



Overview and Scrutiny Committee

Notice of a Meeting, to be held in the Council Chamber, Civic Centre, Tannery Lane,
Ashford, Kent TN23 1PL on Tuesday 27th January at 7.00 pm.

The Members of this Committee are:-

Cllr Chilton (Chairman)

Cllr Davison (Vice-Chairman)

Cllrs. Aaby, Apps, Bartlett, Buchanan, Burgess, Feacey, Hodgkinson, Mrs Hutchinson,
Miss Martin, Mrs Martin, Mortimer, Sims, Yeo, Conservative vacancy.

Agenda

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Nos. |
|-------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| 1. Apologies/Substitutes – To receive Notification of Substitutes in accordance with Procedure Rule 1.2(iii) | |
| 2. Declarations of Interest:- To declare any interests which fall under the following categories, as explained on the attached document: | (i) |
| a) Disclosable Pecuniary Interests (DPI) | |
| b) Other Significant Interests (OSI) | |
| c) Voluntary Announcements of Other Interests | |
| See Agenda Item 2 for further details | |
| 3. Minutes – to approve the Minutes of the Meetings of this Committee held on the 16 th December 2014 | |

Part I – Matters Referred to the Committee in Relation to Call-In of a Decision made by the Cabinet

None for this meeting

Part II – Responses of the Cabinet to Reports of the Overview and Scrutiny Committee

None for this Meeting

Part III – Ordinary Decision Items

- | | |
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| 4. Report of Budget Scrutiny Task Group | 1 – 15 |
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Part IV – Information/Monitoring Items

- | | | |
|----|--------------------------------------------------------------------------------------------|---------|
| 5. | Update and progress report on ABC Commercial companies and the O&S Call-in recommendations | 17 – 29 |
| 6. | Future reviews and report tracker. | 31 – 34 |

JV/VS
16 January 2015

Declarations of Interest (see also “Advice to Members” below)

- (a) **Disclosable Pecuniary Interests (DPI)** under the Localism Act 2011, relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares a DPI in relation to any item will need to leave the meeting for that item (unless a relevant Dispensation has been granted).

- (b) **Other Significant Interests (OSI)** under the Kent Code of Conduct as adopted by the Council on 19 July 2012, relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares an OSI in relation to any item will need to leave the meeting before the debate and vote on that item (unless a relevant Dispensation has been granted). However, prior to leaving, the Member may address the Committee in the same way that a member of the public may do so.

- (c) **Voluntary Announcements of Other Interests** not required to be disclosed under (a) and (b), i.e. announcements made for transparency reasons alone, such as:

- Membership of outside bodies that have made representations on agenda items, or
- Where a Member knows a person involved, but does not have a close association with that person, or
- Where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position.

[Note: an effect on the financial position of a Member, relative, close associate, employer, etc; OR an application made by a Member, relative, close associate, employer, etc, would both probably constitute either an OSI or in some cases a DPI].

Advice to Members on Declarations of Interest:

- (a) Government Guidance on DPI is available in DCLG’s Guide for Councillors, at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/240134/Openness_and_transparency_on_personal_interests.pdf
- (b) The Kent Code of Conduct was adopted by the Full Council on 19 July 2012, with revisions adopted on 17.10.13, and a copy can be found in the Constitution at <http://www.ashford.gov.uk/part-5---codes-and-protocols>
- (c) If any Councillor has any doubt about the existence or nature of any DPI or OSI which he/she may have in any item on this agenda, he/she should seek advice from the Head of Legal and Democratic Services and Monitoring Officer or from other Solicitors in Legal and Democratic Services as early as possible, and in advance of the Meeting.

Overview and Scrutiny Committee

Minutes of a Meeting of the Overview and Scrutiny Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **16th December 2014**.

Present:

Cllr. Chilton (Chairman);
Cllr. Davison (Vice-Chairman);

Cllrs. Buchanan, Burgess, Hodgkinson, Mortimer, Sims.

Apologies:

Cllrs. Aaby, Apps, Bartlett, Mrs Hutchinson, Yeo.

Also Present:

Cllrs. Galpin, Shorter.

Policy and Performance Manager, Policy and Performance Officer, Economic Development Manager, Town Team Manager, Senior Scrutiny Officer, Member Services & Scrutiny Support Officer.

298 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 25th November 2014 be approved and confirmed as a correct record.

