

BUSINESS AND TRANSFORMATION SCRUTINY PANEL

THURSDAY 22 AUGUST 2019 at 4.00PM

PRESENT: Councillor Bainbridge (Chairman), Councillors Alcroft, Allison, Birks, McNulty (from 4.10pm), Mitchelson, Paton and Robson.

ALSO PRESENT: Councillor Ellis - Finance, Governance and Resources Portfolio Holder

OFFICERS: Corporate Director of Finance and Resources
Policy and Performance Officer
Overview and Scrutiny Officer

BTSP.61/19 APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of the Town Clerk and Chief Executive.

BTSP.62/19 DECLARATIONS OF INTEREST

There were no declarations of interest submitted.

BTSP.63/19 PUBLIC AND PRESS

RESOLVED – It was agreed that the items of business in Part A be dealt with in public and Part B be dealt with in private.

BTSP.64/19 MINUTES OF PREVIOUS MEETINGS

A Member drew the Panel's attention to minute BTSP.56/19 and highlighted that he had raised issues regarding the financial position of one or two tenants at Gateway 44, he felt the use of the word 'some' indicated more than that.

RESOLVED – That the minutes of the meeting held on 25 July 2019 be agreed.

BTSP.65/19 CALL – IN OF DECISIONS

There were no items which had been the subject of call-in.

BTSP.66/19 OVERVIEW REPORT AND WORK PROGRAMME

The Overview and Scrutiny Officer submitted report OS.19/19 providing an overview of matters relating to the work of the Business and Transformation Scrutiny Panel.

The report detailed the most recent Notice of Executive Key Decisions, copies of which had been circulated to all Members and had been published on 9 July 2019. All the relevant items in the Notice had been included on the Panel's 22 July 2019 agenda.

Progress on resolutions from previous meetings had been set out at section 3.1 of the report and the Overview and Scrutiny Officer reported that several of the outstanding resolutions would be removed from the table following the meeting.

She added that the following resolution from 25 July 2019 had not been included in the table:

"BTSP.55/19 – That the Finance, Governance and Resources Portfolio Holder provides the Panel with further information regarding developers contributions to the provision of recycling and waste receptacles for new homes."

The Overview and Scrutiny Officer reported that the resolution had been completed and circulated to Members. Resolution 9 (an update on the Community Asset Transfer) would be included in the Overview Report in October.

The Overview and Scrutiny Officer drew the Panel's attention to section four of the report which gave a brief overview of the Statutory Guidance on Overview and Scrutiny in Local and Combined Authorities which had been published in May 2019.

The Panel's Work Programme had been attached to the report and the Overview and Scrutiny Officer reported that the reference from the Audit Committee would be considered by the Panel in December alongside the budget reports.

The Chairman requested that the Sickness Absence report be deferred until February 2020 to enable officers to include winter sickness absence figures.

A Member noted that the Work Programme did not include an update on the Annual Property Survey and asked for an update to be added which included information on property conditions, rental income and the Chancerygate contract.

RESOLVED – 1) That the Panel scrutinised the Overview Report incorporating the Work Programme and Key Decision items relevant to the Business and Transformation Scrutiny Panel (OS.19/19);

2) That the following items be added to the Panel's Work Programme:

- Audit Committee reference to December meeting
- Sickness Absence report moved to February 2020 meeting
- Annual Property Survey report

BTSP.67/19 REVENUE BUDGET OVERVIEW AND MONITORING REPORT: APRIL TO JUNE 2019

The Corporate Director of Finance and Resources presented report RD.20/19 which provided an overview of the Council's General Fund revenue budgetary position for the period April to June 2019 for revenue schemes only.

The Corporate Director of Finance and Resources outlined the background information set out at Section 1. The budgetary position as at June 2019 showed an updated Budget 2019/20 totalling £15,156,400; and the main income and expenditure variances were as summarised at paragraph 2.5 of the report.

