

TONBRIDGE & MALLING BOROUGH COUNCIL



EXECUTIVE SERVICES

Chief Executive

Julie Beilby BSc (Hons) MBA

Gibson Building
Gibson Drive
Kings Hill, West Malling
Kent ME19 4LZ
West Malling (01732) 844522

NB - This agenda contains proposals, recommendations and options. These do not represent Council policy or decisions until they have received proper consideration through the full decision making process.

Contact: Committee Services
committee.services@tmbc.gov.uk

15 January 2018

To: MEMBERS OF THE OVERVIEW AND SCRUTINY COMMITTEE
(Copies to all Members of the Council)

Dear Sir/Madam

Your attendance is requested at a meeting of the Overview and Scrutiny Committee to be held in the Civic Suite, Gibson Building, Kings Hill, West Malling on Tuesday, 23rd January, 2018 commencing at 7.30 pm

Yours faithfully

JULIE BEILBY

Chief Executive

A G E N D A

PART 1 - PUBLIC

- | | | |
|----|--------------------------|-------|
| 1. | Apologies for absence | 5 - 6 |
| 2. | Declarations of interest | 7 - 8 |

3. Minutes 9 - 12

To confirm as a correct record the Minutes of the meeting of the Overview and Scrutiny Committee held on 24 January 2017

4. Any Executive Decisions which have been 'called in' 13 - 14
5. Review of the Scrutiny Function 15 - 20

Matters for Recommendation to the Cabinet

6. Revenue Estimates 2018/19 21 - 34
7. Capital Plan Review 2017/18 35 - 56
8. Select Committee Review of Effectiveness of Local Authority Overview and Scrutiny Committees 57 - 64
9. Urgent Items 65 - 66

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

Matters for consideration in Private

10. Exclusion of Press and Public 67 - 68

The Chairman to move that the press and public be excluded from the remainder of the meeting during consideration of any items the publication of which would disclose exempt information.

PART 2 - PRIVATE

11. Urgent Items 69 - 70

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

MEMBERSHIP

Cllr A K Sullivan (Chairman)

Cllr Mrs A S Oakley (Vice-Chairman) and Cllr Ms S V Spence (Vice-Chairman)

Cllr Mrs J A Anderson

Cllr M C Base

Cllr P F Bolt

Cllr J L Botten

Cllr T I B Cannon

Cllr S R J Jessel

Cllr D Keers

Cllr Mrs F A Kemp

Cllr Mrs S L Luck

Cllr M R Rhodes

Cllr Miss S O Shrubsole

Cllr M Taylor

Cllr Miss G E Thomas

Cllr F G Tombolis

Cllr T C Walker

This page is intentionally left blank

Apologies for absence

This page is intentionally left blank

Declarations of interest

This page is intentionally left blank

TONBRIDGE AND MALLING BOROUGH COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE

Tuesday, 24th January, 2017

Present: Cllr A K Sullivan (Chairman), Cllr Mrs A S Oakley (Vice-Chairman), Cllr Ms S V Spence (Vice-Chairman), Cllr Mrs J A Anderson, Cllr M C Base, Cllr T I B Cannon, Cllr R W Dalton, Cllr Mrs S M Hall, Cllr Mrs S L Luck, Cllr P J Montague, Cllr M Taylor, Cllr T C Walker and Mr D Still (Co-opted Member)

Councillors O C Baldock, M A Coffin, D A S Davis, N J Heslop, D Lettington, D Markham and M R Rhodes were also present pursuant to Council Procedure Rule No 15.21.

Apologies for absence were received from Councillors P F Bolt, J L Botten, S R J Jessel, Mrs F A Kemp, F G Tombolis and Mr P J Drury (Co-opted Member)

PART 1 - PUBLIC

OS 17/1 DECLARATIONS OF INTEREST

There were no declarations of interest made in accordance with the Code of Conduct.

OS 17/2 MINUTES

RESOLVED: That the Minutes of the meeting of the Overview and Scrutiny Committee held on 13 September 2016 be approved as a correct record and signed by the Chairman.

MATTERS FOR RECOMMENDATION TO THE CABINET

OS 17/3 REVENUE ESTIMATES 2017/18

The report of the Director of Finance and Transformation referred to the responsibility of the Cabinet under the Constitution for formulating initial draft proposals in respect of the Budget. Reference was made to the role of the Committee in assisting the Cabinet and the Council in preparation of the Budget.

Careful consideration was given to both the Revised Estimates for 2016/17 and the Estimates for 2017/18 within the context of the Medium Term Financial Strategy and the Council's priorities.

Attention was drawn to the key messages arising from the provisional local government settlement for 2017/18 announced by the Secretary of State for the Department for Communities and Local Government on 15 December 2016 and to the outcome of the consultation on New Homes Bonus (NHB). The report provided illustrative figures for the Government's projected allocation of grant under the New Homes Bonus scheme and it was noted that this represented a cash decrease of £1,291,456 or 33.6% by 2019/20 when compared to £3,847,880 in 2016/17. It was reported that the Total Grant Funding in 2019/20 was projected to be £3,855,735 which represented a cash decrease of £2,888,541 or 42.8% when compared to the equivalent figure of £6,744,276 in 2016/17.

RECOMMENDED: That

- (1) the draft Revenue Estimates contained in the Booklet be endorsed and commended to Cabinet; and
- (2) the Savings and Transformation Strategy be updated to reflect the latest projected 'funding gap' as part of the budget setting process.

OS 17/4 CAPITAL PLAN REVIEW 2016/17

Consideration was given to the report of the Director of Finance and Transformation which set out progress on the 2016/17 Capital Plan Review.

RECOMMENDED: That

- (1) the recommendations of the Finance, Innovation and Property Advisory Board held on 4 January 2017 be endorsed; and
- (2) the Capital Plan Strategy, as set out at Annex 5 to the report, be endorsed for adoption and publication on the Council's website.

**OS 17/5 CHRISTMAS LIGHTS AND HANGING BASKETS -
RECOMMENDATIONS OF SCRUTINY PANEL**

Members considered the recommendations arising from the Scrutiny Panel review of the Borough Council's current level of support for Christmas lighting displays in some parished areas and how Christmas lighting displays and High Street Flower displays were currently provided and funded in Tonbridge. The Review Panel had been advised of the instruction from Cabinet arising from the 'Fairer Charging' consultation to consider whether opportunities existed to secure alternative external funding when it had met on 22 November 2016 and it was noted that a representative on Tonbridge Town Team had attended that meeting.

The Committee supported the opinion of the Panel that no changes should be made to the support provided in the parished areas and that alternative funding options should be explored for provision of Christmas Lights and hanging baskets in Tonbridge.

RECOMMENDED: That

- (1) no change be made to the current arrangements for Christmas lighting grant support in the parished areas but these be reviewed again when necessary;
- (2) alternative funding options for Tonbridge Christmas lights and hanging baskets be explored for 2017/18. If these options are found not to be viable, Council, as a last resort, be recommended to review the listed functions within the Council's adopted Special Expenses Scheme with a view to including the functions within that scheme from 2018/19;
- (3) a range of potential funding options be explored, including seeking direct support from local traders and achieving additional income generation from new events, markets, advertising and street trading concessions. This funding to be additional to any existing income already generated or planned for in the town centre;
- (4) the target income figure for 2017/18 be set at £17,000, being 50% of the annual costs of both the Christmas lights and hanging baskets; and
- (5) a review of the progress achieved with the above initiatives be undertaken in the third quarter of 2017/18.

MATTERS SUBMITTED FOR INFORMATION

OS 17/6 SCRUTINY REVIEW PROGRAMME UPDATE

The report of the Chief Executive set out proposals for future reviews to be undertaken by the Overview and Scrutiny Committee, together with details of the membership of the review groups. It was noted that Councillors Base and Bolt would be invited to serve, respectively, on the Review of the Gibson Building and the Review of the Constitution and that the Vice-Chairmen of the Committee could attend the meetings of the Panel to which they had not been appointed.

RESOLVED: That the review topics and panel membership be noted.

MATTERS FOR CONSIDERATION IN PRIVATE

OS 17/7 EXCLUSION OF PRESS AND PUBLIC

There were no items considered in private.

The meeting ended at 8.31 pm

Agenda Item 4

Any Executive Decisions which have been “called in”

This page is intentionally left blank

TONBRIDGE & MALLING BOROUGH COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE

23 January 2018

Report of the Chairman of the Overview and Scrutiny Committee

Part 1- Public

For decision

1 REVIEW OF THE SCRUTINY FUNCTION

To set out some suggestions as to how the Overview and Scrutiny Committee can add value to the delivery of the Council's Savings and Transformation Strategy.

1.1 Background

- 1.1.1 Following the discussion at the recent meeting of the Finance and Property Advisory Board which focused on the proposed budget for 2018/19, I have given some thought as to how the Council's Overview and Scrutiny function could be further developed. A number of concerns were expressed that Members, and in particular, those serving on the Overview and Scrutiny Committee, should be doing more to understand and assist with the Council's Savings and Transformation Strategy and, in particular, how Members could help further with the delivery of the targets for savings/increased income needing to be achieved in 2018/19.
- 1.1.2 It was clear from comments made by some Members that they feel rather excluded from the process and that a more proactive role in helping to identify and deliver those savings or increased income should be explored. In the past, we have perhaps left such matters to our officers. I believe that elected Members should be far more involved in the process, and especially via the Overview and Scrutiny Committee. This would enable Members to play a more active role by exploring areas of Council expenditure that could be reviewed and assessing opportunities to make the savings/increase income needed.
- 1.1.3 By way of background, I have asked Officers to provide a summary of the Savings and Transformation Strategy and some information about how this has performed over the past 3 years regarding the savings targets that have been set. This is attached as Appendix 1.