299 Update on Corporate Plan and Public Consultation

A presentation on this item was given by the Portfolio Holder for Finance, Budget and Resource Management, together with the Policy and Performance Manager and the Policy and Performance Officer. Following the presentation, the Chairman opened up the discussion and the following points were raised:

- A Member asked whether Quality Homes and Design Codes and Panels clashed with Government advice. The Portfolio Holder responded that the existence of the Council's Local Plan prevented developers from having free rein and helped to keep planning control in-house as far as possible. The Planning Committee were able to refer to the Local Plan when considering planning applications, and the Council's record on planning appeals was very sound. The Policy and Performance Manager added that the Design Code was developed principally for large developments, such as Chilmington Green, rather than individual houses. CLG had recently advised that all authorities should develop a local plan within the next few years, or face remedial action to encourage the development of robust local plans and design standards.

- In response to a question regarding translation services, the Policy and Performance Officer said he believed that Nepali translation was available on the Council's website, but he would check and confirm that fact. (*Post-meeting note: The Policy and Performance Officer confirmed that Nepali is included in the list of 85 languages which the website can produce in translation*).
- A Member asked whether International House was meeting financial targets. In response, the Portfolio Holder advised that the investment was where it should be at the moment, with floor 1 now clear for redevelopment and marketing. Another Member questioned whether the Council were receiving good returns from their investment in International House, and whether reserves were being replenished. The Portfolio Holder responded that income was being paid into revenue at the moment, although the principal and interest were being repaid.
- In response to a question about whether residents who undertook the public consultation understood the difference between KCC and ABC, the Policy and Performance Officer advised that the survey questions were deliberately split to indicate which services ABC was responsible for, and able to influence directly, and those where the Council had an interest but no direct responsibility. The Portfolio Holder added that he had recently been interviewed by Radio Kent regarding Council Tax and had stressed that ABC only received 10% of the Tax collected, with the rest being distributed amongst the other precepting authorities. A Member asked how the areas to be covered by the survey were determined. The Policy and Performance Officer responded that the representative sample was drawn from the census and distributed geographically across the Borough, using telephone codes.
- One Member questioned the inclusion of Askes Court as an example of disabled adaptation to sheltered accommodation. The Policy and Performance Officer explained that it had been drawn from the list of sheltered housing schemes, but it should have been made clear that this was not a new scheme, but an old scheme now also providing disabled accommodation.
- The Portfolio Holder advised that MIPIM were based in London, so were 'UK-centric', which provided an opportunity for ABC to sell to the UK market. He considered that this had been an excellent investment, which he hoped to repeat next year. A Member noted that there were foreign investors present who were looking for potential investments in the UK.
- A Member said he was concerned that there was a perception among communities that Neighbourhood Plans were only valid if the final document was approved by the Council and in line with the Council's Local Plan. He considered there was a need for the Council to persuade local communities of the validity of Neighbourhood Plans, and to encourage them to continue to draw them up. Members agreed to make a recommendation to Cabinet that a presentation should be given at the Parish Forum encouraging the continued

development of community plans. Another Member said that when the Local Plan was reviewed, any existing Neighbourhood Plans had to be taken into consideration, so they were important in acting as building blocks and influencing the Local Plan.

- A Member commented that there were no inspirational buildings of architectural merit in Ashford. He questioned whether the Design Panel could actively introduce some outstanding architecture into the Borough. The Portfolio Holder responded that this comment was worthy of note.
- In response to a question regarding Community Governance Reviews, the Policy and Performance Manager confirmed that the Council had to undertake such a review if petitioned. One single 10% petition could trigger a review across the whole Borough. It was a sensible use of resources to undertake a Borough-wide review, rather than separate reviews for each community area, but it would require substantial Council resources. The Local Government Boundary Commission were about to undertake a review of ward boundaries and indicated they would prefer no other reviews to be held at the same time, so there would inevitably be a delay until the Boundary Commission review was complete. The Portfolio Holder advised that the next step would be to bring urban Members together in January to update them on the position, before discussing further with the affected urban forums. The Chief Executive had received a letter from the Boundary Commission confirming their intended review, and the Policy and Performance Manager agreed to check whether this could be made available to all Members.

Recommended:

The Overview and Scrutiny Committee recommends to Cabinet that the Parish Forum receive an update and presentation on the development of Neighbourhood Plans.

