

Minutes

Budget - Joint Overview and Scrutiny
Wednesday, 12 January 2022



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Joint Scrutiny Members present:

Councillor Graham Jeal (Chairman)
Councillor Mark Whittington (Vice-Chairman)

Councillor Ashley Baxter
Councillor David Bellamy
Councillor Phil Dilks
Councillor John Dawson
Councillor Paul Fellows
Councillor Gloria Johnson
Councillor Philip Knowles
Councillor Nikki Manterfield
Councillor Judy Stevens
Councillor Jill Thomas
Councillor Sarah Trotter
Councillor Hilary Westropp
Councillor Mark Whittington
Councillor Ray Wootten
Councillor Helen Crawford
Councillor Virginia Moran
Councillor Jacky Smith

Cabinet Members present

Councillor Kelham Cooke (Leader of the Council)
Councillor Adam Stokes (Deputy Leader of the Council)
Councillor Robert Reid (Cabinet Member for Housing and Property)
Councillor Linda Wootten (Cabinet Member for Corporate Governance and Licensing)

Other Members present

Councillor Breda-Rae Griffin (Chairman of the Council)

Officers

Karen Bradford (Chief Executive)
Alan Robinson (Deputy Chief Executive)
Andrew Cotton (Director for Housing and Property)
Nicola McCoy-Brown (Director for Growth and Culture)
Gary Smith (Director for Commercial and Operations)
Richard Wyles (Assistant Director for Finance (Section 151 Officer))
Alison Hall-Wright (Head of Finance and ICT)

Graham Watts (Head of Democratic Services, Deputy Monitoring Officer)
Amy Pryde (Democratic Services Officer)

27. Comments from members of the public

There were none.

28. Apologies for absence

Apologies for absence were received from Councillor Rosemary Trollope–Bellew, Councillor Susan Sandall, Councillor Charmaine Morgan, Councillor Amanda Wheeler, Councillor Penny Robins, Councillor Hannah Westropp, Councillor Rosemary Kaberry-Brown and Councillor Judy Smith.

Councillor Virginia Moran had been appointed as Substitute for Councillor Amanda Wheeler.

Councillor Helen Crawford had been appointed as Substitute for Councillor Judy Smith.

Councillor Jacky Smith had been appointed as Substitute for Councillor Rosemary Kaberry-Brown.

29. Election of Vice-Chairman

The Chairman highlighted that the Vice-Chairman of the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee had historically acted as Vice-Chairman for the Joint Budget Overview and Scrutiny.

Councillor Mark Whittington was therefore appointed as Vice-Chairman for this meeting.

30. Disclosure of interests

There were none.

31. Action notes from the meeting held on 13 January 2021

Members **AGREED** the Action Notes of the meeting held on 13 January 2021, as a true and correct record.

32. Updates from the previous meeting

Members raised the actions noted in the minutes of the previous meeting and sought clarification on the outcomes of respective actions.

The Cabinet Member for Finance and Waste Services highlighted that actions had been taken to the relevant Committees due to Joint Budget Scrutiny taking place on an annual basis.

A query was raised regarding the joint meeting of the Culture and Visitor Economy Overview and Scrutiny Committee and the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee and whether the actions and minutes from that meeting would be taken to future meetings of the respective Committees for consideration.

The Chief Executive clarified that the Joint Overview and Scrutiny Committee referred to was an extraordinary meeting in respect of Deepings Leisure Centre and not an annual scheduled meeting such as this meeting which considered the budget each year. The draft minutes from the meeting had been reported in an information pack through Full Council on the 14 December 2021. It was agreed that the actions and notes would be referred to the relevant Overview and Scrutiny Committees in due course.

One Member confirmed that he had met with the Cabinet Member for Commercial and Operations to explore options for improved street cleaning in Bourne, which was one of the actions from the previous Joint Budget Overview and Scrutiny Committee. He confirmed that vague assurance was provided, however, no further actions had been taken and it had not been included in the budget for this year.