1.2 My Suggested Approach

- 1.2.1 I am aware that Members also have some concerns about the current way the overview and scrutiny process has operated in the recent past, and that to be more effective, we need to be more streamlined in our approach especially when dealing with issues related to the Savings and Transformation Strategy.
- 1.2.2 Whilst the use of scrutiny panels has enabled Members to look in more detail at issues of concern, I am aware that this has lengthened the overall time taken to complete a review. I believe that, for the coming year, we abandon the panel approach and focus on work led by the Overview and Scrutiny Committee as a whole.
- 1.2.3 If Members are to be more involved in the process, I suggest that the Overview and Scrutiny Committee needs to work harder and more efficiently. That would mean having more formal meetings throughout the coming year, perhaps up to 6 in total, each focusing on one or two potential savings or potential for increased income. With the ongoing support of our officers, this would enable the Committee to agree if any savings or additional income in that area of business can be achieved. In that way, we could make clear and well-timed recommendations to the Cabinet on a number of key areas.
- 1.2.4 I suggest that we ask our Officers to plan ahead for these changes to be put in place from the start of the new financial year. It would then be a matter to arrange the suggested six meetings of the Committee over the coming year to ensure we deal with the areas of concern that have been or will be identified. Each quarterly meeting of the Cabinet then might need to consider 2 or 3 sets of recommendations from the Overview and Scrutiny Committee.

1.3 Initial list of Reviews

- 1.3.1 I have spoken with officers and agreed that the two outstanding reviews (the Gibson Building – Option Appraisal and a review the Council’s Constitution) should be completed via two special meetings of the Committee in March/April. Members will be advised of the dates in due course.
- 1.3.2 This will then free up time to commence the new approach with meetings every two months focusing on single issues. I hope that Members will be able to attend and support as many of these meetings as possible to ensure that a range of views and suggestions for change can be discussed. Some initial suggestions for review that have been put forward previously are listed below:

Youth Engagement (including Sports and Events Development)

Concessionary Charges

Customer Service Surgeries

Road Closures for Local Events

Public Conveniences

- 1.3.3 I am reflecting on other areas which might be appropriate to review, and of course, other Members of the Committee are welcome to contribute to that thinking too. Our Officers would also be able to advise Members as to which specific areas of Council spending, as set out in the Council's Budget Book, perhaps need to be re-assessed.

1.4 Conclusions

- 1.4.1 It is clear from the recent discussions that Members want to be more involved in the process that supports the delivery of the Savings and Transformation Strategy. We need to work with our officers more effectively and give clearer guidance to them when budgets for 2019/20 need to be formulated. I hope the Committee will support this new suggested approach.

1.5 RECOMMENDATION

- 1.5.1 That the proposals, as set out in the report, **BE ENDORSED.**

Allan Sullivan

Background papers:

Nil

This page is intentionally left blank

Savings and Transformation Strategy – Performance to Date

1. The Council's Savings and Transformation Strategy was first introduced in February 2016. The aim of the Strategy was to:
 - (a) Set out the overall annual amounts of savings that were needed across each of the remaining years of the Council's Medium Term Financial Strategy and timescales.
 - (b) Set out the following 7 themes against which individual annual savings targets could be set:
 - Income Generation and Cost Recovery
 - In-Service Efficiencies
 - Service Change and Reduction
 - Contracts
 - Organisational Structure Change
 - Partnership Funding
 - Asset Management
 - (c) Undertake annual reviews of the savings that have been achieved against the targets
 - (d) In the light of the amount of annual savings achieved in the previous year, review the overall saving tranches for future years and how these would best be distributed across the 7 themes.
2. Monitoring of the performance of the strategy since its introduction in 2016 indicates the following:
 - (a) **Savings Identified by April 2016**
 - Savings target - £200,000
 - Savings achieved - £275,000

Mainly achieved via a review of car parking options (£45K) and service efficiencies.
 - (b) **Savings Identified by April 2017**
 - Savings Target - £625,000
 - Savings Achieved - £883,000

Mainly achieved via establishment changes (£129K); service changes (£100K) including the review of holiday activity programmes and reduction in discretionary housing assistance and introduction of local charges or

special expenses (£230K) and cessation of council tax support grant (£178K).

(c) Savings Identified by April 2018 (to date)

Savings Target - £650,000

Savings Achieved (to date) £646,000

Mainly achieved by car parking options (£75K); TMLT service fee (£145K), insurance contract re-tender (£55K); establishment changes (£119K); and property fund/s investment income- £186K).

3. Over the three previous years, the amount of savings achieved (£1,804K) has exceeded the target of £1,475K by £329K.

4. The Cabinet will shortly be considering proposals to determine the next annual tranche of the Savings and Transformation Strategy to April 2019. The key decisions to be made are:

(a) In the light of the performance already achieved, how the remaining savings needed by the start of April 2021 should be apportioned across the next three years of the MTFs;

(b) How the overall annual target should be distributed across each of the 7 themes;

(c) What initial opportunities are coming forward to meet the annual savings target that is set. The major opportunity coming forward is the retendering of the Waste Services contract and the introduction of charges for green waste. This initiative could generate a substantial contribution to a future savings tranche/s. In addition, further opportunities now need to be evaluated in more detail including the future management of Leybourne Lakes Country Park, further establishment reviews, and any further service reviews including those to be considered by the Overview and Scrutiny Committee over the coming year.

TONBRIDGE & MALLING BOROUGH COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE

23 January 2018

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet

MEMBERS ARE ASKED TO BRING WITH THEM THE REVENUE ESTIMATES BOOKLET CIRCULATED WITH THE AGENDA FOR THE MEETING OF THE FINANCE, INNOVATION AND PROPERTY ADVISORY BOARD

1 REVENUE ESTIMATES 2018/19

The Council has a statutory duty to set the level of council tax for the forthcoming financial year by 11 March. Under the Budget and Policy Framework Rules of the Constitution, the Cabinet is responsible for formulating initial draft proposals in respect of the Budget. The role of this Committee is to assist both the Cabinet and the Council in the preparation of the Budget for 2018/19 within the context of the Medium Term Financial Strategy and the Council's priorities.

1.1 Introduction

- 1.1.1 The Cabinet is responsible for formulating initial draft proposals in respect of the Budget for 2018/19. This report is intended as the basis for recommendations from this Committee to the Cabinet.
- 1.1.2 A special meeting of the Cabinet is scheduled for the 8 February to consider the recommendations of this Committee and of the Finance, Innovation and Property Advisory Board and, in addition, take into account the Council's final grant settlement.
- 1.1.3 At that special meeting on the 8 February, the Cabinet will need to formulate its final proposals in respect of the Budget for 2018/19 and the council tax to be levied in respect of the Borough Council. The Full Council will meet on the 20 February to approve the Budget and set the Council Tax. The Full Council may adopt or amend the Cabinet's proposals.
- 1.1.4 The role of this Committee is to consider both the Revised Estimates for 2017/18 and the Estimates for 2018/19 within the context of the Medium Term Financial Strategy and the Council's priorities. For completeness, details of how we are

updating the Medium Term Financial Strategy are contained within this report for information.

- 1.1.5 Copies of the Booklet containing the draft Revenue Estimates has already been circulated to all Members with the agenda for the meeting of the Finance, Innovation and Property Advisory Board. Please bring your copy of the Booklet to this meeting. If Members require further copies, please contact Michael Withey, Principal Accountant on extension 6103 or by e-mail at michael.withey@tmbc.gov.uk
- 1.1.6 Overall, the draft Estimates for 2018/19 show an increase over the Original Estimates for 2017/18 of £494,985 prior to making a contribution to/from the General Revenue Reserve. Members are referred to the report presented to the meeting of the Finance, Innovation and Property Advisory Board for further details on the Estimates.
- 1.1.7 It is likely that there will need to be changes made to the Estimates as we move through the budget setting process. It is the intention of the Director of Finance and Transformation to bring these together for the Cabinet Budget meeting in February, rather than introduce them in a piecemeal fashion.

1.2 Medium Term Financial Strategy

- 1.2.1 To recap, the Council's current Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets over a rolling ten-year period, and it is this Strategy that underpins the budget setting process each year and over the strategy period. The aim of the Strategy is to give us a realistic and sustainable plan that reflects the Council's priorities. The MTFS sets out the high level objectives the Council wishes to fulfil over the agreed time span. These are:
- To achieve a **balanced revenue budget** that delivers the Council's priorities by the end of the strategy period.
 - To retain a **minimum of £2.0m** in the General Revenue Reserve by the end of the strategy period.
 - Seek to set future increases in council tax having regard to the **guidelines** issued by the Secretary of State.
 - Continue to **identify efficiency savings** and **opportunities for new or additional income sources** and to **seek appropriate reductions in service costs** in delivery of the Savings and Transformation Strategy approved by Members.
 - Subject to there being sufficient resources within the capital reserve, set a **maximum 'annual capital allowance'** each year as part of the budget setting process for all new capital schemes (currently set at £200,000 from

the Council's own resources) and give priority to those schemes that generate income or reduce costs.

- 1.2.2 The MTFs sets out, not only the projected budgets for the period, but also the levels of council tax that are projected to be required to meet the Council's spending plans. Underneath the Strategy for the budget setting year sits detailed estimates formulated in conjunction with Services taking into account past outturn, current spending plans and likely future demand levels / pressures.
- 1.2.3 Members are fully aware of the significant financial challenge facing the Council as a result of the Government's ongoing budget deficit reduction programme which has resulted in continuing reductions in the financial support it can offer to local government. We believe, however, that our MTFs is resilient and the financial pressures likely to confront us can be addressed in a measured and controlled way, but with ever increasing pressure this is becoming progressively more difficult.
- 1.2.4 Members will recall that when setting the budget for 2017/18 in February 2017 projections at that time suggested a funding gap between expenditure and income of circa £1.6 million. Based on the above projection it was further suggested that we break the savings target into three tranches (tranche one £650,000, tranche two £700,000 and tranche three £250,000 to be achieved ideally by the start of the year 2018/19, 2019/20 and 2021/22 respectively).
- 1.2.5 The MTFs will need to be updated and rolled forward as part of the 2018/19 budget setting process. Further information about this, together with the issues that Cabinet will need to address when updating the MTFs are set out later in this report at paragraph 1.8.

