting**

The Chairman noted that updates from the previous meeting had been discussed during consideration of agenda item 4.

- 6. Quarter 1 Financials**

The Cabinet Member for Finance and Resources introduced the Finance update report, for the period of 1 April – 31 July 2020.

The Committee had during the current financial year, received regular reports that monitored and assessed the financial impact of the Covid-19 pandemic. The report presented to members at the meeting reverted to the style of budget monitoring received in the previous financial year. The report included the amendments to the budget that were presented to Council on 17 September 2020.

The Revenue Budget – General Fund 2020/21 that was set at £19.175m by full Council on 2 March 2020, had been increased at the meeting of Annual Council on 17 September 2020 to £24.914m. Table 1 of the report detailed Budget Amendments to the General Fund, which included 2019/20 Grants received and use of the Maintenance Reserve. The deficit forecast as at 31 July 2020 for the General Fund £1.315m. Officers provided a detailed breakdown of the General Fund Summary and the Forecast Outturn. Additionally, the significant changes were also highlighted to members.

The General Fund Capital Programme 2020/21 was amended to £3.522m by Council on 17 September 2020. Details of individual Capital Schemes were detailed at Appendix C of the report. General Fund Reserves 2020/21 showed that there was a balance of £2.843m in the budget stabilisation reserve which may be required to fund the forecast deficit of £1.315m.

The Revenue Budget 2020/21 Housing Revenue Account (HRA) had a budgeted surplus of £5.373m which was required to fund future investment in stock growth and property maintenance. HRA Forecast Outturn Position showed a number of variances, including a £50,000 reduction in income due to the re-phasing of rent on new builds and an increase in £100,000 in write-offs due to non-collection of debt. Write-offs were however in line the current bad debt provision which was set out in the Business Plan. Covid-19 has meant that there was a delay in repairs and maintenance at Council properties, which had resulted in a forecasted under-spend of £380,000.

Those repairs were due to be re-scheduled later in the financial year subject to any property access constraints.

The HRA Capital Programme 2020/21 budget was currently £17.616m, which was approved at Council on 17 September 2020. Capital Schemes were detailed at Appendix E to the report. The forecast movements on the HRA Reserves 2020/21 had been amended to reflect the reduced financing which was required to fund the Capital Budget.

Cashflow management remained an important area of focus given the unpredictability of the Council's income streams, particularly in relation to Council Tax and Business Rates and its legal obligations to pay precepts and contractual payments. The Government had provided some assistance with the deferral of the repayment of specific grants for three months (although this period had now expired). Despite the climate, cashflow remained positive and collection rates were performing well. Collection rates were benchmarked on a monthly basis with Lincolnshire partners and the profile remained consistent.

Members of the Committee considered the report and asked the Cabinet Member and officers a number of questions and further information was provided.

Details relating to housing growth were included within the report, there was an original capital allocation of £21.5m but had since been reduced to £12.8m. That allocation was for in respect of property adaptations, new builds and the re-acquisition of previously purchased Right to Buy Properties.

A reference in the report to Historic England Grants was a contribution to South Kesteven in relation to part funding the Shop Front Scheme.

Members agreed that it would be useful to see a comparison of the level of Reserves from previous years. It was advised that there would be a downward trend in available reserves. This was due to utilising them to fund Capital Schemes, rather than the Council taking on commercial loans, which provided a cost benefit. A member advised that information relating to reserves was of public interest, there had been requests to see details of the reserves. The Chairman noted that the matter would be discussed during the agenda item on Performance. The Cabinet Member advised that any queries relating to reserves should be forwarded to him in the first instance, if required.

It was requested that a monthly update be provided to Members on the budget deficit, especially as the current financial climate was fast changing. In addition to this it was queried if there was any detail on what areas were being considered to help cover the deficit. Officers advised that the assumptions made to compile the budget were made some months earlier and so it was appropriate to challenge those assumptions in the current climate and assess whether specific spending plans were still deliverable or necessary. The

Chairman noted that officers and the Cabinet Members would monitor the situation and if there were any significant changes or impacts, that would then be reported to the Members.

ACTION

- 1. That the Committee be provided with updates on the budget deficit, should there be any significant changes to the forecast position.**

Confirmation was requested regarding support to South Lincolnshire Citizens Advice Bureau and if that was still included within the budget. The Member was advised that this was allocated within the current budget.