ACTION:

- 1. For a written report to be provided at the next Joint Budget Scrutiny meeting of outcomes of the actions from the previous meeting.**
- 2. For the Committee Members to receive a summary of the actions in a table before the budgets are set.**
- 3. For the actions and notes from the Joint meeting of the Culture and Visitor Economy Overview and Scrutiny Committee and the Finance, Economic Development and Corporate Services Joint Overview and Scrutiny Committee in respect of the Deepings Leisure Centre be referred to the next meeting of the respective Committees for consideration.**

33. Budget Proposals for 2022/23 and indicative budgets for 2023/24 and 2024/25

The Chairman requested the Joint Budget Overview and Scrutiny Committee follow the order of items for discussion to effectively scrutinise each area of the report:

1. Funding Position
2. General Fund budget proposals:
 - bids
 - savings
 - fees and charges
 - company levels of funding
3. Housing Revenue Account
4. Capital Programme including financing
5. Reserves and Balances

6. Any other matters

Funding Position

The Deputy Leader of the Council presented the report that set out the draft proposals for both the General Fund and the Housing Revenue Account for the 2022/23 financial year. The report covered both the revenue, capital reserves and fees and charges proposals. A two-week consultation was due to take place with the Council's businesses and residents in respect of the Council Tax setting proposals to gain feedback.

The Deputy Leader of the Council outlined important information included in the report pack:

Table 3 – unbalanced position beyond 2022/23 due to two key factors: unexpected changes to the government funding formula and from 2024/25 the borrowing impact following the decision to invest in Deepings Leisure Centre.

Table 4 and 5 – proposed changes to the budget proposals that would be necessary to continue to deliver quality services and the ambitions of the corporate plan. Savings that were proposed to ensure a balanced position could be achieved for 2022.

Table 6 – summary of fees and charges proposals for 2022. Details at the service level (appendix B).

The Assistant Director for Finance and Section 151 Officer covered the main elements of the report. Regarding overall funding and general fund revenue, the Government had announced provisional figures on a one-year settlement. Elements within the report reaffirmed the Government's commitment to support Councils through the current period and this was reflected in a one-year lower tier services grant. Within the settlement, it reaffirmed the Government's financial support to rural areas with the continuation of the Rural Services Delivery Grant.

The Assistant Director for Finance and Section 151 Officer highlighted the proposal for the Council to remain a key partner in the Business Rates Pool.

One Member raised a query regarding the table relating to the proposed Council Tax charge increase and the wording of the Special Expense Areas. It was confirmed that the Government included the costs of the special expense areas as part of the overall Council Tax for the authority. The movement from the special expense area for Bourne had been taken out and replaced by the South Kesteven element being increased.

Another Member sought further clarification about the business rate pool and how the share would be distributed.

It was clarified that each authority had a baseline assessment, which was what the Government anticipated they would require and collect for the general fund cost.

Anything above the baseline would be classed as business rate growth which is shared between the Government and pool members.

It was highlighted that if an authority had concerns over appeals relevant to their business rate base, they could seek to remove themselves from the pool. If an authority fell below the baseline without withdrawing from the pool, they could fall into a 'safety net' within the pool.

A query was raised in regard to previous multi-year settlements and the impacts and challenges of a new one-year settlement.

It was explained that the one-year settlement had been implemented due to the commitment from Government to complete a funding review to acknowledge that the current distribution was outdated. The one-year settlement meant that Councils could only undertake a medium-term financial plan.

The Chairman raised queries in regard to the increase of drainage rates and the New Homes Bonus.

The Assistant Director for Finance confirmed that the Council had no direct control over drainage rates placed on the Council by the drainage boards, communications were sent to the Council on pressures within the sector and the increases above inflation.

It was also highlighted that the New Homes Bonus had been abolished and would be coming to an end. The Government had suggested a new iteration of New Homes Bonus, however, no further information had yet been provided to the Council.

General Fund budget proposals

The Assistant Director for Finance and Section 151 Officer outlined this section of the report and noted the legal requirement to present a balanced budget which had been proposed for 2022/23. It was noted that table 4 of the report was the reflection of asset maintenance where an injection of £400,000 was proposed to accelerate the maintenance programme. An ongoing £150,000 maintenance investment in leisure centres in order to respond to the survey findings, together with commitments associated with climate change, mental health awareness initiatives, community awards and Grantham Carnival.

The more significant changes to fees and charges related to a proposed increase of car parking tariffs by 10p for chargeable areas of Grantham and Stamford, and the introduction of a £5 increase on the costs associated with the green waste collection service from April 2022. It was highlighted that all fees and charges proposals had been driven by the costs of increases in delivering the Council's services on a cost neutral basis.