1.3 Provisional Local Government Finance Settlement

- 1.3.1 On 19 December 2017, the Secretary of State for the Department for Communities and Local Government, Sajid Javid MP, made a statement to Parliament on the provisional local government finance settlement for 2018/19. The provisional figures are expected to be confirmed in late January/ early February 2018.
- 1.3.2 In 2016 the government offered any council that wished to take it up a multi-year settlement for the four year period 2016/17 to 2019/20 and as a result provided illustrative allocations up to 2019/20. This Council accepted the offer of a multi-year settlement and as you might expect the provisional Settlement Funding Assessment (SFA) for 2018/19 and illustrative allocation for 2019/20 are not that dissimilar to the indicative figures set out in the multi-year settlement.
- 1.3.3 Our provisional SFA for the year 2018/19 and illustrative allocation for 2019/20 can be seen in the table below. In 2019/20 our SFA is projected to be £1,264,921. A cash decrease of £1,631,475 or 56.3% when compared to the equivalent figure of £2,896,396 in 2016/17.

1.3.4 In addition, Members are reminded of the changes made this time last year in respect of New Homes Bonus (NHB) which saw:

- 1) The length of NHB payments reduced in length from 6 years to 5 years in 2017/18 and to 4 years from 2018/19.
- 2) The introduction of a national baseline for housing growth of 0.4% below which NHB will not be paid.

1.3.5 The Council's NHB for the year 2018/19 and illustrative figure for 2019/20 under the revised scheme can also be seen in the table below:-

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Local Share of Business Rates	2,106,525	2,149,532	2,214,110	2,263,217
Tariff Adjustment				(998,296)
Revenue Support Grant	655,042			
Transition Grant	134,829	117,201		
Settlement Funding Assessment	2,896,396	2,266,733	2,214,110	1,264,921
Change over SR Period (£)				(1,631,475)
Change over SR Period (%)				-56.3%
New Homes Bonus ##	3,847,880	3,490,134	3,334,128	3,401,545
Total Grant Funding	6,744,276	5,756,867	5,548,238	4,666,466
Change over SR Period (£)				(2,077,810)
Change over SR Period (%)				-30.8%

Note: Figures as set out in the settlement consultation which we believe are simply projections based on previous growth levels, and should be read in conjunction with paragraph 1.3.7 below.

1.3.6 The scale of housing delivery in the 12 month period used to determine NHB allocations for the year 2018/19 was exceptional at over 1,000. To put this into context the historic annual average is between 500 and 600 properties. As a result the Council's NHB for 2018/19 is £3,334,128 compared to £2,666,000 estimated this time last year. On the assumption there are no retrospective changes to the scheme this is a welcome windfall affording the opportunity to set aside monies to fund in part (or in full) particular initiatives – for example capital investment required in respect of the retender of the refuse, recycling and street cleansing contract. However, here in lies the dilemma – the phrase 'subject to no further changes' is very important. The period over which payments are made can be reduced, the baseline could be increased or both things could change at any time; and worse, the scheme can be withdrawn and the associated funding

redistributed in some other way. In other words, NHB is at risk indefinitely and which, unsurprisingly, is of particular concern.

- 1.3.7 That said, in 2019/20 NHB is projected to be £3,401,545 (dependent on growth – a more conservative estimate would be £3.0 million) representing a cash decrease of £446,335 or 11.6% when compared to £3,847,880 in 2016/17. However, NHB will continue to fall beyond 2019/20 as the changes made this time last year work their way through the system and this year's exceptional housing delivery falls out of the calculation such that, by 2022/23, it is estimated that NHB could be in the order of £1.5m based on the current scheme.
- 1.3.8 **Members are asked to note that for medium term financial planning purposes it is assumed that from 2020/21 the scheme will reduce in length to three years and from 2021/22 the Council will receive via NHB and or alternative funding source in the order of £1.3m rising steadily thereafter to around £1.4m by 2027/28.** An alternative 'strategy' would be to remove NHB as a funding source within our MTFs. However, the consequential savings targets would be so extreme that it would make achievement of them virtually out of reach.
- 1.3.9 In 2019/20 the government project total grant funding to be £4,666,466 representing a cash decrease of £2,077,810 or 30.8% when compared to the equivalent figure of £6,744,276 in 2016/17. The government in recent years has referred to the increase / (decrease) in an authority's core spending power and this is what tends to be quoted in media coverage. Using 2015/16 as the base year the decrease in core spending power over the spending review period calculated by the government in cash terms is £200,000 or 1.2% (based on what are considered to be optimistic council tax income projections and NHB allocations).
- 1.3.10 The provisional local government finance settlement 2018/19 is subject to consultation. The return date for responses to the consultation is 16 January 2018. The paper can be found at the following link:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/669538/LGFS_consultation_2018-19.pdf
- 1.3.11 As the provisional SFA for 2018/19 and illustrative allocation for 2019/20 are not that dissimilar to the indicative figures set out this time last year it is considered on this occasion an individual response is not required.
- 1.3.12 Announced alongside the provisional settlement was the outcome of the **bids for pilot status** in respect of 100% business rates retention. Members may recall that, at the Cabinet meeting in October 2017, I reported that there was a proposal for Kent and Medway authorities to put in a bid and delegated authority was given to myself and the Chief Executive, in liaison with the Leader and Cabinet Member for Finance, Innovation and Property, to determine whether this Council should be party to the bid. A bid was subsequently submitted and I am very pleased to

advise Members that the Secretary of State announced in his speech that the Kent and Medway bid has been successful.

1.3.13 In all, 10 pilots were successful. Based on the estimates prepared during the bidding process, it is expected that circa £25 million will come to the Kent and Medway pilot with the sum being divided into two discrete 'pots'. One for financial sustainability paid at individual council level, and the second for economic growth paid on a cluster basis.

1.3.14 In terms of financial stability, and based on the estimates prepared during the bidding process, a sum of circa £500,000 would come to TMBC in 2018/19. Furthermore, an allocation of circa £1.0 million to the West Kent Cluster (Sevenoaks, Tunbridge Wells and Tonbridge & Malling areas) towards supporting housing and commercial growth is anticipated.

1.3.15 This is clearly very good news for Kent and Medway as a whole.

1.4 Fair Funding Review and 'Negative RSG' Consultation

1.4.1 Alongside the provisional settlement, the Secretary of State also announced a technical consultation entitled "*Fair funding review: a review of relative needs and resources*". The paper can be found at the following link:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/669440/Fair_funding_review_consultation.pdf

1.4.2 The consultation will assist the DCLG with the development of a new funding allocation mechanism for local government, intended to be in place for 2020/21.

1.4.3 According to the DCLG's document, the review will:

- **"set new baseline funding allocations** for local authorities;
- deliver an **up-to-date assessment of the relative needs of local authorities**. The Government has been clear that there will continue to be redistribution of business rates between local authorities to take account of relative needs; the review will determine what the redistribution should be;
- **examine the relative resources of local authorities**. The Government will take a fresh look at how council tax income should be taken into account when redistributing business rates at local government finance settlements, and will also consider other potential sources of income available to councils;
- focus initially on the **services currently funded through the local government finance settlement**; and
- **be developed through close collaboration with local government to seek views on the right approach.**"

1.4.4 The consultation commenced on 19 December and will end on 12 March. In view of the timescales involved and the programming of meetings, it is **recommended that delegated authority be given** to the Director of Finance and Transformation in liaison with the Leader and Cabinet Member for Finance, Innovation and Property to respond to the consultation.

1.4.5 In addition, the Secretary of State announced that there will be a consultation taking place in Spring 2018 on the Negative RSG (tariff) adjustments, with the outcome feeding into the 2019/20 local government finance settlement. The Secretary of State stated *"I can confirm that my department will be looking at fair and affordable options for dealing with Negative RSG"*. However, for now, the negative RSG amounts remain with the 2019/20 individual authority figures as can be seen in the table at paragraph 1.3.5.

1.5 Local Referendums to Veto Excessive Council Tax Increases

1.5.1 The Localism Act gives local communities the power to veto excessive council tax increases. The Secretary of State will determine a limit for council tax increases which has to be approved by the House of Commons. If an authority proposes to raise council tax above this limit they will have to hold a referendum to get approval for this from local voters who will be asked to approve or to veto the rise.

1.5.2 For the year 2018/19, a referendum will be triggered where council tax is increased by 3%, or more than 3% and more than £5. The Secretary of State advised that he had increased the threshold to 3% (from 2%) as this was the current level of inflation.

1.5.3 Members are aware that our MTFs assumes council tax increases to the higher of the thresholds. Until now, an increase of £5 is the higher threshold for TMBC representing a 2.53% increase in council tax. Increasing council tax by 3% in line with inflation in 2018/19 generates just shy of a further 0.5% increase over and above our original forecast figures in the MTFs.

1.5.4 Referendum principles currently do not apply to town and parish councils.

1.6 Draft Capital Plan

1.6.1 A report elsewhere on this agenda seeks to advise Members of the way forward on the Capital Plan. The criteria established to guide the inclusion of new schemes to List C (holding list of schemes not yet fully worked up) and ultimately the inclusion of schemes on List A (schemes assigned budget provision) are:

- to meet legislative requirements including health and safety obligations;
- funded from external resources; and
- reduce revenue expenditure and or generate income.

