Scrubining Committee

Minutes of a meeting of the Scrutiny Committee of South Norfolk District Council held at South Norfolk House, Long Stratton on 18 February 2015 at 9.30 am.

Committee Members Present: Councillors: M Dewsbury (Chairman), T Lewis, B McClennig, L Hornby, S Thomson, K Tilcock, K Weeks and J Wilby

Apologies: Councillors A Pond, G Watt and M Windridge

Substitutes: Councillors L Dale (for M Windridge) and D Goldson (for A Pond)

Cabinet Members in Attendance: Councillors J Fuller, K Kiddie and G Wheatley

Also in Attendance: Councillor C Kemp (for part of the meeting)

Officers in Attendance: The Director of Growth & Localism (T Horspole), the Acting Director of Business Development (D Lorimer), the Business Improvement Manager (W Salmons) and the Scrutiny Officer (E Goddard)

1131 Outcome of Scrutiny Directorate Planning Workshop

The Business Improvement Manager presented the report, advising members that the business planning process had been refined year on year, and that part of the process included a member workshop which took place in December.

The aim of the workshop had been to give members the opportunity to informally discuss the draft directorate plans with senior officers, and enable members to engage with the shaping and development of the plan.

Responding to a question from Cllr T Lewis, the Business Improvement Manager confirmed that a number of changes had been made to the plan as a direct result of the member workshop including the addition of a project seeking to alleviate the effects of loneliness on residents of the District.

The Chairman commented that the workshop had been useful, open and democratic and the Committee

Resolved:

1. To agree further café style workshops as part of the 2016/17 directorate planning process;
2. To endorse this part of the Business Plan process as a way to ensure robust and deliverable plans are submitted to Cabinet to deliver vision and priorities set by members.
Prior to discussion of the three budget reports referred to in the agenda, Cllr K Weeks sought to raise an issue concerning another of the reports agreed at Cabinet – the Capital and Treasury Management Report Quarter 3 2014/15. The Chairman agreed to the request.

Cllr Weeks expressed concern that the report did not include details about the Council’s staff car and bicycle loan scheme, and suggested that this could represent a risk if in future a significant number of staff took up the car loan scheme.

Cllr G Wheatley and the Acting Director of Business Development clarified the details of the Council’s car loan scheme, confirming that the amount of capital currently involved was £118,000. This amount had not increased significantly in the last eight years. Members were advised that the amount was deemed by auditors to be ‘not material’ and was not shown separately on the balance sheet in the Council’s accounts, however was carefully monitored by officers.

Members were reassured that there had never been a default on the repayment of any car loan and that senior officers, when deciding on the granting of a car loan, were very careful to ensure that the member of staff would be capable of repaying the full amount.

**a) REVENUE BUDGET AND COUNCIL TAX 2015/16**

Cllr Wheatley introduced the report which detailed the Revenue Budget from which council tax levels would be determined by Full Council. He assured the Committee that the Council’s reserves still covered 60% of its budget and were looking very healthy. Members were aware of the plan to use part of the reserves for investment in capital projects. The Acting Director of Business Development summarised the salient points of the report including the proposed freeze on council tax levels which was the seventh freeze in eight years.

Responding to a question from Cllr T Lewis, Cllr J Fuller confirmed that the Council had taken advantage of the New Homes bonus (NHB) incentive, and was ranked fourth in the country in terms of the amount of NHB received as a result of the significant number of house completions achieved. He explained that this incentive came with significant risk because of the uncertainty around the future of the NHB funding stream which could potentially cease altogether in the future. Officers of the Council were also looking at the future of the Revenue Support Grant, and being vigilant because this could also disappear in the next few years. There was some discussion regarding the possible future direction of travel for districts including possible devolution of power, as well as the possibility of combined authorities.

Cllr T Lewis asked for further details about the proposed new Infrastructure Reserve. Members were advised that as well as supporting delivery of the Long Stratton bypass, through the possible use of Compulsory Purchase (CPO) powers, this reserve would support other local infrastructure schemes and projects. There followed some discussion about the possible CPO with Cllr Fuller confirming that at this stage the Council was unable to confirm whether the proposed CPO would be contested, meaning that it was not possible to accurately predict the likely expenditure on this.
With regard to fees and charges, The Acting Director of Business Development confirmed that while there were currently no plans to increase fees, the charging structure relating to leisure services would be amended in the future. There were plans to change the types of membership available, with a focus on increasing membership/attendance volume rather than fees. Cllr Fuller advised members that ‘smart cards’ would be introduced giving the opportunity for members to enjoy more flexible pricing plans with a more sophisticated, customer-focussed approach.