One Member raised a query regarding replacement of fleet vehicles and the progress and budget towards changing the fleet.

It was confirmed that fleet replacement was in the capital programme. The current life of the assets was seven years but depreciated over five years. They were kept for seven years due to in-house workshops and skills within the workforce to retain the fleet vehicles for longer.

The Director for Commercial and Operations clarified that electric RCV's in a rural urban mixed area like South Kesteven would not reach the standard required in terms of mileage and services. It was highlighted that other elements of fleet were frequently reviewed.

In regard to the SK Community Awards, clarification was sought on the impact of the lottery and whether it had exceeded expectations. The net impact on the Council's finances of SK lottery had also been questioned.

Clarification was sought over the asset management maintenance programme for housing and property. It was confirmed that this was part of the general fund responsibility which fell into the Directorate of Housing and Property and related to the assets the Council owned including the Council's offices.

The Deputy Leader of the Council responded to a query and confirmed that the festival programme reduction of £20,000 represented a general reduction in budget allocation for this purpose and confirmed that £80,000 would still be used for all festivals.

The Leader of the Council confirmed that the relevant Cabinet Member would provide an email update to the Member who raised the question in regard to the SK Lottery.

ACTION:

For the relevant Cabinet Member to liaise with Councillor Ashley Baxter directly and provide an update on the SK Lottery in regard to expectations and the Council's finances.

A Member raised an ongoing concern regarding previous Joint Budget Overview and Scrutiny Committee meetings where it had been promised that Bourne would receive a new cleaner for the town centre and that 50% of the share of the cost would be shared with South Kesteven District Council.

The Deputy Leader of the Council assured the Member that this would be reviewed by himself and the Director for Commercial and Operations.

ACTION:

For the Deputy Leader of the Council and the Director for Commercial and Operations to liaise with Councillor Philip Knowles directly in regard to a new cleaner for Bourne town centre.

One Member highlighted that the Grantham Carnival grant was £6,000 and that the future organiser of Grantham Carnival had been in doubt due to uncertainty over

funding. A question was therefore asked if the Grantham special expense reserve could be used to provide additional funding for the Carnival.

It was confirmed that the reserve consisted of money set aside to fund the whole of the SEA, where unexpected costs arose. It was confirmed that the two funds were not interlinked in that, if the Council decided not to approve the £6,000 in the budget for 2022, there would be a surplus in the SEA and then £6,000 would go into the reserve.

The Chairman asked for clarification on the following point:

- Which area the local plan fund of £161,000 went towards.
- Where the benchmark of £20,000 for the community governance review had come from.
- Costs and charges of street naming and numbering, and who this was paid by.

The Assistant Director for Finance and Section 151 Officer informed Members that street naming and numbering had been brought forward as a proposal by the service area. He confirmed that the Council had presupposed that the developer would pass the cost on and that all taxpayers in the district were contributing to this service currently.

The Community Governance Review budget had been allocated to recognise the costs required to facilitate the review, such as the development of a terms of reference and the undertaking of a public consultation. Without such a proposal being included in the budget, there would not be an allocation of funding available to support any consultation exercise or other implementation arrangements.

The Director for Growth and Culture confirmed that the fund for the Local Plan covered the whole district and incorporated retail and open-space studies.

A query was raised on the progress of the town centre parking review in Stamford and whether the 10% increase had been reviewed by Lincolnshire County Council and South Kesteven District Council.

The Leader of the Council confirmed that the town centre parking review was being undertaken by Lincolnshire County Council of which South Kesteven District Council would provide an input. He highlighted that meetings were due to take place shortly with the Highways Manager, together with subsequent meetings with the County Council's Executive Councillor responsible for Highways.

One Member sought clarification on the parking charges associated with swimming pools and why the charges differed.

It was confirmed that the Council did not set the fees and charges and that these were set by Leisure SK Ltd as the respective leisure provider. The fees and charges included in the appendix were the maximum the contract allows.

One Member raised several queries:

- Whether the Council-owned companies had been making a surplus and if a dividend had been taken into account.
- The business rates for Leisure SK and the impact on the Council's overall finances, together with the discount in the business rates for the hospitality leisure and retail sector of 50% relief.