- 1.6.2 The Capital Plan review report recommends schemes for inclusion on List B, the short-list of schemes for possible inclusion in the Capital Plan. Members are reminded that the selection from List B, of schemes to be included in the Capital Plan (List A) – if any – will be made at Cabinet on the 8 February for endorsement by Council. With this in mind Members are advised that other than loss of investment income the revenue consequences of new capital schemes **have yet to be incorporated within the Estimates.**
- 1.6.3 It is important to ensure that the revenue reserve for capital schemes can continue to fund capital expenditure at least until we reach a position where the annual contribution to the reserve matches the funding required for the replacement of existing assets (vehicles, plant and equipment) as well as recurring capital expenditure.
- 1.6.4 As a result there is an annual capital allowance for all other capital expenditure. Any 'bids' for capital schemes or discretionary capital grants are to be assessed in the context of the annual allowance. It should be noted, based on current projections, that from 2021/22 the Council may need to borrow to fund such expenditure. The annual capital allowance is set at £200,000 and it is proposed that the annual allowance continue to be set at that level.
- 1.6.5 In addition, the Invest to Save Reserve or Transformation Reserve, subject to there being sufficient funds available and where deemed appropriate, could be used to fund in full or in part capital plan schemes.

1.7 Consultation with Non-Domestic (Business) Ratepayers

- 1.7.1 Before the Borough Council determines the amount of its total estimated expenditure and makes calculations of its requirements for the ensuing financial year, it consults representatives of its non-domestic ratepayers about its expenditure proposals (including capital expenditure). The consultees, who include the local Chambers of Commerce as well as a group of the larger ratepayers in the Borough, receive on request information and copies of the draft budgets and are invited to make written representations if they deem it appropriate. Any points of clarification required are dealt with by telephone, written correspondence or, if appropriate, an informal meeting with officers.
- 1.7.2 Any comments or representations received from the consultees will be reported to Members during the budget process as appropriate.

1.8 Medium Term Financial Strategy Update

- 1.8.1 When updating the MTFs we need to take into account the following (not exclusive) factors:
- The Local Government Finance Settlement announcement.

- Those factors that have contributed towards addressing the ‘funding gap’ including the renegotiation of the Tonbridge and Malling Leisure Trust service fee, investment return on proceeds from the pending sale of council owned assets and establishment changes.
- Those factors that have taken matters in the ‘wrong’ direction including pay inflation, resource pressures as a result of legislative changes and extending a council tax increase of £5 each year further into the future than this time last year.
- The level of council tax increase for 2018/19 above which the local authority would be required to seek the approval of their electorate via a local referendum. For the year 2018/19 a referendum will be triggered where council tax is increased by 3%, or more than 3% and more than £5. A decision about the level of council tax for 2018/19 will not be made until later in the cycle, but for the purposes of updating the MTFs, officers have at this point assumed an increase of circa 3% in 2018/19 followed by an increase of £5 each year up to 2026/27 and 3% in 2027/28. To put this into context, 1% currently equates to about £100,000.
- The ongoing impact of the Business Rates Retention scheme and the proposal to move to a 100% Business Rates Retention scheme. The Council's actual business rates income is currently below the baseline set under the scheme and the Council has to meet a share of that shortfall up to a maximum of circa £166,000 in 2018/19 (or would do if we were not part of the 2018/19 Kent and Medway pilot referred to earlier). Current projections suggest we were getting ever closer to the baseline set (but unfortunately now set back by Fidelity International's plans to close its Hildenborough office in the near future, followed by sad news of Palmer and Harvey going into administration). For medium term financial planning purposes it is assumed that from 2021/22 the Council will be above the baseline set and benefitting as a result from additional business rates income. The question remains as to what will our baseline funding level be under an ‘eventual’ 100% Business Rates Retention scheme – (noting that the Secretary of State announced a plan to move to a 75% retention scheme in 2020/21) – and how this then compares to that reflected in the MTFs taking into account transfer of any new responsibilities?
- The award of New Homes Bonus (NHB) and continuing uncertainty over its future. NHB is a critical component of our overall government grant funding and what happens to this funding stream is, therefore, of particular interest and concern. For medium term financial planning purposes it is assumed that from 2020/21 the scheme will reduce in length to three years (reduced from six years to four years previously) and from 2021/22 the Council will receive via NHB and or alternative funding source in the order of £1.3m rising steadily thereafter to around £1.4m by the end of the period. Changes over and above that assumed will only add to what is already a

very difficult financial outlook and at worse put financial sustainability at risk. The question remains as to the extent to which NHB will feature in future government grant funding and if replaced what level of funding would we receive in its place?

- 1.8.2 To recap, we set ourselves a **savings target for this year of £650,000** and Members will recall from the Finance Update in September that at that time around half of that sum had been identified. Since then further savings have been identified (e.g. potential investment return on the proceeds of land sales approved by Council; reduction in Council's own contribution to DFGs; and establishment changes reported to General Purposes Committee in November) and to date **savings in the order of £646,000 have been achieved** (a fraction shy of the target set for the year). See below for further detail.

	£'000	£'000
Savings Identified to Date		
Property Investment Funds:		
Anticipated returns from asset disposals	186	
Core Funds	13	199
Tonbridge and Malling Leisure Trust Service Fee		145
Establishment Changes / Service Reviews:		
General Purposes Committee June 2017	24	
General Purposes Committee Nov 2017	67	91
Additional Income		75
Insurance Premium		55
Disabled Facilities Grants (see Capital Plan report)		50
Members Allowances		28
Visit Kent / Tourism South East		3
Savings		646

- 1.8.3 This is clearly excellent news given the position we were in in September and leaves only a small sum from the original target to find by the beginning of the new financial year.
- 1.8.4 **However**, as Members are aware, there are always other factors that can impact on the MTFs that either take the 'funding gap' in the right or wrong direction. When these factors are taken into account (most of which are outside our control) **net savings in the order of £600,000 have been achieved** when compiling the Revenue Estimates for 2018/19 and the difference of £50,000 will need to be reflected in the MTFs and the revised savings targets this generates.

1.8.5 This time last year the projected funding gap was put at £1.6m and a year on, all other things being equal, was expected to be £950,000. **The latest projected 'outstanding' funding gap is £1,000,000** (£1,600,000 - £600,000). The number, scale and timing of requisite savings tranches is the subject of consideration.

1.8.6 Clearly, the MTFS will continue to be updated as we move through the 2018/19 budget cycle and as more information becomes available. The updated MTFS will be presented with the Budget report to Cabinet in February. One thing is clear – a significant financial challenge remains to be addressed over the medium term.

1.9 Savings and Transformation Strategy

1.9.1 Alongside the MTFS now sits a Savings and Transformation Strategy (STS). The purpose of the Strategy is to provide structure, focus and direction in addressing the financial challenge faced by the Council and, in so doing, recognise there is no one simple solution and as a result we will need to adopt a number of ways to deliver the savings within an agreed timetable.

1.9.2 A number of key themes have been identified, together with outline targets and timescales which will need to be revisited and aligned with the latest projected 'funding gap' as part of the budget setting process. An updated version of the STS will be presented within the Budget report to Cabinet.

1.10 Finance, Innovation and Property Advisory Board

1.10.1 The draft Revenue Estimates were considered in detail at the meeting of the Finance, Innovation and Property Advisory Board on 3 January where a number of officers were available to answer detailed questions.

1.10.2 It is not our intention to replicate the officer representation at this meeting and assume that Members will wish to focus on the strategic aspects of the Estimates rather than the detail. If Members do have detailed questions, please contact Neil Lawley, Chief Financial Services Officer on extension 6095 or by e-mail at neil.lawley@tmbc.gov.uk in advance of the meeting. Where appropriate, he will liaise with the relevant Services and advise accordingly.

1.10.3 The Finance, Innovation and Property Advisory Board endorsed the draft Revenue Estimates as presented.

1.11 Legal Implications

1.11.1 There are a number of legislative requirements to consider in setting the Budget which will be addressed as we move through the budget cycle.

1.11.2 The Localism Act gives local communities the power to veto excessive council tax increases. The Secretary of State will determine a limit for council tax increases which has to be approved by the House of Commons. If an authority proposes to

raise council tax above this limit they will have to hold a referendum to get approval for this from local voters who will be asked to approve or veto the rise.

1.12 Financial and Value for Money Considerations

- 1.12.1 Two key questions remain. What will our baseline funding level be under an 'eventual' 100% Business Rates Retention scheme and how this then compares to that reflected in the MTFS taking into account transfer of any new responsibilities; and the extent to which NHB will feature in future government grant funding and if replaced what level of funding would we receive in its place?
- 1.12.2 The impact of current economic conditions on Council finances / financial assumptions in respect of inflation, interest rates, income levels, etc. and the scale of the impact over the medium term is uncertain and difficult to determine.

1.13 Risk Assessment

- 1.13.1 The Local Government Act 2003 requires the Chief Financial Officer, when calculating the Council Tax Requirement, to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. Consideration will and is given to the risks associated with any budget setting process where various financial and other assumptions have to be made. To mitigate the risks detailed estimates are formulated in conjunction with Services taking into account past outturn, current spending plans and likely future demand levels / pressures and external advice on assumptions obtained where appropriate.
- 1.13.2 The Medium Term Financial Strategy sets out the high level financial objectives the Council wishes to fulfil and underpins the budget setting process for the forthcoming year and over the Strategy period. As the Council's high level financial planning tool the Strategy needs to be reviewed and updated at least annually and in the current climate regularly reviewed by Management Team. In addition, not identifying and implementing the requisite savings will put at risk the integrity of the MTFS.
- 1.13.3 The increased uncertainty and volatility particularly in some of our major sources of income (business rates and New Homes Bonus) and more recently Brexit make financial planning that more difficult with the increased risk of significant variances compared to projections.
- 1.13.4 The projected figures for New Homes Bonus are at risk of further revision downwards which would further add to the savings targets.
- 1.13.5 Members are reminded that there are factors not reflected in or throughout the duration of the MTFS, e.g. the impact of Welfare Reform changes (Universal Credit). In addition, beyond 2026/27, the MTFS assumes a 3% increase in council tax.

1.13.6 Any increase in council tax above the relevant threshold, even by a fraction of a percentage point, would require a referendum to be held.

1.14 Equality Impact Assessment

1.14.1 Where there is a perceived impact on end users an equality impact assessment has been carried out and as further savings options emerge, further equality impact assessments will need to be carried out as appropriate.