There was some discussion around the procurement of energy/electricity and the Committee was advised that following advice given by the East of England Local Government Association the Council now purchased its energy via a Suffolk County Council framework which was paid through one monthly bill covering all the Council’s properties. The service was also able to accurately monitor the Council’s usage. The service overall would improve efficiency and result in a more cost-effective method of the procuring of energy.

The general consensus of the meeting was to endorse the recommendations of Cabinet however Cllrs Lewis and McClenny reserved their position on this matter until the meeting of Council on 23 February 2015.

**RESOLVED:** To endorse the recommendations of Cabinet for the Revenue Budget and Council Tax 2015/16

**b) CAPITAL PROGRAMME APRIL 2015 TO MARCH 2020**

Cllr Wheatley introduced the report which proposed a capital programme for the period April 2015 to March 2020 and advising the Committee that the programme would deliver the Council’s corporate priorities by enhancing the quality of life for residents of the District, maintaining and improving the Council’s assets and developing new streams of income.

Cllr Lewis raised concerns about the proposed financial commitment to two projects in particular – the property developments (at Poringland and Long Stratton) and the Council’s Leisure Service. With regard to the proposals for the Leisure Service, Cllr Fuller assured members that the Council had already demonstrated significant success and improvement year on year since 2007 with the reduction of the subsidy for Wymondham Leisure Centre alone reducing from £1.8million to just £300,000 - £400,000. He confirmed that the Council now intended to continue this momentum by making improvements for the future. He referred to the excellent staff working within the Leisure Service and advised that the vision moving forward was to invest capital at this time anticipating a return of a 50% increase in capacity. This would not only prove to be a success financially but would achieve a wider social objective of ensuring that residents of South Norfolk remain fit and healthy.

The Acting Director of Business Development confirmed that as well as the capital project for improvements at the leisure centres, a staffing realignment had taken place, and that the Council had just recruited to the post of Head of Leisure. Work was also being done on the branding of the leisure service.

Moving to the subject of the proposed property development, Cllr Fuller reassured the Committee that the Council had been careful about the proposed designs for both
developments, to ensure good quality design and the inclusion of carefully thought out commercial units. He advised that the Council had involved partners of good quality who had proven track records. He considered that there would be a healthy return on this capital investment in the medium term.

There was some discussion about the Ketteringham Depot and the problems faced regarding the shortage of storage space there, and officers confirmed that a solution to the problem was being sought. Cllr K Kiddie confirmed that there was ongoing analysis of refuse rounds and that following the increase in the amounts of recycling waste being collected it may be appropriate in future to consider offering larger recycling bins and smaller black bins to households.

Cllr Fuller drew members' attention to the Investment in Better Broadband project, which was a major initiative to ensure that villages in South Norfolk could access superfast broadband and outlined his aspirations for the District, and this approach was welcomed by members.

RESOLVED: to endorse the recommendations of Cabinet for the Capital Programme April 2015 to March 2020.

c) TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY APRIL 2015 TO MARCH 2018

The report was introduced by Cllr Wheatley and the Acting Director of Business Development who summarised the salient points of the Treasury Management Statement and Investment Strategy.

Members were advised that the main change proposed to the Investment Strategy for 2015/16, was to include a greater number of non UK institutions domiciled in AAA rated sovereigns in order to diversify the Authority's investments and therefore mitigate bail-in risk.

Members were also advised that the Council had changed banking provider in January, from the Co-operative to Barclays Bank, and that the transition had gone well.

The general consensus of the meeting was to endorse the recommendations of Cabinet however Cllrs Lewis and McClennig reserved their position on this matter until the meeting of Council on 23 February 2015.


1133 EXCLUSION OF PUBLIC AND PRESS

It was proposed, seconded and

RESOLVED: that under Section 100A (4) of the Local Government Act 1972,
the public and press be excluded from the meeting for part of the following item of business (Part B of the call-in) on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 Schedule 12A of the Act (as amended).

