

# OVERVIEW AND SCRUTINY PANEL

MONDAY, 14 JANUARY 2019 - 2.30 PM



**PRESENT:** Councillor C Boden (Chairman), Councillor M Humphrey (Vice-Chairman), Councillor G Booth, Councillor S Clark, Councillor D Hodgson, Councillor K Owen, Councillor Mrs K Mayor and Councillor S Tierney

**APOLOGIES:** Councillor S Count

Officers in attendance: Anna Goodall (Head of Governance and Customer Services), Izzi Hurst (Member Services & Governance Officer), Richard Cassidy (Corporate Director), Gary Garford (Corporate Director), Paul Medd (Chief Executive), Kamal Mehta (Corporate Director), Mark Saunders (Chief Accountant) and David Wright (Communications Manager)

## **OSC32/18 PREVIOUS MINUTES.**

The minutes of the meeting of 10 December were confirmed and signed subject to the following comments;

1. Councillor Booth said that in relation to his statement regarding the pension fund, he was stating a point rather than asking a question.

## **OSC33/18 REVISED GENERAL FUND BUDGET AND CAPITAL PROGRAMME 2018/19; DRAFT GENERAL FUND BUDGET ESTIMATES 2019/20 AND DRAFT MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2019/20 TO 2023/24; CAPITAL PROGRAMME 2019 - 2022.**

Members considered the Revised General Budget and Capital Programme 2018/19; Draft General Fund Budget Estimates 2019/20 and Draft Medium Term Financial Strategy (MTFS) 2019/20 to 2023/24; Capital Programme 2019-200 report.

Members asked questions, made comments and received responses as follows;

1. Councillor Booth asked for further information regarding the lower than anticipated Planning Fees (page 22 of the Agenda Pack). Kamal Mehta explained that the original budget took in to account the increase in fees and also anticipated applications being submitted to the Council. Unfortunately these anticipated applications would have generated large sums for the Council however have not materialised causing a shortfall in the Planning Fees.
2. Councillor Boden said he was disappointed with the reasoning and justification behind a potential increase in Council Tax (page 14 of the Agenda Pack) and felt the reason was inappropriate as it suggested an increase purely due to other Local Authorities doing the same. Councillor Hay said the reason was not intended in this way. Councillor Seaton agreed and said the intention was not to promote an increase in Council Tax just because other Local Authorities are doing so.
3. Councillor Boden asked if this justification could be removed from future reports. Councillor Seaton agreed.
4. Councillor Tierney agreed and said the reasoning and justification puts the Council in a poor light.
5. Councillor Booth highlighted that other Local Authorities are still currently consulting on this.