1.15 Recommendations

1.15.1 The Committee is asked to:

- 1) Consider the draft Revenue Estimates contained in the Booklet and make such recommendations, as it considers appropriate, to Cabinet for its special meeting on 8 February.
- 2) Recommend to Cabinet that the Savings and Transformation Strategy is updated to reflect the latest projected 'funding gap' as part of the budget setting process.
- 3) Agree that delegated authority be given to the Director of Finance and Transformation in liaison with the Leader and Cabinet Member for Finance, Innovation & Property to respond to the technical consultation entitled "*Fair funding review: a review of relative needs and resources*".

Background papers:

Nil

contact: Sharon Shelton
Neil Lawley

Sharon Shelton
Director of Finance and Transformation

This page is intentionally left blank

TONBRIDGE & MALLING BOROUGH COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE

23 January 2018

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet

MEMBERS ARE ASKED TO BRING WITH THEM THE CAPITAL PLAN BOOKLET CIRCULATED WITH THE AGENDA FOR THE MEETING OF THE FINANCE, INNOVATION AND PROPERTY ADVISORY BOARD

1 CAPITAL PLAN REVIEW 2017/18

This report considers progress on the 2017/18 Capital Plan Review and requests endorsement of recommendations to Cabinet.

1.1 Introduction

1.1.1 The capital plan process, as outlined below, provides a means of maintaining a pool of schemes (List C) from which schemes can be selected for evaluation and possible implementation. It also provides an opportunity to review the provisions for schemes which are already in the Capital Plan (List A).

1.1.2 The criteria established to guide the inclusion of new List C schemes (holding list of schemes not yet fully worked up) and ultimately the inclusion of schemes on List A (schemes assigned budget provision) are:

- to meet legislative requirements including health and safety obligations;
- funded from external resources; and
- reduce revenue expenditure and or generate income.

1.1.3 The subsequent recommendations where appropriate have regard to these criteria.

1.1.4 The review takes place within the context of the revenue estimates, reflecting the fact that capital schemes have an impact on revenue. Positive impacts may include potential to reduce costs and or generate income. Negative impacts may include loss of income during construction and will include loss of investment income where the project costs are met from the Council's resources.

1.1.5 The Capital Plan review process started at the Finance, Innovation and Property Advisory Board on 3 January 2018, where Members considered the following issues:

- 1) The position of the existing Capital Plan (List A).
- 2) The addition of schemes to List C and the removal of schemes from List C.
- 3) The selection of schemes from List C to be evaluated.
- 4) Consideration of those schemes which have been evaluated.

1.2 Capital Plan Funding

1.2.1 Members are aware of the significant financial challenge facing the Council as a result of the Government's ongoing budget deficit reduction programme which has resulted in continuing reductions in the financial support it can offer to local government.

1.2.2 Capital expenditure is currently funded from the revenue reserve for capital schemes, grants from government and other bodies, developer contributions and from capital receipts derived from the sale of assets.

1.2.3 It is important to ensure that the revenue reserve for capital schemes can continue to fund capital expenditure at least until we reach a position where the annual contribution to the reserve matches the funding required for the replacement of existing assets (vehicles, plant and equipment) as well as recurring capital expenditure.

1.2.4 As a result there is an annual capital allowance for all other capital expenditure. Any 'bids' for capital schemes or discretionary capital grants are to be assessed in the context of the annual allowance. It should be noted, based on current projections, that from 2021/22 the Council may need to borrow to fund such expenditure. The annual capital allowance is set at £200,000 and it is proposed that the annual allowance continue to be set at that level.

1.2.5 In addition, the Invest to Save Reserve or Transformation Reserve, subject to there being sufficient funds available and where deemed appropriate, could be used to fund in part or in full capital plan schemes.

1.3 Recommendations from Finance, Innovation and Property Advisory Board

1.3.1 Details in respect of the existing Capital Plan (List A) can be found in the report to the Finance, Innovation and Property Advisory Board. The position of the existing Capital Plan (List A) presented to the Board and summarised in **[Annex 1]** was endorsed noting the contribution to the savings target as a result of the reassessment of Disabled Facilities Grant funding.

- 1.3.2 As a result of the undoubtedly difficult financial landscape that lies ahead the focus is on what are seen as priority capital plan schemes or where there is potential for external funding. The schedule of schemes recommended to be added to and schemes to be deleted from List C **[Annex 2]** was endorsed by the Board.
- 1.3.3 The List C schemes recommended for evaluation **[Annex 3]** was endorsed by the Board. On this occasion one scheme has been recommended and for Fast-Track evaluation. In addition, there are five schemes selected for evaluation in a previous Review that are either on hold following evaluation, subject to further evaluation or yet to be evaluated as follows: Tonbridge Farm Sportsground – Provision of Toilets, Tonbridge Racecourse Sportsground – Swimming Pool Bridge, Leybourne Lakes Country Park – Facility Improvements, River Medway – Riverside Lighting, Tonbridge and Financial Services Document Management Software.
- 1.3.4 The evaluated schemes **[Annex 4]** recommended for transfer from List C to List B was endorsed.

1.4 Capital Strategy

- 1.4.1 The Chartered Institute of Public Finance and Accountancy has supplied the following background notes: “The Capital Strategy should describe how the investment of capital resources will contribute to the achievement of the authority’s key objectives and priorities that are detailed in their Performance Plans and Community Plans/Strategies. An authority’s Capital Strategy should be one of the key, overarching strategies that support service plans. The strategy will also determine priorities between the various services and look for opportunities for cross-cutting and joined-up investment. The authority’s Capital Strategy should describe how the deployment of capital resources contributes to the achievement of the described goals. It will also help to ensure that issues around property and other assets are fully reflected in the Council’s planning.”
- 1.4.2 The Capital Strategy **[Annex 5]** is updated annually. The Strategy has no annexes but includes links to a number of other documents or web pages which are referred to in the text and are available on the Council’s website or the internet.
- 1.4.3 The Finance, Innovation and Property Advisory Board endorsed the Capital Strategy as presented.

1.5 Legal Implications

- 1.5.1 The Local Government Act 2003 and its subsidiary regulations set out the framework for the system of capital controls which applied from 1 April 2004 whereby local authorities must set their own borrowing limits with regard to affordability, prudence and sustainability. Underpinning this is a requirement to

follow the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.6 Financial and Value for Money Considerations

- 1.6.1 The transfer of schemes from List C to List B has no financial impact. The transfer of schemes from List B to List A will be considered by Cabinet on 8 February in the context of the Medium Term Financial Strategy and the overall budget position.
- 1.6.2 The Capital Strategy outlines a capital plan process which follows the CIPFA Prudential Code and in addition to supporting the achievement of the Council's priorities and corporate objectives, focuses on value for money.

1.7 Risk Assessment

- 1.7.1 Financial implications of new schemes to be considered by Cabinet at the February budget meeting.
- 1.7.2 Failure to endorse a satisfactory Capital Strategy may lead to a capital programme which does not fully support the Council's Key priorities and corporate objectives.

1.8 Equality Impact Assessment

- 1.8.1 Where there is a perceived impact on end users an equality impact assessment has or will be carried out as schemes progress as appropriate.

1.9 Recommendations

- 1.9.1 It is **RECOMMENDED** that the recommendations to Cabinet by the Finance, Innovation and Property Advisory Board detailed at paragraph 1.3 be endorsed.
- 1.9.2 It is **RECOMMENDED** that Cabinet be invited to endorse the Capital Strategy as attached at **[Annex 5]** for adoption by Council and publication on the Council's website.

Background papers:

Nil

contact: Michael Withey
Neil Lawley

Sharon Shelton
Director of Finance and Transformation

Capital Plan: List A Service Summary									
	Expenditure To 31/03/17	2017/18 Estimate inc Prior Year Slippage	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	Scheme Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Plan Schemes									
Planning, Housing & Environmental Health	0	30	30	30	155	155	155	155	710
Street Scene, Leisure & Technical Services	906	329	1,203	130	630	130	130	130	3,588
Corporate	27	405	90	30	30	30	30	30	672
Sub-total	933	764	1,323	190	815	315	315	315	4,970
Capital Renewals									
Planning, Housing & Environmental Health	n/a	1	0	16	0	0	0	13	30
Street Scene, Leisure & Technical Services	n/a	935	725	475	377	229	825	321	3,887
Corporate	n/a	185	598	229	230	165	389	202	1,998
Sub-total	n/a	1,121	1,323	720	607	394	1,214	536	5,915
Total	933	1,885	2,646	910	1,422	709	1,529	851	10,885

This page is intentionally left blank

Capital Plan Review 2017/18

Recommendations in respect of List C

	Booklet Annex 3 Page No
Schemes to be added to List C	
Street Scene, Leisure and Technical	
Haysden Country Park – Sewage Treatment Facility	CP 41
Schemes to be deleted from List C	
Street Scene, Leisure and Technical	
Larkfield Leisure Centre: Gym Extension / New Studio	CP 36
Corporate Services	
IT Initiatives: Revenues and Benefits Citizen’s Access	CP 46
IT Initiatives: Upgrade to Payment Facilities Software	CP 46

This page is intentionally left blank

Capital Plan Review 2017/18

Schemes selected for evaluation from List C

**Booklet
Annex 3
Page No**

Street Scene, Leisure and Technical

Hayden Country Park – Sewage Treatment Facility (Fast-Track)

CP 41

This page is intentionally left blank

Capital Plan Review 2017/18

Recommendations in respect of evaluated schemes

	Capital Cost £'000	Estimated Annual Revenue/ Renewals Cost £'000		Booklet Annex 4 Page No
Street Scene, Leisure and Technical				
Larkfield Leisure Centre – Ventilation & Boiler Replacement	505	20	Transfer from List C to List B	CP 49
Racecourse Sportsground – Rugby Pitch Drainage Improv's	25		Transfer from List C to List B	CP 52
Haysden Country Park – Car Park Extension	30		Transfer from List C to List B	CP 54
Haysden Country Park – Sewage Treatment Facility	75		Transfer from List C to List B	CP 56
Tonbridge Cemetery – Path Works	15		Transfer from List C to List B	CP 58
Tonbridge to Penshurst Cycle Route Refurbishment	60		Transfer from List C to List B	CP 60
Total	710	20		

The schemes detailed above, other than the ventilation system and boiler replacement, are to be funded by way of developer contributions. The ventilation system and boiler replacement is to be met in part from the annual capital allowance. The balance is to be met by increasing the contribution to the revenue reserve for capital schemes in 2017/18 funded from the better than budgeted performance reflected in the 2017/18 revised estimates. The revenue consequences exclude an estimated loss of income claim in the sum of £250,000 to be funded from the Tonbridge and Malling Leisure Trust reserve.