300 Update on Portas Pilot Project

The Economic Development Manager introduced his report. In the subsequent discussion the following points were raised:

- The Portfolio Holder for Town Centre Focus and Commercial Property said there were two aspects he wished to emphasise: firstly, that for the Economic Development Team the Portas Pilot Project was only one element of their work load, but a huge amount of time and effort had been devoted to the Project. The Portfolio Holder said that it was a challenge encouraging businesses in the town centre to embrace the Project and at times the response was disheartening. Secondly, clarification of the future characterisation of the town was needed i.e. what action was needed in the future to move forward, bearing in mind the constantly changing requirements in shopping and leisure. This would require a collaborative exercise with Local Plan data gathering. A framework Project Plan was expected in Spring 2015 to deliver the future characterisation of the town. The Portfolio Holder said that in spite of magnificent efforts by the team, only a minority of the town

businesses were engaging in the Project and that this was a challenge Officers would continue to work on.

- In response to a question, the Economic Development Manager confirmed that the biggest barrier that businesses were reporting in taking up vacant shops was the cost of the rent and business rates, and he said that it would take time for a structure of change to take place as landlords reassessed the rental values of their premises.
- The Portfolio Holder noted that more visitors were required to make the town centre vibrant. Retailers needed to provide products or experiences which would attract visitors and reinvigorate shops and businesses.
- One Member commented that he believed the town centre had suffered from an aggressive parking regime. The Economic Development Manager responded that there had been requests for a facility to pay on exit at town centre car parks, and a mobile app had been created to provide a cost effective way of handling parking payments. This had increased usage already, and the team were now considering ways to make the less-used car parks more attractive. The Town Team Manager said that the free parking after 3pm was beginning to have an effect with evidence of increased town centre visitors in the late afternoon. One Member asked the Economic Development Manager to ensure that the mobile parking app alerted visitors to times when car parks would be free, to ensure that they did not pay unnecessarily.
- The Town Team Manager acknowledged that Ashford was a 'tale of two high streets'. Free parking and the PopUp shop had increased footfall in Park Mall, but she was aware that work still needed to be done to galvanise that area of the town. She said that ABC's responsibility was to facilitate an upturn in the town centre, but not to run businesses. The Council had taken a shop short-term in Park Mall, and were working with the local college to put on art and music events which would encourage more visitors to the Mall. The Economic Development Manager advised that County Square owners had invested in several of the shops in the Square over the last year in order to attract new businesses.
- There was some discussion about the problem of the appearance of various areas of the town centre, such as the bottom of the lower High Street. The Economic Development Manager said he had been working hard to influence the use of these buildings, but had been unsuccessful so far. He said that the development of Elwick Road was critical to ensuring quality change in the town centre and that it was essential that this project was prioritised, as this would be a critical driver of footfall.
- Members expressed their appreciation and admiration for the work that had been achieved so far by the whole team.

Resolved:

That the report be received and noted.

301 Future Reviews and Report Tracker

It was agreed that the April meeting of the Overview and Scrutiny Committee would be cancelled due to election commitments.

There was discussion about items to be added to the Tracker as follows:

- The Role of Dog Wardens – this request was not agreed;
- Disabled adaptations – this request was agreed;
- Lorry parking – it was agreed to defer this item until the results of the work currently being undertaken by the Joint Transportation Board and Transport, Highways and Engineering Advisory Committee was completed.
- Review of Task Groups – it was agreed to recommend that Cabinet examine the uses and efficiency of the various task groups and review their effectiveness.

Recommended:

The Overview and Scrutiny Committee recommends to Cabinet that there should be an examination of the uses and efficiency of task groups and a review of their effectiveness.

Queries concerning these Minutes? Please contact Rosie Reid:
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Agendas, Reports and Minutes are available on: www.ashford.gov.uk/committees

Agenda Item No: 4
Report To: Overview and Scrutiny Committee
Date: 27th January 2015
Report Title: Report of Budget Scrutiny Task Group
Report Author: Senior Scrutiny Officer



Summary:	The Overview and Scrutiny Budget Scrutiny Task Group has scrutinised the Council's draft 2015/16 budget and regards it as achievable.
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Key Decision: NO

Affected Wards:

Recommendations: 1. **The O&S Committee recommends that the Cabinet:**

- **Be advised that the O&S Committee regards the Council's draft 2015/16 budget as achievable**
- **Endorses the Risk Matrices and the risks identified within them, particularly noting those that fall in the shaded part of the matrix**

Policy Overview: Under the Council's Constitution the O&S Committee has a duty to scrutinise the Council's draft Revenue and Capital Budgets.