Section 3 recorded that the Council's financial position was affected by a number of external factors which would have a financial impact during the course of the year and ultimately at the year-end, including the general effect of local economic activity on the Council's income streams; fuel prices, energy costs and other inflationary issues; the effects of the housing market and property prices, especially with regard to income from land charges, rents and building and development control and the impact of any delay to the Spending Review, the Fair Funding Review and Business Rates Retention Review.

The Council's financial position would continue to be closely monitored and the likely year end position would be reported more fully in a future monitoring report. It would be important to maintain a prudent approach so as to ensure a sustainable budget position for future years and to avoid any significant variance at the year end.

The Corporate Director of Finance and Resources added that the areas of significant variance noted within the report would be scrutinised fully and incorporated into the 2020/21 budget process if the position deemed to be recurring in nature.

The Executive had considered the matter at their meeting on 19 August 2019 (EX.73/19 refers) and decided:

“That the Executive:

1. Noted the budgetary performance position of the Council to June 2019;
2. Noted the action by the Corporate Director of Finance and Resources to write-off bad debts as detailed in paragraph 6 of Report RD.20/19;
3. Noted the release of reserves as set out in the table at paragraph 2.2, and noted the virements approved as detailed in Appendix A.”

In considering the monitoring report Members raised the following comments and questions:

- Was the Business Rate Retention Review part of the Spending Review?

The Corporate Director of Finance and Resources responded that the Business Rate Retention Review and the Fair Funding Review were separate from the Spending Review, however the Council had been informed that there would only be a one year settlement figure from Central Government and it was therefore difficult to budget further than 2020/21.

- The significant service expenditure and income variances had several shortfalls, was this an area of concern?

The Corporate Director of Finance and Resources reminded the Panel that the expenditure and income variances had to be considered as a whole with the overall budget. The overall budget showed an overspend of £53,611 which included all shortfalls. She added that the overspend, and the required transformation savings, were being dealt with in the short term on a non-recurring basis however a longer term plan was required.

The Finance, Governance and Resources Portfolio Holder reminded the Panel that the shortfall figures only showed the current situation, they did not show if the shortfall was an improvement on previous figures or if the shortfall was increasing.

- Why was the Chancerygate contract overspent in the first quarter?

The Corporate Director of Finance and Resources reminded the Panel that the Chancerygate contract required upfront costs to generate additional income. She added that there had been a £26,000 increase in rental yield per annum.

- A rent appeal had been lost at Kingstown Industrial Estate, how would this affect the rental income and overall budget?

The Corporate Director of Finance and Resources responded that the £22,000 shortfall in the report had been due to the decline in rental income. She agreed to ask the Property Services Manager to provide a full written response updating Members on the matter.

- How did the Council justify writing off over £82,000 of bad debt?

The Corporate Director of Finance and Resources explained that the Council had a robust recovery procedure and bad debts were only written off when every other avenue to recover the money has been exhausted. There was provision for bad debt write offs within the budget.

The Finance, Governance and Resources Portfolio Holder added that writing the bad debts off was an accounting process and they could be written back on and recovered if the opportunity arose.

- There was a shortfall in the Homeless Accommodation, was this a result of excess accommodation due to the refurbishment of properties following the flood in 2015?

The Corporate Director of Finance and Resources agreed to provide the Panel with a written response.

- What was the difference between the original budget and the updated budget?

The Corporate Director of Finance and Resources explained that the original budget had been approved by Council in February 2019. The updated budget included the carry forwards which had been agreed by Council in the Outturn Reports (totalling £406,700) and the release of £491,000 from the reserves. All changes to the budget had to be approved by full Council unless they were delegated to the Corporate Director of Finance and Resources.

- Was there a known reason for the shortfall in car parking income? There had been a consistent difference in the projections for the income and the actual income and it was felt that car parking income should be reviewed.

The Finance, Governance and Resources Portfolio Holder reminded the Panel that the previous year's car parking income had been very high due to the activities taking place within the City and suggested that the shortfall was the income returning to normal.

The Corporate Director of Finance and Resources agreed to provide the Panel with written details regarding the shortfall.

- What was the impact on the budget of the new borrowing costs?