This page is intentionally left blank

TONBRIDGE AND MALLING BOROUGH COUNCIL

CAPITAL STRATEGY

1 Introduction

- 1.1 The purpose of the Capital Strategy is to document the principles and framework that underpin the Council's capital investment and expenditure proposals. The Strategy is drawn up under the framework provided by the Local Government Act 2003 and its associated regulations.
- 1.2 The principal aim of the Capital Strategy is to provide a context for a programme of capital investment (known as the Capital Plan) that will assist in the achievement of the Council's strategic priorities and objectives. The Capital Plan is published in the Council's [budget book](#) and available on the Council's website.
- 1.3 The component elements of the Capital Strategy comprise:
- A statement of the financial context within which the Council needs to determine its approach to capital investment (Section 2).
 - A description of the legislative framework and its associated regulations that will influence capital investment decisions (Section 3).
 - An explanation of the direct relationship between capital investment decisions and the Council's strategic priorities and objectives (Section 4).
 - The key principles supporting the Capital Strategy (Section 5).
 - Consideration of various partnership arrangements (Section 6).
 - Explanation of the processes to be followed in the implementation and management of the Capital Strategy (Section 7).
 - The Capital Plan (Section 8).
 - Post implementation reviews (Section 9).

2 The Financial Context

- 2.1 Key financial statistics are:

Net Budget Requirement 2017/18	£11.78 million
Government Grant / Business rates excluding New Homes Bonus 2017/18	£2.27 million
Borough Council Band D Charge 2017/18	£197.51
Capital Plan 2017/18 to 2022/23 (Gross expenditure)	£13.05 million
Fixed Assets at 31 March 2017	£82.06 million
Debt Outstanding at 31 March 2017	Nil
Revenue Reserve for Capital Schemes at 31 March 2017	£6.75 million

- 2.2 The Medium Term Financial Strategy (MTFS) together with the Council's strategic priorities and objectives along with the established criteria used to guide the inclusion of capital plan schemes and the Prudential Code (see paragraph 3.1) form the basis for any capital investment decisions. The MTFS was used to guide the selection of new Capital Plan schemes in recent years

and will continue to be a major influence on the **2017/18** and subsequent Capital Plan reviews. The MTFs is updated at least once a year and the latest version is published on the Council's website.

- 2.3 Capital receipts derived from the sale of capital assets (generally land and buildings) can be used to repay debt or used as a source of finance for new capital expenditure. The Council's assets are reviewed on a regular basis to identify the potential for alternative use or disposal.
- 2.4 The demographic and economic features of the Borough give rise to a realistic assessment of very limited opportunities to attract funds from national and regional sources. Nevertheless, the Council will continue to investigate and exploit external funding opportunities.
- 2.5 Capital expenditure is currently funded from the revenue reserve for capital schemes (RRCS) grants from government and other bodies, developer contributions and from capital receipts derived from the sale of assets.
- 2.6 All government support for the Council's capital expenditure is by way of capital grant. Government support through capital grants is usually ring-fenced for specific purposes. It is the Council's intention to try to secure capital grants, wherever possible, for schemes which advance the Council's strategic priorities and objectives.
- 2.7 It is important to ensure that the RRCS can continue to fund capital expenditure at least until we reach a position where the annual contribution to the reserve matches the funding required for the replacement of existing assets (vehicles, plant and equipment) as well as recurring capital expenditure.
- 2.8 As a result there is an annual capital allowance for all other capital expenditure. Any 'bids' for capital schemes or discretionary capital grants are to be assessed in the context of the annual allowance. It should be noted, based on current projections, that from **2021/22** the Council may need to borrow to fund such expenditure. The annual capital allowance is set at £200,000. ***Priority is afforded to schemes that meet legislative requirements, address health & safety concerns, generate income or reduce the Council's revenue costs.***

3 Legislative Framework and its associated regulations

- 3.1 The legislative framework is set out by the Local Government Act 2003 and its subsidiary regulations. This framework provides for a prudential system based on borrowing limits set by each individual local authority. Under this system, local authorities must have regard to affordability, prudence and sustainability and must follow the "Prudential Code for Capital Finance in Local Authorities" published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- 3.2 The Prudential Code requires that the CIPFA Treasury Management Code of Practice is adopted and that a number of prudential indicators are set. Council adopted the December 2009 edition of the Code on 18 February 2010 and due regard has also been given to subsequent revisions in preparing the Treasury Management and Annual Investment Strategy for **2018/19**.
- 3.3 The prudential framework for capital expenditure is intended to encourage local authorities to use resources more flexibly and plan for the longer term; provide more autonomy and accountability, with local authorities having greater responsibility for local capital spending decisions; move towards improved corporate and strategic working, with more effective tackling of cross-cutting issues; and better use and management of assets. Another key element of the legislative framework is the duty to secure economy, efficiency and effectiveness in the Council's use of resources. Achieving value for money is addressed in Section 5 of the Strategy as one of the key principles to be applied in capital investment decisions.

4 Strategic Priorities

- 4.1 Capital plan schemes should emerge from, or be designed to achieve, the Council's strategic priorities and objectives set out in overview in the recently updated [Corporate Strategy](#). The Strategy sets out Our Vision and Our Values guided by the following core values:
- Taking a business-like approach.
 - Promoting Fairness.
 - Embracing Effective Partnership Working.
 - Valuing our environment and encouraging sustainable growth.
- 4.2 The Corporate Strategy is supported by a wide range of Strategies and Plans where specific improvement projects and initiatives are cascaded down into section plans across the Council. These section and other plans also cover a range of other priorities, improvements and indicators that are set and managed by individual services.
- 4.3 The Council's capital investment decisions should be in support of its strategic priorities and objectives along with the established criteria used to guide the inclusion of capital plan schemes, and this is an integral part of the evaluation process for each project under consideration. No project should proceed to inclusion within the Capital Plan unless it furthers achievement of the Council's strategic priorities and objectives.

5 Principles Supporting the Capital Strategy

- 5.1 The key principles that underpin the Council's Capital Strategy are:
- 5.2 **Strategic Priorities.** Establishment of a direct relationship with the Council's strategic priorities and objectives, with a Capital Plan based upon investment needs and prioritised on an authority-wide basis. This demonstrates an explicit link with key strategic planning documents and recognition of the need

for a corporate approach to cross-cutting issues such as the environment, social inclusion, affordable housing and community safety.

- 5.3 **Public Consultation.** The use of public consultation is, indirectly, an important part of developing the Capital Plan through its use in setting priorities and developing strategies, which may lead to capital projects coming forward.
- 5.4 **Other Consultation.** As well as individuals communicating directly with Council Officers and Members, other conduits exist for expressing views to the Council. The Parish Partnership Panel, the Tonbridge Forum, the Tonbridge Sports Association, the Disability Working Party, and customer panels at leisure **facilities** allow specific persons or groups of users to express their views.
- 5.5 **Partnerships.** Partnership initiatives are considered in Section 6 including the Tonbridge and Malling Local Strategic Partnership, the West Kent Partnership and the Community Safety Partnership which help shape policy objectives and which aim to deliver projects in conjunction with others.
- 5.6 **Procurement Strategy.** The [Procurement Strategy](#) seeks to ensure that good procurement practice is applied consistently throughout the Council. It sets out how the Council will address procurement and establishes its importance to the Council and the contribution it can make to improved service delivery.
- 5.7 **Support for Regional and National Priorities.** To support, where possible, regional and national priorities, for example urban renaissance, transportation improvements, environmental initiatives such as increased levels of recycling.
- 5.8 **Support for Local Priorities.** The Borough Council has been consistently investing in its car parks to support the local economy through a phased programme of improvements. As a Flood Risk Management Authority, we will maintain our support for the flood defence schemes being developed in the area.
- 5.9 **Availability of External Funding.** In support of the Council's strategic priorities and objectives to monitor and pursue available forms of external partnership and other funding opportunities. **Capital schemes are increasingly being funded in full or part by contributions from developers.**
- 5.10 The Council's [Local Development Framework Core Strategy](#), adopted in 2007, supports the Government policy that development should contribute towards the community services and infrastructure that are necessary to support that development. **The provision of infrastructure by developers as part of a wider project and financial contributions** are brought forward by planning conditions or legal agreements on a case by case basis where justified by the application of the statutory tests. These arrangements have brought forward significant **provision of and** contributions to affordable housing, education

facilities, children's play, sports pitches, leisure facilities, highway works and transportation services.