6. Councillor Boden said in relation to the £56,000 surplus anticipated from the Business Rates Levy Account (page 14 of the Agenda Pack), he is concerned that this is not included in the budget given the certainty and likelihood of this figure. Councillor Hay explained that this figure will not be confirmed until February 2019 and will be a one-off payment to the Council therefore it has not been included in the budget. Kamal Mehta confirmed that the sum has been included in the accounts however will not show as it has been earmarked to the Council's Brexit fund. Therefore, as it comes in and goes out of the accounts it does not show in the budget.
7. Councillor Owen said this was not clear in the figures provided to members. Mark Saunders confirmed that this information was not available when reported to Cabinet and therefore could not be included in the budget that was considered by Cabinet. As the Council are now aware of this figure, the proposal is to allocate this money to the Council's Brexit fund.
8. Councillor Boden thanked officers for the clarification but asked why money had not been allocated to the Brexit fund prior to this as we are now using money that we did not know we would receive. He said this suggests the Council had failed to allow for Brexit costs in the earlier budget.
9. Councillor Booth asked if members could be made aware of updated budget information. Councillor Boden said in Local Government there are set points in which the budget is presented and circulating every amendment would be counterproductive. He highlighted that the report specifically references any additions to the budget.
10. Kamal Mehta informed members that as the provisional finance Settlement consultation did not end until 10 January 2019; the figures provided today are still provisional as the final figure will not be available until February 2019. Paul Medd said officers assess well-informed forecasts and estimates to form the Draft Budget and to provide members with accurate information. However new information emerges and therefore the Final Budget will not be complete until February 2019.
11. Councillor Tierney said he is concerned that the amount the Council expects to receive as part of the Business Rates Levy Account, has automatically been allocated to the Brexit fund which had not been allocated funds previously. He raised concern that no funds had previously been budgeted against the effects of Brexit, if the Council had concerns about the impact of Brexit. Paul Medd said due to the nature of Brexit, the Council can only estimate the impact it may have as nobody can quantify its effect and therefore the money has been put aside as a provisional reserve.
12. Councillor Tierney asked if these funds were to be used as a 'safety-barrier' for the potential impact of Brexit. Paul Medd said the general principle of reserves is to protect the Council against issues and risks. The problem with Brexit is the impact it could have on the Council is less definite and subjective however the Council would be prudent to put aside reserves if they are required.
13. Councillor Booth said whilst there may be a cost to the Council in relation to officer time spent analysing information regarding Brexit, allocating this money to the Brexit Fund does not seem wise and suggested it should be put back into the General Reserves. Paul Medd explained that officers have considered the financial implications of Brexit and some of the issues that could affect the Council include concerns regarding procurement of goods and services within Europe and any changes in regulatory framework. He said that whilst it was impossible to quantify the implications, the narrative being provided by the Local Government Association (LGA) gives a sense that Brexit will impact Local Authorities but to what extent is unknown. He informed members that Amy Brown (Interim Monitoring Officer) is undertaking a piece of work to prepare the Council for Brexit by monitoring and tracking its progress. He confirmed that an All-Member Seminar will be held in February addressing this.
14. Councillor Boden said a No-Deal Brexit may be beneficial to the Council in relation to the procurement process, as we would no longer have to comply with the EU's framework and therefore there could be a reduction in costs. He asked if the Council currently procure any goods and services outside of the UK. Mark Saunders explained that whilst the Council do not purchase directly from Europe, there may be an impact on the Contractors used by the

Council.

15. Councillor Owen asked if any other money had been allocated to funds with so many unknowns. Paul Medd explained that some of the Council's reserves are specifically earmarked to certain known projects however elements of the reserves are allocated to unknown risks, for example Judicial Reviews as a result of Planning decisions.
16. Councillor Boden said the allocation of this money is ultimately the decision of Cabinet and Full Council.

Prior to the meeting, members had requested empirical evidence regarding the accuracy of the Council's estimates and forecasts compared to actual figures for 2013/14 onwards in order to analyse the Council's surplus per year. Members were presented with the figures at the meeting.

1. Councillor Boden thanked officers for the figures provided and said the figures show a systemic difference between estimated figures and the outturn figures. He highlighted that the figures show a large surplus figure annually which could indicate issues with the budget setting process.
2. Councillor Boden commented that the estimated surplus for this year is £139,000 and asked for assurance that this was realistic as previous years have been on average £900,000.
3. Councillor Tierney said whilst it is positive that the Council has a surplus rather than a deficit, over the last five years this has averaged over £850,000 annually which is concerning. He stated that this could impact member's decisions in relation to the setting of Council Tax.
4. Councillor Hay explained that many of these surplus figures include one-off savings to the Council which were unknown during the budget setting process. She confirmed that officers are currently reassessing each service area's budget to ensure these are at the correct level.
5. Kamal Mehta clarified that the budget is set on a set of assumptions each year. He explained that it is common for there to be a variation between the forecast figures and the outturn figures. He explained to members that this surplus has helped the Council reduce their future expenditure as part of the surplus has been put into the Capital Reserve. The Capital Reserve is then able to fund capital expenditure without the need for borrowing thus incurring no further costs. He highlighted that the Council's underspend will result in the Council saving money in the future.
6. Mark Saunders agreed and said by having this money available the Council have reduced their borrowing.
7. Kamal Mehta explained that from his point of view as Section 151 officer, the budget process is critical and requires a level of attention to the individual budget lines. He confirmed that he had assessed this in detail to ensure the assumptions are being correctly applied. He reiterated that all Service Managers are analysing their budget lines to ensure that there are no items in there which could be removed to ensure a realistic budget is being set. He assured members that from a Section 151 officer's point of view there is a level of robustness in the budget setting and he will continue to monitor the estimated surplus.
8. Councillor Boden thanked officers for the clarification and emphasised that members do not doubt officer's professionalism and the legalities of the Council's budget setting processes.
9. Paul Medd agreed that members should challenge these figures and reiterated that many of these are one-off windfalls however there is a residual amount not connected to this, of which he has discussed with officers. They identified that as the Council has reduced in size, some of the associated budgets have not been reduced to reflect this. He explained that service budgets have been reviewed and this work will be reflected in future surplus figures.
10. Kamal Mehta added that over the last three years, the Council have also received significant grants which in turn, have reduced staffing costs for officers working on these projects. He confirmed that these greatly impact underspends and surplus.
11. Councillor Boden thanked officers for their explanation and said it would be useful if officers could quantify these figures when members consider it next year.