A Member expressed their concerns regarding the impact of Brexit and that due to the Covid-19 Pandemic, there had not been any updates relating to it provided. The Leader of the Council advised that a group of Members had met to discuss the impact of Brexit on South Kesteven. There was the potential for that group to reconvene and all members be provided with a briefing in November 2020.

ACTION

- 2. That an update on the financial impact of Brexit be circulated to Members in November 2020.**

A member reminded the Committee about previous discussion to abolish specific special expense areas and was advised that this was still on the work plan.

Clarification was sought regarding the Cashflow forecast at Appendix G to the report, as there were two sets of figures. The numbers showed the forecast cashflow against the actual cashflow. The total showed a figure of all the previous months, however that would change as the year progressed.

The Chairman and Vice-Chairman thanked officers for a thorough report and appreciated that the pandemic had imposed many difficulties and challenges on the budget monitoring work.

7. Quarter 1 Performance

The Leader of the Council presented to Members the Quarter 1 Performance Report which detailed performance now the Council had moved into the 'Re-start' phase of the Covid-19 pandemic recovery plan.

Throughout the pandemic the Council had worked hard to ensure an essential service had remained. The waste collection service remained uninterrupted with staff redeployment to help with the increased volumes of collection.

Some council services had resumed such as Environmental Health Food hygiene inspections. They had been working with nursing homes and schools to ensure the safety of communities within the district.

An autumn arts schedule had been put in place and the arts centres had been re-opened in a limited way for regular users to meet in a Covid-19 safe way. Socially distanced films would be starting soon at the Stamford Arts Centre.

Despite the restrictions and challenges brought on by the pandemic and the subsequent lockdown, overall the Council had performed well. The performance was a testament to officers throughout the authority. At the start of the lockdown there were only around 40 agile workers, with that having increased considerably, to almost all the office-based workforce.

The Interim Director of Finance was invited by the Leader to highlight the key points featured in the report.

The Cabinet had agreed a framework on 16 June 2020, to set out a recovery plan from the effects of Covid-19. Key activities of the 'Re-start' phase were:

- Deliver growth of the economy;
- Housing that met the needs of residents;
- Strong communities with high quality facilities;
- A clean and sustainable environment; and
- A high performing council.

The report highlighted each area of the plan and what that Council had committed to achieve.

An overview of performance for Quarter 1 2020/21 against agreed indicators was set out in the report, with details provided within the appendices, these were as follows:

- Rents performance;
- Council Tax Performance;
- Non-domestic rates Performance;
- Planning process performance;
- House build performance;
- Complaints and Compliments performance; and
- Waste Performance.

Covid-19 had a detrimental impact to collection activity to date and this was primarily due to the suspension of all recovery activity due to the lockdown. The focus of the revenue teams during that time was on providing support and advice to residents and businesses. The team would ordinarily have issued approximately 11,000 council tax reminders and 1,300 business rates reminders.

The annual council tax bills were issued 10 days before lockdown commenced, collection was down by 1.06% which was £905,383 and the net liability had increased by £2,802,726. Deferral requests for council tax collection in April and May to later in the year totalled £242,000. Direct Debit cancellations totalled £141,000 for April to July, which represented a 0.5% rejection rate.

A balance remained of £436,305 from the Government allocated Council Tax Support hardship which, when awarded, would assist with reducing collectable liability. South Kesteven had seen an increase in the number of residents in receipt of Council Tax Support of 661 since 1 April 2020. The cost of the scheme was shared between South Kesteven and the precepting authorities, Lincolnshire County Council and Lincolnshire Police and Crime Commissioner.

It was not possible to make a meaningful comparison with previous years' collection performance, due to the high number of businesses who had received 100% rate relief for 2020/21. As at 31 August 2020 the collection rate was 46.50%, which was £11,197,710 of the net collectible £24,000,000.

A total of £20.3m had been awarded in Expanded Retail Discount to 958 businesses. The Revenues Team had worked closely with InvestSK Limited to administer the business grants, as part of the Covid-19 Government support measures.

Rents collection also had not seen any formal recovery since March 2020, with all court action suspended. Proactive contact had been made with residents in order to provide support. Discretionary Housing Payments had been allocated to those residents in need which had left a balance of £220,000 for the remainder of the year.

Collection of rents was only 0.5% below target for Quarter 1, actual rent collected was £5,961,486. There would be ongoing challenges for the recovery of rents for the remainder of 2020/21.