- 5.11 The Council ***is well advanced on*** a new Local Plan for the Borough which will set out development policies and proposals until 2031. The potential development strategy ***is*** built upon strategic development options with the capacity to bring forward new infrastructure investment in parallel with planned growth. The programme is for the new Local Plan to be finally adopted ***during*** 2019, following public examination.
- 5.12 ***The Council is keen to secure a continuing supply of homes at appropriate and in sustainable locations to meet the needs and demands of the Borough. It has a proven track record in fostering growth in a strategically planned way. A range of housing provides balanced support for economic investment by companies looking to locate and expand in the Borough. The supply of new homes and businesses themselves make a contribution towards the Council tax base, potential new homes bonus funding and the potential income from business rates. So long as the level is consistent with planning policies and good practice the Borough Council will seek to secure levels of growth that assist in sustaining important local services.***
- 5.13 As a non-stockholding Housing Authority, the Council has a key role to play in the delivery of the strategic housing function covering policy and enabling, private sector housing, and ***in identifying and addressing*** housing needs. Contained within a number of different strategies the key priorities are to:
- Enable and facilitate the provision of housing, ***especially affordable homes***, across all tenures in order to meet existing and future housing need.
 - Prevent and reduce homelessness ***in-line with new duties under the Homeless Reduction Act***.
 - Support households to live independently in the community.
 - Improving conditions across all tenures to achieve safe, warm and healthy homes ensuring good health and wellbeing for our communities.
- 5.14 **Use of the Council's Assets.** Maintenance of an Asset Management Plan and performance measures for the use of Council owned assets to ensure optimum returns and early release of redundant assets in support of strategic investment priorities and to attract inward investment. An updated Asset Management Plan covering the period 2015-2020 is currently being prepared.
- 5.15 **Consideration of the Impact on the Council's Revenue Budget.** To ensure that capital investment decisions are consistent with the Council's Medium Term Financial Strategy, particularly the management of its revenue budget so as to reduce its dependence upon the use of revenue reserves.
- 5.16 **Value for Money.** Each year the Council's external auditor gives an opinion on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. All of the Capital Plan processes from identification and selection of schemes, through

implementation to subsequent review of completed schemes can contribute to achieving value for money.

- 5.17 **Investment in IT** in order to improve efficiency and economy and to meet customer aspirations for self service, particularly via the website; and to enable more flexible and different ways of working to be adopted to support and assist delivery of the Savings and Transformation Strategy.

6 Partnerships

- 6.1 **The Tonbridge and Malling Local Strategic Partnership.** The [Local Strategic Partnership](#) is now well established and has attracted a high level of representation from the public, private, voluntary and faith sectors. Its work focuses on addressing key issues of concern locally such as older people's services, the needs of young people, the local economy, affordable housing and public health issues.
- 6.2 **West Kent Partnership.** The Council is a founding member of the [West Kent Partnership](#), formed on a sub regional rather than district basis, reflecting the degree of economic and social homogeneity across West Kent and a shared community of interest. The Partnership works with other partners in a joined up fashion for the benefit of the local community with a focus on economic development and infrastructure issues.
- 6.3 **Transportation Partnerships.** The Borough Council has consistently sought to influence the quality of transportation services in its area and increase investment in them by the relevant authorities. These authorities include the local highway authority, (Kent County Council), the strategic road network agency (Highways England), railway operators and Government Departments.
- 6.4 **The Joint Transportation Board**, comprising Members from the Borough and County Councils, provides an overseeing function for the co-ordination of transport investment in the Borough. This ranges from regular reviews of minor improvements, highway maintenance programmes and parking reviews to major investment through key strategies.
- 6.5 The Borough Council's **Rail Manifesto** sets out clearly the service expectations that the Council has for rail services for the Borough. The Manifesto is kept under constant review to reflect the changing demand for rail travel in communities across the Borough.
- 6.6 **Local Enterprise Partnership (LEP).** The South East Local Enterprise Partnership (SELEP) seeks to promote economic growth across Essex, Kent and East Sussex. Given its size, a federated model of operation has been adopted and the Kent and Medway Economic Partnership (KMEP) is the local body which covers Tonbridge and Malling. A key role for both organisations is to bid for Local Growth Fund monies to fund local projects which support our local economy.

- 6.7 **Other Partnerships.** The Council is also part of a partnership that has promoted a bid to the Local Growth Fund to bring forward the much needed improvement to the Leigh Flood Storage area. This is a strategic infrastructure investment required to safeguard many residential and business properties in the southern part of the Borough and to enable future growth and new development to take place.
- 6.8 **Community Regeneration Partnerships.** The Council has entered into partnerships which have made a genuine difference to the local community with clear and tangible outcomes.
- 6.9 **The Community Safety Partnership (CSP).** The Crime and Disorder Act 1998 placed an obligation on local authorities and the Police (amongst others) to work together to develop and implement a strategy to tackle crime and disorder in their area. The Tonbridge and Malling CSP vision is: working together to ensure the safety and security of Tonbridge and Malling's residents, businesses and visitors.
- 6.10 **Tonbridge Central Area Action Plan.** The Plan provides the context for partnership projects to attract private sector investment in the town centre and secure transport and environmental improvements. A number of key sites are allocated that have potential to deliver town centre and mixed use development that can generate increased vitality into the town centre and the High Street in particular. ***The Action Plan is to be reviewed as part of the new Local Plan.***

7 Implementing and Managing the Capital Strategy

- 7.1 The Council has developed a process for considering and evaluating potential capital schemes as an integral part of its Capital Strategy. This process for selecting schemes is described below.
- 7.2 Schemes, subject to some exceptions listed below, are selected by a phased process. For convenience, the stages have been termed List A, List B and List C, with List A being the approved Capital Plan.
- 7.3 As schemes come forward they are stored in a list of schemes (List C) for consideration and possible evaluation. These schemes should emerge from, or be designed to achieve, the Council's strategic priorities and objectives along with a set of criteria used to guide the inclusion of new schemes to List C and ultimately the inclusion of schemes on List A. The criteria are: to meet legislative requirements including health and safety obligations; funded from external resources; and reduce revenue expenditure and or generate income. Justification would need to be provided for any schemes that failed to meet one or more of these criteria in order for them to progress through the capital plan process.
- 7.4 From List C, Members select schemes for evaluation. Evaluations will include:
- Specification of the purpose of the scheme and its relevance to the Council's strategic objectives and any wider national policy objectives, the

setting of targets by which the success or otherwise of the project can be judged post-implementation.

- An outline design to facilitate costing and, where appropriate, consultation.
- Consultation, including, where appropriate, public consultation on the scheme's principle.
- The establishment of a realistic estimated capital cost, incorporating any consultation feedback on design issues.
- An assessment of the ongoing revenue costs and income generating capacity of the completed scheme including an assessment of the loss of interest from investments and impact on capital renewals provisions.
- Consideration of partnership and external funding opportunities.
- Consideration of the time after the end of the project during which the targets and objectives should be reviewed and reported to stakeholders.

- 7.5 The evaluation process will reveal the impact of the project on the revenue base budget, enabling Members to compare the value of the scheme with the financial savings required to pay for it or the impact on the council tax requirement. Schemes successfully passing through evaluation will be included in List B.
- 7.6 The Council is conscious that the process of evaluation is a revenue cost in itself; involving in-house staff and resources or the buying in of external resources and which may draw resources away from the implementation of the approved Capital Plan. In order to minimise the resource impact of evaluation it is important that restraint is exercised in selecting schemes for evaluation. A balance is struck each year between deliverability of the programme and the evaluation of new schemes.
- 7.7 Under the constitutional arrangements adopted by the Council, the evaluated schemes will be reported to Finance, Innovation and Property Advisory Board which will advise the budget meeting of Cabinet of those schemes deemed suitable to progress to be included on List B. Prior to the budget meeting of Cabinet that advice will be reviewed by Overview and Scrutiny Committee and may be updated. By considering all eligible schemes at the same time, a corporate approach can be taken to selecting those schemes deemed suitable to progress. Prioritisation of such schemes will be informed by the wider financial climate, the Medium Term Financial Strategy and the requirements of the CIPFA Prudential Code. Prioritisation will take account of national and regional priorities, the Council's strategic priorities and objectives and the financial consequences arising from the schemes proposed.
- 7.8 The main exception to this selection procedure is the investment necessary to maintain existing levels of service. This will consist primarily of renewals provisions and some one-off items outside the basic renewal provisions. These provisions are subject to Member scrutiny within List A and application of value for money principles.
- 7.9 Ultimately the selection of new Capital Plan schemes from List B for inclusion in the Capital Plan (List A) will be determined by the Council following recommendations from the Cabinet in the light of advice from the Finance,

Innovation and Property Advisory Board and Overview and Scrutiny Committee.

- 7.10 Finance, Innovation and Property Advisory Board will also review existing Capital Plan (List A) schemes, advising Cabinet of the result. This provides an opportunity to review the budget and progress of existing schemes or even to propose their deferment or deletion.

8 The Capital Plan

- 8.1 The result of the process described in section 7 is the Council's Capital Plan. This is a medium term financial and capital planning document covering a seven-year period (current financial year + six).
- 8.2 Achievement against the Capital Plan is monitored regularly via monthly reports posted on the Council's intranet for use by the Council's staff. At the end of each quarter a statement is considered by the Council's Corporate Management Team and monitoring reports are presented to Members at meetings of the Finance, Innovation and Property Advisory Board.

9 Post Implementation Reviews

- 9.1 It is important that any issues relating to the implementation of a Capital Plan project are addressed as soon as possible; either during the project or shortly after completion. The wider issues of the effectiveness and value for money of a project are addressed through a formal system of post-implementation review. The reviews take place after completion of a project, at a time determined during the evaluation process and are reported to an appropriate Advisory Board. Lessons learnt inform future capital programme decision making and are part of a system of continuous improvement. Monitoring reports are presented annually to the July meeting of the Finance, Innovation and Property Advisory Board.

Strategy updated: ***December 2017***

This page is intentionally left blank

TONBRIDGE & MALLING BOROUGH COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE

23 January 2018

Report of the Chief Executive

Part 1- Public

Executive Non Key Decisions

1 SELECT COMMITTEE REVIEW OF THE EFFECTIVENESS OF LOCAL AUTHORITY OVERVIEW AND SCRUTINY COMMITTEES

To report on the above review and to consider the recommendations.

1.1 The Select Committee Review

1.1.1 A Select Committee review of local authority overview and scrutiny committees has recently been published. A summary of the review is attached as Appendix 1 to this report. The key issues identified via the review include the following:

- The overall 'culture' the local authority and whether this embraces a positive approach to its overview and scrutiny function;
- The role of Council Members from both the administration and opposition, and senior officers in setting the right tone which welcomes constructive challenge;
- The need to achieve parity between the executive and scrutiny functions;
- The key, positive role of the Scrutiny Committee Chairman in promoting and championing the scrutiny process;
- Having sufficient officer staffing support for the function;
- The scope to undertake reviews of wider public services in an Authority's area and not just of Council-run services.