The Corporate Director of Finance and Resources explained that the budget had made assumptions based on interest rates at that time and had assumed borrowing taking place on 1st April. The interest rates were now lower so additional borrowing could be undertaken and remain within the budgetary provision. Any borrowing undertaken at the lower rates would then be invested in the short to medium term (until the capital expenditure was incurred) and the Council would receive interest to offset any borrowing costs.

- The main variances for each Directorate showed a number of areas which had similar variances in the previous year, would this be addressed through the zero based budget exercise?

The Corporate Director of Finance and Resources confirmed that the zero based budgeting exercise would look to realign budgets, identify savings and address any variances.

At the request of a Member, the Panel agreed to move the meeting into Part B to discuss the Business Interaction Centre.

RESOLVED – That in accordance with Section 100A(4) of the Local Government Act 1972 the Public and Press were excluded from the meeting during consideration of the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in the paragraph number 3 of Part 1 of Schedule 12A of the 1972 Local Government Act as the discussion contains exempt information relating to the financial or business affairs of any particular person (including the authority holding that information).

BTSP.68/19 REVENUE BUDGET OVERVIEW AND MONITORING REPORT : APRIL TO JUNE 2019

(Public and Press excluded by virtue of paragraph 3)

In considering report RD.20/19 Members raised the following questions:

- A Member asked for an update on the Business Interaction Centre and the £44,854 overspend in the report.

The Corporate Director of Finance and Resources responded that the City Council took over the running of the building from the University of Cumbria and there was not a budget for the running and maintenance costs hence the overspend.

The Finance, Governance and Resources Portfolio Holder reminded the Panel of the report that had been considered by Overview and Scrutiny and the decision taken by the Executive. He provided an update on the work being undertaken.

RESOLVED – That the meeting move back into public.

BTSP.69/19 REVENUE BUDGET OVERVIEW AND MONITORING REPORT: APRIL TO JUNE 2019

Having scrutinised report RD.20/19 it was

RESOLVED – 1) That the Revenue Budget Overview and Monitoring Report: April to June 2019 (RD.20/19) be welcomed;

2) That Corporate Director of Finance and Resources provide the Panel with written responses:

- from the Property Services Manager detailing the impact on the rental income in the Chancerygate contract and the budget following the loss of the appeal for the rental review;
- from the Homelessness Prevention and Accommodation Manager detailing the reasons for the shortfall in Homeless Accommodation income;
- from the Neighbourhood Services Manager detailing the reasons for the shortfall in car parking income.

BTSP.70/19 CAPITAL BUDGET OVERVIEW AND MONITORING REPORT: APRIL TO JUNE 2019

The Corporate Director of Finance and Resources presented report RD.21/19 which provided an overview of the budgetary position of the City Council's capital programme for the period April to June 2019. She summarised the background position set out at Section 1 of the report.

The Corporate Director of Finance and Resources reported that the position statement recorded that, as at the end of June, expenditure of £961,767 had been incurred on the Council's core capital programme. When considered against the profiled budget of £1,118,647 that equated to an underspend of £156,880. The unspent balance remaining of the revised annual budget of £22,777,000 was £21,815,233. That would be closely monitored over the following months to identify accurate project profiles and any potential slippage into future years.

A number of schemes were included in the capital programme for 2019/20 that required reports to be presented to the Executive for the release of funding before the project could go ahead, some of which may slip into future years capital programmes.

The Executive had considered the matter at their meeting on 19 August 2019 (EX.74/19 refers) and decided:

“That the Executive:

- (i) Noted and had commented upon the budgetary position and performance aspects of the capital programme for the period April to June 2019;
- (ii) Noted adjustments to the 2019/20 capital programme as detailed in paragraph 2.1 of Report RD.21/19”

In considering the monitoring report Members raised the following comments and questions:

- A Member asked for more information on the cost of the Digital Banner on the Civic Centre and the income achieved.

The Corporate Director of Finance and Resources confirmed that the budget of £20,500 was for the replacement of the banner.