It was highlighted that a report regarding Environment SK Ltd would be presented to the Companies Committee on the current year outturn. It was noted that Invest SK Ltd was a company limited by guarantee so dividends would not be part of their constitution as they were a non-profit organisation. Leisure SK Ltd was a company limited by shares, however the business plan for 2022 was not projecting a surplus or deficit.

The Leader of the Council confirmed that the Council's companies were under constant review in terms of business plans.

It was confirmed that the only transition across the alignment of tax year would be Leisure SK Ltd, meaning that company would have a fifteen month financial year.

Housing Revenue Account (HRA)

The Assistant Director for Finance and Section 151 Officer reported that the HRA was in a more positive position than the previous year. Work had been undertaken to reposition and stabilise the HRA. It was highlighted that the team had reflected on pressure around voids and prudently increased the void rate from 1.5% to 1.8% to build a buffer into the HRA.

One Member raised a question over the increased projections in rental income and whether the £650,000 referred to in the report included the properties the Council rented out or the Council's own social housing stock. The measures had been taken in order to decrease the void turnaround times to how they were 'pre-Covid' was also queried.

The Cabinet Member for Housing and Property confirmed his confidence for reducing void timescales significantly, mainly due to a managerial staffing restructure in the Housing team. Voids were one of the newly appointed Assistant Director for Housing's priorities and weekly meetings would be held with the Voids Team moving forward.

He highlighted a common thread impacting timescales was the poor condition of some properties once returned to the Council. A revised tenancy agreement application had been reviewed for the future, in an attempt to address this issue.

A concern was raised in regard to the proposed increase of rent for social housing tenants by 4.1% and the impact and financial pressures this may have on vulnerable social housing tenants.

It was confirmed that the Council was constrained in options and that the HRA required rental income to enable the Authority to invest in and fund its housing stock.

It was highlighted that over half of the Council's tenants received financial support through either Universal Credit or other interventions.

Capital Programme including financing and Reserves and Balances

The Assistant Director for Finance and Section 151 Officer highlighted that the capital programme was made up of the general funds and the HRA. It was noted that the total for the capital programme was £14.4 million.

It was emphasised that there were reserves for both the general fund and the HRA. Proposals had been made to relocate some monies in the general fund to reflect emerging pressures.

One Member raised a query in line with the investment in replacing CCTV cameras and whether the Council was looking into extending CCTV systems across the district.

The Leader of the Council noted the current provisions of options to further install systems around town centres. It was highlighted that the Chief Executive met with Lincolnshire Police to discuss the co-location of the CCTV service for it to be more accessible.

Another Member questioned whether the figures within the budget were estimates due to the stock condition survey results being unknown.

It was confirmed that the figures in the budget were predicated on the stock condition survey findings. It was highlighted that the numbers depended on the Council's priorities and the pace in response to the stock condition survey.

The Cabinet Member for Housing and Property assured Members that the stock condition survey findings would be considered as a priority and there would be short, medium, and long-term plans. It was highlighted that long-term plans may be a 30-year span but provided a caution that, due to a severe lack of investment over the years, the stock condition survey findings may be worse than anticipated.

One Member sought further clarification on the proposed monies for the HRA and housing reserves.

It was confirmed that the rental income was used to fund the 'day-to-day' services of the HRA, however, any surplus would go into the reserves. It was highlighted that the direction of reserves was higher than previously projected, due to the scale of the new build programme being reduced.

The Assistant Director for Finance and Section 151 Officer stated that the capital reserve must be used on new buildings or for adding stock into the HRA. From past figures, it was suggested that the reserve balances should ideally be maintained at around £15 million, and the working balance would need to be a proportion of the expenditure at 10-15%.

The Director for Housing and Property reported that the HRA business plan would start on a baseline as a result of the stock condition survey. He highlighted the importance of the score in relation to the decent home standard, which would be a priority to meet.

The Chairman outlined that the proposals set out a declining stock, lower rent roll and a higher demand of reserves. The Assistant Director for Finance emphasised that the 30-year plan required the Council to continue to replace and add stock into the HRA, because the direction of travel would be a reducing rent roll over the 30-year period.

The Cabinet Member for Housing and Property emphasised the importance of the 30 sheltered housing schemes in the district.