Financial Implications: As noted in the report

Risk Assessment N/A

Equalities Impact Assessment N/A

Other Material Implications: As noted in the report.

Exemption Clauses: N/A

Background Papers: All individual services draft 2015/16 budgets

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Summary

Achieving a balanced budget is a fundamental requirement for the Council. The Council's provisional draft budget for 2015/16 was presented to the Cabinet on 4th December 2014. This budget was built against a backdrop of continued economic austerity measures, which are likely to deepen further, and an increasing cost base due to inflationary pressures.

The provisional draft budget presented to the Cabinet was then submitted to the Overview and Scrutiny Committee's Budget Scrutiny Task Group for formal scrutiny.

When the draft budget was being prepared the Government's Autumn Budget statement had yet to be announced and so the draft budget was prepared using the Government's provisional figures which were published, for consultation, in the summer. Details of the settlement grant figures had also not been announced.

It was considered that whatever the result of the election in May 2015, the incoming Government would be likely to keep to the current administration's 2015/16 funding proposals, i.e. that there would not be an emergency budget with changed priorities, but of course there was no guarantee of that.

The Council's draft budget allowed for a £0.9m reduction in formula grant and assumed a freeze in Council tax. A 2.2% increase in rents was also assumed in the draft Housing Revenue Budget.

This draft budget was scrutinised by the Overview and Scrutiny Budget Scrutiny Task Group over a series of meetings. The Task Group met on five occasions and at each meeting Members asked the relevant Officers to give the Group an overview of their service, the risks and uncertainties facing them, what savings they had achieved, and their proposed service developments.

The table attached to this report highlights the areas that the Task Group considered could be a risk to the 2015/16 budget and places them in a Risk Matrix which shows the potential likelihood of the event occurring and the material impact it would have on the Council if it were to occur. The Risk Matrix is separated into Financial risk and Operational (i.e. service quality) risk. Risks of high probability or materiality (in the shaded area of the matrix) could impact on the 2015/16 Budget and would require careful monitoring during the year.

The Minutes of the meetings are available to Members and should be read in conjunction with this report for more information.

The 2015/16 budget is for the fifth year of the Council's 5 year business plan. Recommendations for delivering the remaining priorities of the final two years of this plan were agreed in October 2013 when the Cabinet adopted the 'Focus 2013 – 15: the Corporate Plan and supporting Financial Plans' paper.

By the end of the Budget Scrutiny process the Task Group had not raised any issues that caused it to be concerned that the Budget for 2015/16 would not be achievable and were encouraged to know that financial position of the Council was being regularly monitored. However, it was acknowledged that the financial position in subsequent years was going to be increasingly challenging.

Julia Vink
Senior Scrutiny Officer

Report of the Chairman of the Budget Scrutiny Task Group

I would like to thank Cllr's Mortimer, Apps, Burgess and Cllr Mrs. Martin for their support in the scrutiny of the Budget for 2015-2016. In addition, I would like to thank Officers for their support in guiding Members through the Budget Scrutiny process.

Heads of Department and their Budget Managers have presented their Draft Budgets to the Scrutiny Task Group. Members have scrutinized Budget plans in detail and have analysed risks. The report and risk matrix is presented to Members for consideration.

This year's Budget has been formed under difficult circumstances. Government austerity has seen real terms cuts in government grants to the authority due to the failure to eradicate the national Budget deficit.

The Council's spending power has been reduced by 3.7%. Without New Homes Bonus, the Council's spending power would have been reduced by 5.6%. The Council is becoming more dependent on New Homes Bonus as a source of revenue. Therefore it is the view of the Budget Task Group that this source of revenue should be used in a prudent manner.

Last year the Task Group highlighted inflation as a risk to the Council and measures have been taken to mitigate that risk. It is important to maintain a focus on ensuring inflation does not pose a risk to the Council over the course of this Budget.

On top of the 15% savings, which departments achieved in 2014-2015, departments have been asked to make additional savings over the course of the next financial year. Real risks exist to service delivery, council performance and to public perception of the authority as a result of continued budget reductions.

As the Council experiences further Budget reductions its dependency on the voluntary and community sector will increase. Thanks should be given to all those bodies who have worked with and supported the Council in the delivery of this years Budget and to those who will support the delivery of this Budget.