The Policy and Performance Officer informed the Panel that the estimate to install the banner originally had been £30,000 and it was predicated that the income from advertisements would pay for the banner within two and a half years. The income had surpassed expectations and had paid for the banner within eighteen months, since then all income had been revenue profit. He added that any internal advertisements were paid for through internal recharging.

The Finance, Governance and Resources Portfolio Holder reminded the Panel that the Council owned other properties which could be used for advertising to generate income and this would be explored further.

- The Panel discussed the Capital Programme – Risk Assessment in some detail and asked that the following updates and amendments be made:
 - PRINCE 2 narrative updated to reflect the training which officers had received;
 - That the first two risks be amended to strengthen the outcome risks and the need for the business cases and outcomes to be achieved;
 - That the reference to PRTB be removed as it no longer existed.

In discussing the Risk Assessment the Corporate Director of Finance and Resources reminded the Panel that the Assessment identified all potential risks with the aim of reducing the risks to the Council.

Referring to the economic downtown risk the Corporate Director agreed that the authority had to be mindful that £10m capital receipts from the sale of assets had been built into the budget and could be affected by external factors, she assured the Panel that the receipts were closely monitored.

- A Member asked for clarification with regard to the de minimis for capital receipts.

The Corporate Director of Finance and Resources explained that the Council had set de minimis levels for capital expenditure of £20,000 and capital receipts under £5,000.

- Had the scope for the Old Town Hall/Greenmarket budget changed following its renaming to Public Realm Improvements?

The Corporate Director of Finance and Resources confirmed that the change in the budget had been agreed by Council as part of the outturn report to allow the budget to be used across the whole City Centre.

- Was the flood related capital expenditure the same budget as the ground floor flood works?

The Corporate Director of Finance and Resources explained that the insurance balance of £2m was set aside for the Civic Centre ground floor works and Bitts Park. The £68,100 capital expenditure was capital costs incurred in 2018/19 and would be covered by the flood reserve when it was released.

RESOLVED – 1) That the Capital Budget Overview and Monitoring Report: April to June 2019 be welcomed;

2) That the Capital Programme – Risk Assessment be updated as detailed above.

The Corporate Director of Finance and Resources presented the updated Procurement and Commissioning Strategy 2019-2021.

The Corporate Director of Finance and Resources reported that the Procurement and Commissioning Strategy had been updated to reflect the current position and activity to be undertaken in 2019-2021. It detailed how the Council would operate its procurement function and conformed with the required legislation. The aim of the Procurement and Commissioning Strategy was to set a clear framework for activity throughout the authority, which reflected the Council's Corporate Plan and complimented the Council's Constitution and Contracts Procedure Rules.

The Corporate Director of Finance and Resources explained that effective procurement and commissioning would support the key strategies and goals of the Council and help deliver corporate priorities. They would be used a lever to support the efficiency agenda and the wider council objectives such as equal opportunities, sustainability, the environment and local economic regeneration.

The Procurement and Commissioning Strategy had been last updated in 2017 and the main change to the updated version concerned the addition of the Council's decision to declare a Climate Change Emergency and the Council would have consideration to this when undertaking procurement where it was appropriate to do so.

In considering the Procurement and Commissioning Strategy 2019-21 Members raised the following questions and comments:

- The procurement procedure for contracts over £10,000 included a number of European Union requirements, how would this be affected post Brexit?

The Corporate Director of Finance and Resources responded it was the assumption that all EU law would transfer into UK law and there would be no immediate changes, however, if this was not the case any changes would be reported back to the Panel.

A Member commented that she understood that the Government would continue to use the OJEU process and phase it out over a five year period. The Corporate Director stated that this would be picked up in the next Strategy update in three years time.

- How would any outcomes from the Climate Change Working Group be incorporated into the Strategy following its approval by the Executive?

The Corporate Director of Finance and Resources clarified that the Strategy would be considered for approval by the Executive on 16 September, however, any significant changes from the Climate Change Working Group would be considered and the Strategy could be revised.