12. Councillor Booth said the Council have had a culture of prudent budget setting which has now been addressed. He said officers need to ensure that additional costs are not being added to service budgets to ensure an underspend. Paul Medd clarified that the Council would never encourage or promote this attitude and said officers are encouraged to be honest and reflective when setting their budgets.
13. Councillor Tierney said he had concerns relating to the use of grant funding towards staffing costs. Councillor Boden said he had no concerns regarding this. Paul Medd confirmed that although not in every case, certain funds are ring-fenced against specific projects and additional officer resource may be required.
14. Councillor Boden said looking back at the figures, the Medium Term Financial Strategy (MTFS) has underestimated future income in previous years and whilst there may be isolated reasons for this, it presents an incorrect perception of the deficit. This in turn can impact staffing and the setting of Council Tax. Mark Saunders explained that estimates from several years ago are merely forecasts and things such as laws and legislation can change and impact these estimates. He highlighted that new Government initiatives can increase funding and the Council are unable to predict these for future years. He said each component and element change significantly over the years and unless each figure is dissected a like-for-like comparison cannot be drawn.
15. Councillor Boden agreed that this is a complicated matter and highlighted that the Council's MTFS could be deemed unreliable due to the uncertainty of future funding.
16. Kamal Mehta reiterated that assumptions are based on the best information available to the Council at that time and based on known income streams and expenditure. He explained that the Council keep a close eye on the national picture and identify areas of risk that would have a significant impact on these outcomes. He added that the Fair Funding Review and Business Rate Retention pilot could have a significant impact on the Council. He explained that as district councils are not the lead authority for areas such as Social Care and Children Services, they may not receive as much from future government settlements. He reiterated that district council services are not protected services which could therefore result in the Council's funding reducing as a result of this.
17. Paul Medd agreed and said to balance these streams of income the Council must consider expenditure and how this has changed. The Council are unaware of the outcome of the Business Rate Retention pilot and Fair Funding Review but are actively involved in the Working Groups which will allow further insight into each of these areas.
18. Councillor Boden thanked officers for their responses and said the information had been very useful to members. He reiterated that the reliability of the MTFS is uncertain due to the potential changes in the Council's sector of Local Government.
19. Councillor Boden asked what the £14,000 surplus from the grant settlement will be allocated to. Kamal Mehta explained that since the Draft Budget was produced, the £14,000 from the grant settlement has been received and is now included in the budget. Mark Saunders confirmed that this money is not allocated but has been incorporated into the budget that will be presented to Council in February 2019.
20. Councillor Booth asked why the net service expenditure has been increasing year on year. He asked if the Council are working to reduce this figure or at least keep it static. Kamal Mehta explained that the net service expenditure has risen due to several issues such as; supplier's contracts, utilities rising, pay and pension increases. Kamal Mehta added that serious decisions would need to be made if we were to try and reduce costs in any of these areas.
21. Councillor Booth highlighted that commercial businesses have similar issues in relation to this expenditure. Paul Medd agreed but added that there are many variables that are different between the commercial and public sector. For example, the Council have many statutory areas of spending with only some being discretionary. He added that members set many of these discretionary areas of expenditure.
22. Councillor Hodgson stated that the New Homes Bonus (NHB) calculation appears to be incorrect as it is not taking into account the number of new homes anticipated. He asked what assumptions were used to inform the estimated number and type of new homes

expected to qualify for NHB. Councillor Hay confirmed that the calculation is based on the number of new dwellings completed in the previous year. The NHB is payable for four years with Fenland District Council receiving 80% and Cambridgeshire County Council the further 20%. She explained that the criteria has changed considerably since 2016-17 with further changes anticipated over the coming years.