A member of the committee thanked officers for the work that had been put into the production of the report and queried whether bonus payments made to refuse collectors would continue. The member was advised that there had been a national pay settlement of 2.75%. Staff had received an increase of 2% from April 2020, and would receive the additional 0.75% backdated to April, now that the national award had been agreed. The Council also had agreed to apply a market supplement for waste operatives and front-line street scene staff which was to continue until March 2021.

There were concerns around the viability of recouping deferred payments for business rates and council tax, given that there may be considerable job losses which would have an inevitable impact. It was queried as to what

terms would be used to recoup the deferred payments. Council tax debt would mean an increase in instalments, due later during the Council Tax year. That would carry a risk in residents' ability to meet those payments, there were only a small number of deferrals, which were detailed in the report. There were a large number of businesses that had been given business rate relief, meaning that they did not have to pay rates for that year. Those provided with relief were within sectors facing difficulties, such as retail and hospitality.

There was great concern about those residents who were self-employed and if there was any assistance provided by the council. It was advised that support for the self-employed was not covered by local authorities but that there were a number of national support schemes launched by the Government that residents should access if they needed to.

A member asked if planning performance had increased and raised concerns around the time it took for Customer Services to answer and transfer calls. The Leader advised that the Chief Executive was aware of the concerns and that the issue was being investigated. The planning backlog was reducing with additional planning meetings to improve performance.

The Chairman was keen for performance information to be available in the public domain. He had been advised that performance reports would be available on the website, within a month of the end of each Quarter.

ACTION

- 1. Officers to ensure that Quarterly Performance Reports would be available on the South Kesteven District Council website, within one month of the end of each quarter.**

Members requested for figures to be provided on the number of staff from home and those who were at their usual place of work. They also requested that figures showing collection rates also show a figure for the amount not collected, so that it provided more context to performance. Reference to street care services in the report should be broken down into a number that could be easily tracked and monitored.

ACTIONS

- 2. That the number of officers working from home and the number who were in their usual place of work were provided to members.**
- 3. Future reports to show figures for rates collected and those not collected.**
- 4. Street Care services to be broken down into a number that could be easily tracked and monitored**

Members agreed that they would like to see details on the number of houses that had been approved by Planning, against the number of houses that had been built. This had been requested previously but been advised that it was difficult to monitor. The Chairman agreed that the information would be useful to monitor performance and requested that more details be provided.

ACTION

- 5. That details were to be provided, if possible, on the number of houses built within the district versus those approved.**

It was requested that future reports showed more historical context for house builds. It was also queried why members had been informed that the council had built 16 houses, but it was noted in the report only 2 affordable homes had been built. A member advised that the 16 houses were a mixture of social housing and affordable housing; it was requested if that was confirmed and those figures were to be included within the next performance report.

ACTIONS

- 6. More historical context of house builds be included in future reporting**
- 7. Officers to clarify the number of affordable and social houses included within the figure of 16 houses built.**

The Committee noted the contents of the report, thanked officers for a detailed report and looked forward for the information being available to the public in due course.

8. Loans from SKDC

The Committee considered a report on an overview of loan arrangements in place between the Council and its wholly owned companies.

The Committee at its meeting on 28 July 2020 requested that a report be provided which set out the loan arrangements which were currently in place. To date there had only been two loans agreed, these were for Gravitass Housing Ltd and EnvironmentSK Ltd.

Loans were awarded as part of the Treasury Management Strategy and considered each year by Council as part of the Annual Budget. The criteria of any loan being made with a Local Authority Controlled Company (LACC) was based on the receipt of a clear business plan.

Gravitass Housing Ltd had a combination of a loan and an equity investment, which was approved by the Council. The arrangement of £2.8m, 60:40 split,

loan and equity were allocated in the Capital Programme in order to fund new housing development using land owned by the Council. The funding was approved by Council on 2 March 2017 and released following a meeting of the (then) Shareholder Committee on 3 April 2017.

The loan was structured on a commercial basis and was set at 2% above prevailing Public Works Loan Board (PWLB) rates. The loan was set at 4.03%, based on the principal being repayable from retained profits upon sale of developed properties or maturity on 31 March 2025, whichever was the soonest.

EnvironmentSK Ltd began trading on 1 March 2019, to enable the grounds maintenance service to be delivered where there was a requirement for a loan to purchase vehicles and equipment. The sale of equipment to EnvironmentSK Ltd was set at £571,000 plus VAT, which was the original cost to the Council. Loan affordability was assessed and a loan structure of £571,000, plus interest of 4% was put in place with a repayment period of 8 years. The loan was due to mature on 1 July 2027 and was paid in quarterly instalments.