- The Panel requested that the following amendments be made to the Strategy:
 - That the Clean Air Act 1993 be included in the list of legislation which the Strategy complied with;
 - Section 6.1 – 'carbon dioxide emissions' be changed to 'carbon emissions and dioxins';
 - That the Council's approach to ethical procurement and the STEEPLE Analysis tool was included in the Strategy.
- Had consideration been given to a budget for the impact of the adoption of the Climate Emergency into the Strategy?

The Finance, Governance and Resources Portfolio confirmed that there was not a budget for the adoption of the Climate Emergency motion.

- What resources were available for prospective contractors or suppliers other than the Strategy?

The Corporate Director of Finance and Resources explained that all procurement information was available on The Chest and prospective contractors or suppliers could contact officers within the procurement team to discuss matters. In addition, contractors and suppliers were welcome to attend the Meet the Buyer events.

- Were there any areas of procurement which the Council struggled to find local suppliers or contractors?

The Corporate Director of Finance and Resources was not aware of this but agreed to circulate further information to the Panel from the Procurement Team.

RESOLVED – 1) That the Procurement and Commissioning Strategy 2019-2021 (RD.23/19) be welcomed.

2) That the Procurement and Commissioning Strategy 2019-2021 be amended as follows:

- That the Clean Air Act 1993 be included in the list of legislation which the Strategy complied with;
- Section 6.1 – ‘carbon dioxide emissions’ be changed to ‘carbon emissions and dioxins’;
- That the Council’s approach to ethical procurement and the STEEPLE Analysis tool was included in the Strategy

3) That the Procurement Team provide the Panel with further information regarding areas of procurement where the Council finds it difficult to appoint local suppliers and contractors.

BTSP.72/19 QUARTER 1 PERFORMANCE REPORT 2019/20

The Policy and Performance Officer submitted the Quarter 1 2019/20 performance against the current Service Standards and a summary of the Carlisle Plan 2015-18 actions as defined in the ‘plan on a page’. Performance against the Panel’s 2019/20 Key Performance Indicators were also included.

The Policy and Performance Officer reported that there were no ‘red’ Service Standards and 1 red KPI, details of which were set out under the Summary of Exceptions in the report. Two new performance measures had been included in the Performance Dashboard:

- Customer Services – respond to emails within 48 hours
- Proportion of debts recovered (sundry debtors).

The Policy and Performance Officer drew the Panel’s attention to the sickness absence performance which showed an improvement on the previous performance.

In considering the Performance report Members raised the following comments and questions:

- The Panel requested that a Key Performance Indicator be added to future performance reports to monitor the response to the Climate Emergency.

The Policy and Performance Officer agreed to submit the request to the Climate Change Working Group.

- Were the number of emails responded to in customer services holding emails or full responses?

The Policy and Performance Officer confirmed that the emails were not automated but were holding responses where necessary.

The Panel asked for more detailed information on the new measure including how many emails were holding emails, how many were passed on and how many received full responses from Customer Services.

- The report stated that the Sands Centre Redevelopment should have begun in March 2019, a Member asked for an update on the project.

The Policy and Performance Officer explained that the document reflected the original dates and agreed to ask the Deputy Chief Executive to provide the Panel with a written update.

- Some of the areas of potential work in the City Centre Masterplan would include other authorities, who would provide funding for the development of the City Centre Masterplan?

The Policy and Performance Officer agreed to ask the Corporate Director of Economic Development for a written response to the Panel.

The Panel commented on the excellent work being undertaken by the benefits team in meeting their targets.

RESOLVED –1) That the Quarter 1 Performance Report 2019/20 (PC.11/19) be welcomed.

2) That a Key Performance Indicator which monitors and measures the response to the Climate Emergency be developed for inclusion in future Performance Reports:

3) That the Policy and Performance Officer seek written responses for circulation to the Panel as follows:

- An update on the redevelopment of the Sands Centre from the Deputy Chief Executive;
- Information on the provision of funding for the City Centre Masterplan from the Corporate Director of Economic Development
- Information on the breakdown of the number of emails fully answered by Customer Services, the number of holding responses and the number of emails passed on to be dealt with by other teams.

4) That the Benefits Team be thanked for their excellent work and for the outstanding results they have achieved.

(The meeting ended at 5.25pm)