Under this Budget, Council Tax will be frozen for 2015-16. This will mean that the loss of revenue will mean the base budget is lower. Over the course of this year's Budget, additional savings will have to be made, or a Council Tax increase of up to 2% will have to be considered for 2016-17.

The Task Group would like to thank all Cabinet Members who attended the respective meetings of the Group to report on their Budgets.

Brendan Chilton
Chair, Budget Scrutiny Task Group

Financial Risks to the Council				
Materiality	High >£500,000	9.2	4.1, 7.3	7.1
	Medium £100,000– £500,000	3.2, 9.1	3.1, 4.2, 4.3, 4.4, 5.1, 5.2, 7.4	3.12
	Low <£100,000	1.1, 2.3, 2.4, 3.3, 3.4, 3.5, 3.7, 3.8, 3.10, 3.11, 6.3, 7.5, 8.1, 9.3, 9.4, 10.1, 10.2, 10.3	3.9	
		Low	Medium	High
	Probability			

Operational Risks to the Council				
Materiality	High			2.2, 7.2
	Medium	5.3, 6.1	1.5, 2.1, 3.6,	
	Low	1.2, 1.6, 5.5, 5.4, 5.5, 6.2, 7.6, 8.2, 10.4	1.3, 1.4 3.13, 10.5	
		Low	Medium	High
	Probability			

Risks and Uncertainties 2015-16

8 th December 2014 Legal & Democratic		Risk – High/Low Financial/Operational
1.1	Legal Income for 2015/16 remains a risk for the same reasons as in 2014/15: the number of large scale planning applications submitted is outside council's control, level of cost recovery may be affected if there is negotiation of reduced recharge rates or caps in specific cases.	Financial Low Materiality Low Probability
1.2	Level of major project work requiring significant legal support continues to be high. Reserves will fund additional legal resources to maintain support. Pressure on Property & Projects team due to increased corporate focus on income generating and social housing property acquisition work.	Operational Low Materiality Low Probability
1.3	National roll-out of Individual Electoral Registration (IER) has presented huge challenges for Electoral Services team. Team re-structured to meet challenges ahead. Some government funding made available for transitional work – risk that this may be insufficient as most recent Register is result of partial canvass only.	Operational Low Materiality Medium Probability
1.4	The three elections to be held on the same day in May 2015 will present a real test for the new registration system. Verification and count processes compressed into two very long sessions :- Thurs night/Friday morning and Friday afternoon/evening will also be challenging.	Operational Low Materiality Medium Probability
1.5	Community governance – major programme of boundary review and possible urban parishing will require sensitive handling and resourcing across both Corporate and Democratic Services.	Operational Medium Materiality Medium Probability
1.6	Removal of Deputy Monitoring Officer post reduces resource available to support Monitoring Officer - experience and skill within legal team provides resilience.	Operational Low Materiality Low Probability

8 th December 2014 Culture and the Environment		Risk – High/Low Financial/Operational
2.1	Project list for 2015/16 – risk that with such a long list of projects that some may not be achievable.*	Operational Medium Materiality Medium Probability
2.2	Where project funding comes from external partners – risk that partners may default or reduce their contributions. Particular concern re large projects.	Operational High Materiality High Probability
2.3	Tourism Action Plan and Land Management Improvement Plan – details will need to be finalised for February budget setting. Adequate financial resources will need to be allocated.	Financial Low Materiality Low Probability
2.4	CHP efficiencies – risk that further efficiencies for 2015/16 may not be achieved.	Financial Low Materiality Low Probability