23. Councillor Boden asked if the new homes anticipated as part of the Wisbech Garden Town Project, were included in these figures. Paul Medd confirmed that they were not.
24. Councillor Boden asked why no Section 106 receipts were forecast from next year onwards (as per page 35 of the Agenda Pack). Kamal Mehta explained that this is because there are no capital schemes identified in the Capital Programme funded by Section 106 monies.
25. Councillor Boden asked if any Section 106 monies are accounted for in the figures when they are agreed but not paid. Mark Saunders confirmed only when the money is received, is it included.
26. Paul Medd explained that whilst we want to make best use of Section 106 money, the Council is limited on what it can be spent on.
27. Councillor Booth said the report discusses an increase in Council Tax of 3% but does not provide an explanation as to why or how this will affect the Council. Councillor Boden asked that in future members are shown the financial implications of Council Tax increases. Paul Medd reminded members that this information had been circulated previously and agreed to re-circulate it.
28. Councillor Tierney stated that members and the Council have a duty to the public to be as cost effective as possible; therefore as a result of the surplus money he would like to see a freeze on Council Tax.
29. Councillor Boden suggested that Cabinet consider the additional and surplus money when making their recommendation in relation to Council Tax.
30. Councillor Booth highlighted that some of this surplus is from one-off payments therefore members must consider when allocating it to Council Tax, that this money will not be available annually and therefore could cause issues further down the line. Councillor Hay agreed and explained that if members chose a 0% increase in Council Tax; this would create a deficit of over £800,000 cumulatively over the coming years.
31. Councillor Tierney said that the evidence indicates that the Council should freeze Council Tax.

Councillor Boden thanked officers for their contribution today and said that members were satisfied with the advice and information received today.

*(Councillor Booth declared an interest as the Council hold investments with Building Societies and he is an employee of the Yorkshire Building Society)*

### **OSC34/18 REVIEW OF FEES AND CHARGES 2019/20.**

Members considered the Review of Fees & Charges 2019/20 report.

Members asked questions, made comments and received responses as follows;

1. Councillor Booth suggested that as Ports run at a deficit, they should be subject to a higher increase in their fees and charges as they do not bring in a high level of income.
2. Councillor Boden informed members that Councillor Mrs Bucknor had submitted the following question in relation to the Port;

'I've been concerned for many years at the fees and charges for Wisbech Port. To encourage shipping to travel the extra few miles from Sutton Bridge, it needs to make the longer travel more attractive than Sutton Bridge who also have better facilities. The more ships that come to Wisbech, the cheaper it is to maintain from the perspective that there is a build-up of silt which has to be expensively removed and disposed of - the more ships, the less silt build-up.'