One Member shared their disappointment on the stock condition in relation to the housing development programme. Further clarification was sought on the budget proposals that were to be spent on energy efficiency initiatives, the actual figures proposed and whether the forthcoming years' aspirations were realistic.

It was confirmed that the proposed budget for central heating and ventilation replacement programmes was £3.2 million for 2022. It was highlighted that savings from street lighting had been invested back into the replacement of LED lighting.

The Director for Commercial and Operations noted the ambitions for Safer Funding that could be applied to future grants, however, the requirements and terms and conditions would differ from previous years. The first batch of LED streetlights had been installed following a phased programme.

A suggestion was made in respect of a joint venture agreement with Housing Associations.

The Director for Housing and Property confirmed that the Council was open to collaboration with any partners. It was highlighted that there were fundamental differences between the development plans of Housing Associations and Local Authorities. Housing Associations, for example did not have to consider Right to Buys and their rent was typically 10% higher than Local Authority social housing.

A suggestion was raised regarding the possibility of increasing the percentage of costs in relation to the Council's properties under the Right to Buy scheme in the future.

The Assistant Director for Finance and Section 151 Officer reported that the purchase discount was prescribed by Government and was not a local discretion. It was highlighted that the Council would retain a proportion of the capital receipts it received from the sale of a property in order to reinvest them to new builds.

Any other matters relating to the report

A question was raised regarding the Right to Buy Scheme and how many former Council properties in the district had been sold onto private landlords. Further questions were asked as follows:

- Whether the Special Constables' concession would be continued for another year.
- What the overall impact of Covid-19 was on the Councils budget to date.
- Whether there would be any Government reimbursement for lost car parking charges.
- What the decision-making process consisted of in relation to the proposed removal of the Ward Member Grant Scheme.

The Deputy Leader of the Council confirmed that a report would be submitted to Full Council regarding the Local Council Tax Support Scheme in January, where the Special Constables' concession would be included. The removal of the Ward Member Grant Scheme was proposed due to a lack of demand on the budget.

The Assistant Director for Finance and Section 151 Officer reported that as the full impact of the Covid-19 pandemic on the Council's finances was still on-going, it was not possible to provide a definitive impact decision. The budget report was a forward-looking document, therefore, would not include information from 2021. A report would be considered by the Governance and Audit Committee, highlighting the outturn associated with the Covid-19 pandemic. This topic was also on the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee's work programme.

It was noted that there had been a Government reimbursement scheme for income losses of car parking, markets, and art centres to which the Council had taken full advantage of.

A further query was raised regarding the potential use of reserves to recover cost impacts from Covid-19, if the Government did not fund any more grants.

It was confirmed that the income loss Government reimbursement scheme had ended in June 2021 and it was now the responsibility of the Council to deal with the impact of income losses.

Clarification was sought on the progress of St Martin's Park, Stamford, together with the costs and income off the Cinema Complex and university centre in Grantham.

It was confirmed that St Martins Park had been an asset acquired and funded by internal borrowing. The costs of the site were being funded from the regeneration reserve. The costs of holding St Martins Park included ongoing security, business rates and other site costs. Further decisions and works to the site, including demolition of specific buildings, would need to take place in order that the site could be developed.

The Leader of the Council confirmed that St Martin's Park had an outline planning permission, with the next stage being exchange of contracts. The demolition costs would be shared with the adjacent landowner in accordance with the Collaboration Agreement. The Council would not be developing any part of the site, which would be sold onto developers. Demolition works associated with the site had been anticipated to start in 2022 and the Council was forecast to make a financial return from the disposal of St Martins Park.

The Assistant Director for Finance and Section 151 Officer reported that, from 2021/22, a budget of £75,000 had been included to reflect the operational cost of holding the office space and the two units at the Cinema Complex. The income from the cinema itself had been built into the Council's budgets, which was an ongoing revenue stream to the Council. The Council had not anticipated any income from the empty units in the next financial year.

Members thanked all officers involved for their report and explanations.

It was proposed, seconded and **AGREED** to consider the report and put forward any proposals or amendments to Cabinet.

34. Any other business which the Chairman, by reason of special circumstances, decides is urgent

There were none.

35. Close of meeting

The Chairman closed the meeting at 16:33.