15 th December 2014 Community & Housing - General Fund		Risk – High/Low Financial/Operational
3.1	Rising house prices have resulted in previously rented properties being sold making the acquisition of PSL properties in the borough more difficult and placing pressure on the service with the risk of a reduction in contribution level	Financial Medium Materiality Medium Probability
3.2	B&B demand being managed with the help of Christchurch House (ABC B&B facility). Always risk that demand could increase.	Financial Medium Materiality Low Probability
3.3	Monitoring centre. Achieving predicted income potential risk for 2015/16 but income generated since new post holder appointed currently on course.	Financial Low Materiality Low Probability
3.4	Car parking income on slight upward trend. Free parking scheme puts pressure on service if necessary to fund discounts from base budget. Development of Dover Place will reduce parking income but impact will depend on the progress of the development.	Financial Low Materiality Low Probability
3.5	Potential expansion of T-Cat following review early in 2015	Financial Low Materiality Low Probability
3.6	On street parking schemes and increasing overnight lorry parking may increase demand for parking enforcement. Risk also associated with the transfer in of engineering services, and the dependence on other stakeholders e.g. KCC in terms of resourcing and policy changes.	Operational Medium Materiality Medium Probability
3.7	Risk associated with fluctuating demand for car parking and licensing. Additional risk as government can make changes to statutory fees and charges,	Financial Low Materiality Low Probability
3.8	Increasing involvement in Supporting Families, Domestic Abuse, and Health & Wellbeing may reduce resources available for other priorities. Interdependency influences level of risk as does possible changes to Kent community safety and changes to current funding streams.	Financial Low Materiality Low Probability
3.9	Universal credit will affect income streams, but unlikely to become an issue until it kicks in for all family types (post 2015/16)	Financial Low Materiality Medium Probability
3.10	Price of Pest control contract may increase after retendering.	Financial Low Materiality Low Probability
3.11	Garden waste customer numbers may not meet budget target – but drive to encourage renewal by Direct Debit should assist.	Financial Low Materiality Low Probability

3.12	Occupancy of Civic Centre, International House and other property in portfolio – need to find suitable occupants to generate income.	Financial Medium Materiality High Probability
3.13	Current resources may reduce capacity to deliver new initiatives.	Operational Low Materiality Medium Probability

15 th December 2014 Community & Housing - HRA		Risk – High/Low Financial/Operational
4.1	New Build and Sheltered remodelling costs influenced by cost inflation increasing material and labour costs. Impact and potential costs will be subject of a report to Members.	Financial High Materiality Medium Probability
4.2	Government formula limits rent rise to CPI + 1%, for 215/16 = 2.2% which is less than the assumption built into the recent HRA business plan and limits the amount of additional money available for agreed HRA capital programmes. Low inflation will have a material impact on the ability of the HRA to fund/finance new capital programmes. This will affect the whole social housing sector.	Financial Medium Materiality Medium Probability
4.3	Admin costs – employee costs have risen in 2014/15 and are forecast to rise again in 2015/16. A review on how to contain this growth is underway. Rise in costs and reducing income levels (see 4.2 above) will further squeeze the amount of money available for new and existing capital projects in the HRA.	Financial Medium Materiality Medium Probability
4.4	Welfare reform continues to be a risk going into the future, but current rent collections remain high and arrears levels have reduced.	Financial Medium Materiality Medium Probability

17 th December 2014 Planning & Development		Risk – High/Low Financial/Operational
5.1	Fee income fluctuations are a significant risk as fee income is a large part of the unit's budget. Income levels are closely monitored and increases in workload balanced against available staff resources across fee dependant services. Steps to refine and slim down processes help focus resources to priority areas and to staff who can handle caseload effectively at the lowest pro rata cost.	Financial Medium Materiality Medium Probability
5.2	Speculative housing applications in advance of the new local plan pose a risk of large scale appeals and concomitant costs.	Financial Medium Materiality Medium Probability Operational Low Materiality Low Probability
5.3	The 'Big 8' projects will place pressure on the quality of day-to-day service that can be delivered.	Operational Medium Materiality Low Probability
5.4	Increased numbers of planning applications arising from increased economic activity will place further burden on staff to handle applications. Additional fee income may allow addition of temporary staff to deal with peaks; however, long term, the successful approach of 'home growing' of junior staff will provide more suitably qualified staff and should be continued.	Operational Low Materiality Low Probability
5.5	It is hoped that support to Economic Development function in 2015/16 will involve a funding a graduate/assistant position for the team. Funding for this has yet to be agreed.	Operational Low Materiality Low Probability

17 th December 2014 Communications and Technology		Risk – High/Low Financial/Operational
6.1	Continuing uncertainty & difficulty in achieving compliance with PSN Code of Connection.	Operational Medium Materiality Low Probability
6.2	Migration to new KPSN supplier and changes to ongoing support arrangements.	Operational Low Materiality Low Probability
6.3	Revisions to IT infrastructure and associated licensing may require significant additional investment.	Financial Low Materiality Low Probability