3. Councillor Boden confirmed that the Port will be reviewed as part of the work undertaken by the Member-Led Economic Development Review Group.
4. Councillor Tierney disagreed with the suggestion of increasing the Port's fees and charges as it is an uncertain time for many businesses that operate on the Port. He agreed with the recommended increase contained within the report in relation to this.
5. Councillor Seaton said in response to Councillor Mrs Bucknor, it would be very difficult to get a significant increase of ships into Wisbech due to the size of the ships and Wisbech does not have a large enough turning circle to facilitate this. He highlighted that whilst cargo has increased, shipping has decreased.
6. Councillor Tierney said it would cost several million pounds to increase the turning circle at Wisbech Port.
7. Councillor Booth asked why Wisbech Yacht Harbour was not subject to an increase in their fees and charges. Councillor Oliver explained that following a benchmarking review in April 2018, there were a number of significant fee increases in this area which resulted in the loss of some customers. In order to maintain competitiveness, the recommendation was not to increase these fees further.
8. Councillor Owen asked for further information on the Process Authorisation fees listed on page 53 of the Agenda Pack. Richard Cassidy explained that these fees relate to the Pollution Prevention Control Regime which is a national regime for pollution control. It regulates activities such things as car spraying, the burning of waste oil and the crushing of aggregate. He added that these fees are fixed nationally.
9. Councillor Boden asked why the recommendation was not to increase Commercial Waste Costs (page 56 of the Agenda Pack). Councillor Murphy explained that this is a very competitive market and the private companies offering this service do not release their prices. Following a review, the Council are now achieving a larger amount of income in this area.
10. Councillor Booth asked if the Council had undertaken benchmarking research in relation to burial ground fees (page 54 of the Agenda Pack). Councillor Murphy confirmed that the Council had considered both Peterborough City Council and Kings Lynn & West Norfolk Borough Council's charges and highlighted that Fenland District Council's fees are still lower than other Local Authorities.
11. Councillor Booth asked if comparison had been made with East Cambs District Council and whether the Council make a surplus from these charges. Councillor Murphy said the service is operated at cost but involves a lot of other work in relation to trees contained within the burial grounds.
12. Councillor Booth asked if Land Charges operate at a surplus or deficit as the fees are not proposed to increase. Anna Goodall explained that Land Charges is a cost recovery service only and is not permitted to make a surplus.
13. Councillor Booth reminded members that the costs associated with Markets will also form part of the Economic Development Review.
14. Councillor Hodgson reminded members that the Hudson Indoor Bowls Club is to be removed as part of the Freedom Leisure contract.

**The Overview and Scrutiny Panel AGREED to recommend to Cabinet the Fees & Charges to be included in the final budget proposals for 2019/20.**

#### **OSC35/18 DRAFT BUSINESS PLAN 2019-20.**

Members considered the Draft Business Plan 2019-20 report.

Members asked questions, made comments and received responses as follows;

1. Councillor Boden asked what planning was necessary for the revision of the Local Plan and the associated costs and timescales for this piece of work. Councillor Mrs Laws explained

that this was a very important piece of work with an estimated cost of £600,000. This fee will include staffing costs, the production of documents and public hearings. She confirmed that colleagues at Peterborough City Council were assisting with the project and preparation has begun with a start date anticipated after the elections in May 2019. Paul Medd confirmed that a report will be presented to Cabinet and Council in February 2019 to reinforce the background information sought.

2. Councillor Seaton clarified that the cost of £600,000 is an estimated cost and the Council have provisions in the budget for a cost of £400,000, so will need to find additional funds if it reaches this level.
3. Councillor Tierney suggested that the report be amended to add emphasis to community safety and the prevention of anti-social behaviour. He asked that the promotion of culture and heritage should be included under the Economy section of the report. Councillor Seaton agreed to consider these points.
4. Councillor Booth highlighted that on page 71 of the Agenda Pack, there is a bullet point missing under the Economy section.
5. Councillor Booth said whilst there is emphasis on vulnerable members of the community, the general supporting of communities as a whole should be included. He said the report does not focus on the quality of life within Fenland and asked that emphasis be put on this. He highlighted that to attract people to Fenland there must be a viable economy and social community.
6. Councillor Booth said the Performance Indicators contained within the report do not match up to the specific areas and may not be relevant in measuring these areas. Councillor Seaton agreed to consider these comments.
7. Councillor Boden asked Cabinet to consider each Performance Indicator for their individual portfolios.
8. Members asked that the comments relating to the formatting of the report and performance indicators are considered.

#### **OSC36/18 MATTERS ARISING - UPDATE ON PREVIOUS ACTIONS.**

Members were provided with an update on the status of actions raised at previous meetings of the Committee.

Members asked that information is provided in relation to the Contact Centre's call statistics. It was agreed that this action be carried forward to the next meeting.

Members asked for clarification in relation to the number of complaints received by Anglia Revenues Partnership. It was agreed that this action be carried forward to the next meeting.

#### **OSC37/18 FUTURE WORK PROGRAMME.**

Members had asked that Clarion attend the February meeting. Anna Goodall informed members that due to availability, this was not possible and therefore they would attend the meeting on 18 March 2019 as agreed previously.

4.34 pm

Chairman