1.2 Review Recommendations

1.2.1 The Select Committee agreed the following recommendations:

- (1) Overview and Scrutiny Committees should report to the Full Council meeting rather than the Executive;

- (2) Members of Scrutiny Committees should be clearly separate with executive councillors only attending meetings as formal witnesses;
- (3) Scrutiny Committees should have open access to the financial and performance data held by the Authority and access to the expertise of senior officers;
- (4) Scrutiny Committees should be supported by Officers that are able to operate with independence and offer impartial advice;
- (5) Members of the public and service users should be able to participate in the scrutiny process.

1.3 The Overview and Scrutiny Function at Tonbridge and Malling

- 1.3.1 It is clear from the Select Committee report that some Councils operate their overview and scrutiny functions very differently from that operated at Tonbridge and Malling. The recommendations therefore, although largely presented as appropriate to all local councils, has potentially focused more on dealing with those authorities whose overview and scrutiny role is more confrontational, suffers from marginalisation and perhaps lacks constructive challenge.
- 1.3.2 The Tonbridge and Malling approach on overview and scrutiny has, since, its inception in 2002, not suffered from these failings. Our approach has been to ensure that whilst the overview and scrutiny function has been clearly made separate from the Council's executive function, there is a positive and collaborative approach to formulating recommendations for change via the reviews which have been undertaken. Rarely have recommendations from a scrutiny-led review, following their thorough consideration by the Overview and Scrutiny Committee, not been accepted by the Cabinet.
- 1.3.3 Of the five recommendations arising from the Select Committee review, nos (2), (3) and (4) as set out above are already implemented fully at this Council and it is suggested that no further action is therefore required.
- 1.3.4 Recommendation (1) suggests that overview and scrutiny matters should always be reported to Full Council rather than to the Cabinet. Presumably this is to ensure that, for some Councils, such recommendations are not then summarily dismissed by the Executive without full debate. Whilst this is clearly not the case at Tonbridge and Malling, we could introduce a referral process whereby the Chairman of the Overview and Scrutiny Committee has the right to require any recommendation which is not accepted by the Cabinet to be referred to Full Council for wider debate. **Members views on this are invited.**
- 1.3.5 Recommendation (5) suggests that service users and the public should be more involved in the scrutiny process. The Borough Council has sought such involvement when undertaking a number of reviews in the past, particularly where these reviews have focused on services provided by external partners rather than

those operated by the Council. At the current time, the reviews undertaken have largely focused on council services. However, there is potential in the future to look again at key services provided by external agencies. This would then provide greater opportunity to widen the range of participants and formal witnesses to ensure a full assessment of the issues being addressed is included as part of those reviews.

1.4 Recommendations

1.4.1 That the recommendations of the Select Committee regarding the effectiveness of Overview and Scrutiny Committees **BE NOTED**;

1.4.2 That further consideration **BE GIVEN** to

(1) the introduction of a process whereby recommendations of the Overview and Scrutiny Committee which are not accepted by Cabinet can then be referred to Full Council;

(2) that, where appropriate to the review being undertaken, opportunities to engage service users and the public are explored to assist with that review.

Background papers:

contact: Mark Raymond

Nil

Julie Beilby
Chief Executive

This page is intentionally left blank

Effectiveness of local authority overview and scrutiny committees**Summary**

Overview and scrutiny committees were introduced by the Local Government Act 2000 and were tasked with acting as a counterweight to the increased centralised power of the new executive arrangements. Whilst some authorities were not covered by the changes brought in by the Act, the Leader and Cabinet system is the predominant model of governance in English local authorities. However, since the Localism Act 2011, councils have had the option of reverting to the committee system of governance. Some authorities that have chosen to do so have expressed dissatisfaction with the new executive arrangements, including concern at the limited effectiveness of scrutiny. Noting these concerns, and that there has not been a comprehensive assessment of how scrutiny committees operate, we decided to conduct this inquiry. The terms of reference placed an emphasis on considering factors such as the ability of committees to hold decision-makers to account, the impact of party politics on scrutiny, resourcing of committees and the ability of council scrutiny committees to have oversight of services delivered by external organisations.

We have found that the most significant factor in determining whether or not scrutiny committees are effective is the organisational culture of a particular council. Having a positive culture where it is universally recognised that scrutiny can play a productive part in the decision-making process is vital and such an approach is common in all of the examples of effective scrutiny that we identified. Senior councillors from both the administration and the opposition, and senior council officers, have a responsibility to set the tone and create an environment that welcomes constructive challenge and democratic accountability. When this does not happen and individuals seek to marginalise scrutiny, there is a risk of damaging the council's reputation, and missing opportunities to use scrutiny to improve service outcomes. In extreme cases, ineffective scrutiny can contribute to severe service failures.

Our inquiry has identified a number of ways that establishing a positive culture can be made easier. For example, in many authorities, there is no parity of esteem between the executive and scrutiny functions, with a common perception among both members and officers being that the former is more important than the latter. We argue that this relationship should be more balanced and that in order to do so, scrutiny should have a greater independence from the executive. One way that this can be achieved is to change the lines of accountability, with scrutiny committees reporting to Full Council meetings, rather than the executive. We also consider how scrutiny committee chairs might have greater independence in order to dispel any suggestion that they are influenced by partisan motivations. Whilst we believe that there are many effective and impartial scrutiny chairs working across the country, we are concerned that how chairs are appointed can have the potential to contribute to lessening the independence and legitimacy of the scrutiny process.

Organisational culture also impacts upon another important aspect of effective scrutiny: access of committees to the information they need to carry out their work. We heard about committees submitting Freedom of Information requests to their own authorities and of officers seeking to withhold information to blunt scrutiny's effectiveness. We believe that there is no justification for such practices, that doing so is in conflict with the principles of democratic accountability, and only serves to prevent scrutiny committees from contributing to service improvement. We have particular concerns regarding the overzealous classification of information as being commercially sensitive.

We also considered the provision of staff support to committees. Whilst ensuring that sufficient resources are in place is of course important, we note that if there is a culture within the council of directors not valuing scrutiny, then focussing on staff numbers will not have an impact. We are concerned that in too many authorities, supporting the executive is the over-riding priority, despite the fact that in a time of limited resources, scrutiny's role is more important than ever. We also consider the skills needed to support scrutiny committees, and note that many officers combine their support of scrutiny with other functions such as clerking committees or executive support. It is apparent that there are many officers working in scrutiny that have the required skills, and some are able to combine them with the different skill set required to be efficient and accurate committee clerks. However, we heard too many examples of officers working on scrutiny who did not possess the necessary skills. Decisions relating to the resourcing of scrutiny often reflect the profile that the function has within an authority. The Localism Act 2011 created a requirement for all upper tier authorities to create a statutory role of designated lead scrutiny officer to promote scrutiny across the organisation. We have found that the statutory scrutiny officer role has proven to be largely ineffective as the profile of the role does not remotely reflect the importance of other local authority statutory roles. We believe that the statutory scrutiny officer position needs to be significantly strengthened and should be a requirement for all authorities.

We believe that scrutiny committees are ideally placed and have a democratic mandate to review any public services in their area. However, we have found that there can sometimes be a conflict between commercial and democratic interests, with commercial providers not always recognising that they have entered into a contract with a democratic organisation with a necessity for public oversight. We believe that scrutiny's powers in this area need to be strengthened to at least match the powers it has to scrutinise local health bodies. We also call on councils to consider at what point to involve scrutiny when it is conducting a major procurement exercise. It is imperative that council executives involve scrutiny at a time when contracts are still being developed, so that all parties understand that the service will still have democratic oversight despite being delivered by a commercial entity. We also heard about the public oversight of Local Economic Partnerships (LEPs), and have significant concerns that public scrutiny of LEPs seems to be the exception rather than rule. Therefore, we recommend that upper tier councils, and combined authorities where appropriate, should be able to monitor the performance and effectiveness of LEPs through their scrutiny committees.

We recognise that the mayoral combined authorities are in their infancy, but given the significance of organisational culture in effective scrutiny, it is important that we included them in our inquiry to ensure that the correct tone is set from the outset. We are therefore concerned by the evidence we heard about an apparent secondary role for scrutiny in combined authorities. Mayors are responsible for delivering services and improvements for millions of residents, but oversight of their performance is currently hindered by limited resources. We therefore call on the Government to ensure that funding is available for this

purpose. We also argue that when agreeing further devolution deals and creating executive mayors, the Government must make it clear that scrutiny is a fundamental part of any deal and must be adequately resourced and supported.

Proposed revisions to Government guidance on scrutiny committees

- That overview and scrutiny committees should report to an authority's Full Council meeting rather than to the executive, mirroring the relationship between Select Committees and Parliament.
- That scrutiny committees and the executive must be distinct and that executive councillors should not participate in scrutiny other than as witnesses, even if external partners are being scrutinised.
- That councillors working on scrutiny committees should have access to financial and performance data held by an authority, and that this access should not be restricted for reasons of commercial sensitivity.
- That scrutiny committees should be supported by officers that are able to operate with independence and offer impartial advice to committees. There should be a greater parity of esteem between scrutiny and the executive, and committees should have the same access to the expertise and time of senior officers and the chief executive as their cabinet counterparts.
- That members of the public and service users have a fundamental role in the scrutiny process and that their participation should be encouraged and facilitated by councils.

This page is intentionally left blank

Agenda Item 9

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

This page is intentionally left blank

Agenda Item 10

The Chairman to move that the press and public be excluded from the remainder of the meeting during consideration of any items the publication of which would disclose exempt information.

**ANY REPORTS APPEARING AFTER THIS PAGE CONTAIN EXEMPT
INFORMATION**

This page is intentionally left blank

Agenda Item 11

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

This page is intentionally left blank