1134 CALL-IN OF UPDATE ON COMMERCIAL ACTIVITIES

A. SUSPENSIVE CALL-IN

Cllr T Lewis introduced the suspensive call-in and outlined the specific reasons for call-in, which were:

The Shareholder Representative
Para 4.3 states the substantial powers of the Shareholder Representative. There is no mechanism for accountability here. Scrutiny Committee is requested to consider recommending the addition, after the fourth bullet points in para 4.3, the following paragraph.

The Shareholder Representative shall consult the Finance, Resources, Audit and Governance Committee before exercising any of these powers.

Council Officers as Directors of the Board
It is stated that officers of the Council will serve on the Board as Directors. Clarification is sought as to the intended remuneration and incentivising (if any) of such officers in performance of these roles

With regard to the role of the Shareholder Representative, Cllr T Lewis was concerned that there should be a mechanism for holding the Council to account. He suggested that the representative should be required to liaise with the Chairman of the Finance, Resources, Audit and Governance Committee (FRAG) before exercising any of the powers conferred on the role. Cllr Fuller responded by confirming that the duty of the Leader of the Council was to reflect the settled will of members. He accepted the concerns raised and concurred with the desire for scrutiny and accountability of the Shareholder Representative.

Following some discussion it was suggested that the Shareholder Representative be required to consult the relevant Portfolio Holder, as well as the Chairman of FRAG, before exercising any of the powers referred to in paragraph 4.3 of the Cabinet report. Cllr Wheatley further suggested that following the exercising of any such powers, the matter could be reported to the Cabinet through the quarterly Treasury Management report. Members were generally in agreement with this proposal.

Cllr Weeks thanked Cllr Lewis for bringing the call-in to the Scrutiny Committee and confirmed he was satisfied with the proposed resolution which would provide comfort and protection both to the Council and the Shareholder Representative in the exercising of these powers.

With regard to the issue of Council officers as Directors of the Board, the Acting Director of Business Development reassured members that there was no remuneration or financial incentive for officers of the Council in this regard. The duties as Directors of the Board...
would be carried out as part of their existing role and had already been incorporated into relevant job descriptions. Members were satisfied with this position.

**RESOLVED:**

**A. SUSPENSIVE CALL-IN**

To endorse the decision of the Cabinet and additionally to recommend to Council that:

*The Shareholder Representative shall consult the Portfolio Holder and the Chairman of the Finance, Resources, Audit and Governance Committee before exercising any of their powers and shall report back to Cabinet, when necessary, through the quarterly Treasury Management Report.*

**B. NON-SUSPENSIVE CALL-IN**

Cllr T Lewis introduced the non-suspensive call-in and outlined the specific reasons for the call-in as follows:

1. **Clarifying the returns to the Council from assuming the role of property developer.**

   The committee report gives detailed indications of possible returns by Big Sky Developments Ltd. At a 4% net margin, it is not clear that this is an attractive commercial proposition. The report (5.3, last bullet) refers to an overall net return of 8%, without any supporting rubric. For instance, it is unclear whether this is a profit margin or a return on investment, or the period to which it applies. It is requested that the figures for the project are presented as if the Council were carrying out the project itself to see the overall underlying situation and then subdivided into the projections for Big Sky Developments Ltd and the residual benefits for the Council.

2. **Identifying the sensitivities and risks in these figures**

   The Cabinet report is regrettably devoid of any analysis of sensitivities and risks for its £8m involvement. The report says that the Council would not seek to shelter behind the limited liability of Big Sky Developments Ltd were that to get into difficulties, but there is no identification or quantification of risks the Council would therefore be assuming. The cyclical nature of the housing market generally is well known: what are the implications, upside and downside, of such fluctuations?

Cllr Lewis expressed concern that members needed a broader and more detailed overview of the full picture before they were able to fully understand the risks and have confidence in the investment proposals.

Cllr Fuller gave the Committee an overview of the strategic objectives, following which the Acting Director of Business Development gave a detailed presentation of the breakdown of projected figures and risks for each development.

Following a short question and answer session and some brief discussion, Cllr Lewis thanked the Committee and officers for the helpful and productive information provided.
RESOLVED: B. NON-SUSPENSIVE CALL-IN
To endorse the decision of the Cabinet

1135 SCRUTINY WORK PROGRAMME, TRACKER AND THE CABINET CORE AGENDA

Members noted the Work Programme.

(The meeting concluded at 12.35 pm)

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Chairman