A councillor asked about 'state aid' rules and satisfaction of those regulations and what impact Brexit would have on that. The Chairman noted that the position of Brexit was not known at that time, but the potential for change to regulations would be noted by Members.

The Committee were interested in commercial loans and the pricing of risk, how was it priced when loaning to those companies. Both loan arrangements were subject to audit and had been reviewed. External advice had been to price loans between the Council and its wholly owned company at 2% above PWLB rates, as a methodology for loans on a commercial basis. Gravitass was building properties which in the event of any financial difficulty would transfer back to the Council. EnvironmentSK Ltd provided an annual management fee, which could be withheld or deferred if there were any concerns.

The Chairman asked about the security of risk, if there was a charge over the assets of EnvironmentSK Ltd. Officers advised that there was not any charge, however the Council provided an annual budget of around £1m per annum which could be modified according to any concern around the performance of the business and its ability to repay the loan.

The Chairman noted that as the companies were independent, it was important for the taxpayer to have a charge over those assets. The Committee agreed that there was a need to seek legal advice and speak to the Directors of EnvironmentSK Ltd and Gravitass Housing Ltd about charges over assets.

ACTION

- 1. To seek legal advice and speak to the Directors of EnvironmentSK Ltd and Gravitass Housing Ltd regarding a charge over assets and to update Committee members accordingly.**

9. Growth Directorate Outturn 2019/20

The Committee received a report on the financial and performance outturn of the Growth Directorate, following the presentation of the Council's outturn position for 2019/20.

The Council's financial outturn was presented to the Committee on 30 June 2020, during the review it was requested that further information be presented to analyse the operational and performance of the Growth Directorate. It was noted to that meeting of the Committee there was a reported variance of 44.4%.

Accounting adjustments required in line with regulations had a significant impact upon the reported growth variance for the Directorate. Table 1 showed the reported variance, table 2 showed the relevant accounting adjustments and table 3 showed the outturn position re-presented with the accounting adjustments removed. It was seen that the re-stated outturn for Growth reduced the overall variance from 44.4% to 1%. Table 4 showed a significant variance analysis for the Growth Directorate, details were provided which gave explanation of those significant variances.

The Committee noted the contents of the report and thanked officers for the further detail which had been provided.

10. Work programme

The Committee received the Work Programme and the Cabinet's Forward Plan. The Chairman advised that he had been working with officers to consider items for the Work Programme and welcomed members' suggestions.

It was requested that consideration of the Special Expense areas be reviewed at the earliest opportunity so that it could be included in the 2021 budget. The Cabinet Member advised if it were to be considered in January that would be too late in the process for 2021/22 budget setting. The Chairman agreed to discuss with officers if there was potential for the item to be considered at the Committee meeting in November.

ACTION

- 1. That the Chairman and Officer discuss the potential for the Special Expense Areas to be considered at the November meeting of the Committee.**

One member asked if it was possible look at Grantham's High Street Fund Bid at the November meeting, rather than in January.

ACTION

- 2. To discuss with officers Grantham's High Street Fund Bid and if possible, receive an update at the November meeting.**

The Chairman advised that he had been working with officers to consider items for the Work Programme and welcomed suggestions from the Committee.

- 11. Any other business, which the Chairman, by reason of special circumstance decides is urgent**

A member queried if the Finance, Economic Development and Corporate Services Committee could consider Spittlegate Heath Development and the archaeological finds. There had been considerable archaeological discovery, those artefacts were to be sent to Lincoln for archiving. The Member felt very strongly that they should remain within Grantham as part of the area's heritage, with the potential for a boost in visitors to the area boosting the local economy.

Officers advised that this was an area for the Culture Committee and as part of planning processes. The Chairman agreed to discuss the matter directly with the member who had raised concerns.

- 12. Exclusion of the Press and Public**

It was agreed to exclude the press and public from the meeting during the discussion of the following item of business due to the likelihood that information that was exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended) because it contained 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**

The Committee received a report on St Martin's Park, Stamford Project Update, on the financial submissions.

The report detailed work that had been undertaken since a report was received by the Companies Committee on 30 June 2020. Members noted the robust processes that were in place and provided detailed feedback to Cabinet on the report.

14. Close of meeting

The Chairman closed the meeting at 12.49.