6 th January 2015 Finance		Risk – High/Low Financial/Operational
7.1	Drastic reductions in funding from central government & uncertain future for local government. Will need to be monitored as part of MTFP planning process.	Financial High Materiality High Probability
7.2	Universal Credit – will be administered by DWP, details of council's role in supporting delivery of UC still awaited, therefore uncertainty about job security for staff. Need for review of Council tax support scheme to ensure appropriateness of working within area where there is a combination of UC and non-UC claimants.	Operational High Materiality High Probability
7.3	Maintaining and delivering growth in business rates – and thus revenue to council. Ensuring council receives full compensation for loss of business rate revenue due to central government reduction in business rate increase.	Financial Medium Materiality Medium Probability
7.4	Successful business rates appeals may affect amount of NNDR council retains. Provision to be increased to cover the level of back dated appeals, if insufficient will be a revenue hit. Some risks associated with pooling business rates – will need to be monitored.	Financial Medium Materiality Medium Probability
7.5	Need to secure major preceptor funding for administration of local Council Tax support scheme. Currently £125K is contributed but 2015/16 is last year of agreement.	Financial Low Materiality Low Probability
7.6	Level of adequate support for corporate projects place strain on team's ability to maintain core functions.	Operational Low Materiality Low Probability

6 th January 2015 Corporate, Strategy, Personnel & Audit		Risk – High/Low Financial/Operational
8.1	Staff for elections are now required to be paid through the council's payroll system which will create an extra pressure in May – and, as ABC have taken on the payroll for Shepway DC, there may be additional pressure if we agree to take on their elections payroll too.	Financial Low Materiality Low Probability
8.2	Demands on the team to support corporate change projects will create a challenge to the provision of the day-to-day service.	Operational Low Materiality Low Probability

6 th January 2015 Capital Charges and Net Interest		Risk – High/Low Financial/Operational
9.1	The estimated interest is based on the assumption that the base rate will rise in 2015/16 and therefore any significant delays in rises could impact on the achievement of this budget.	Financial Medium Materiality Low Probability
9.2	Legislation prohibits central government bailing out banks, so the burden of re-financing a failing institution will fall upon unsecured investors – which could include council deposits. The council will mitigate this risk by diversifying investments into more ‘secured’ vehicles, but this will reduce returns.	Financial High Materiality Low Probability
9.3	The Council's aspirations for strategic acquisitions and Capital projects will require capital investment. If capital investment is sought from internal reserves then the core investment balance will be reduced and overall interest on investments will reduce, the need for short term borrowing for cash flow purposes could also increase, which could add pressure to the ‘Interest Paid’ budget.	Financial Low Materiality Low Probability
9.4	Restructuring opportunities for the borrowing to buy out the HRA subsidy will be monitored but as this borrowing was at a discounted rate these are unlikely to occur.	Financial Low Materiality Low Probability

6 th January 2015 General Fund		Risk – High/Low Financial/Operational
	None	

13 th January 2015 Capital and Repairs and Renewals		Risk – High/Low Financial/Operational
10.1	Capital financing – availability of financing through revenue resources will become more important as capital resources are not being replenished due to low level of sales both in General Fund and HRA.	Financial Low Materiality Low Probability
10.2	General Fund capital receipts are extremely limited (virtually de-minimis) and will not continue to fund the capital programme in future. To ensure buildings continue to be maintained, borrowing of £500,000 has been built into the revenue budget from 2013/14 onwards to fund these works.	Financial Low Materiality Low Probability
10.3	Revenue commitments – on going costs of capital projects are assessed and included in medium term financial plan and annual budget. If projects are progressed without consideration of on-going costs pressures could build up for future years' revenue budgets.	Financial Low Materiality Low Probability
10.4	Staff capacity within services – additional capital projects work can add short term pressure to a department which may, in some cases, add pressure to the revenue budget.	Operational Low Materiality Low Probability
10.5	Debt cap (HRA) – following HRA reform there is room within the HRA business plan to invest in new housing and sheltered redevelopments. However the debt cap limits the amount the council can borrow to fund major works and the Housing programme must take the impact on the debt cap into account.	Operational Low Materiality Low Probability

Agenda Item No:

Report To: Overview & Scrutiny Committee

Date: 27th January 2015

Report Title: Progress report on the Council's commercial companies

Portfolio Holder: Cllr Galpin, Portfolio Holder for Finance & Budget, Resource Management and Procurement

Report Author: Sarah Hartles, Principal Solicitor



Summary:	This report sets out the steps that were taken as a result of the Committee's recommendations to Cabinet following the call-in of the Trading Companies Report, and presents a progress report on both of the commercial companies.
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Key Decision: NO

Affected Wards: All

Recommendations: **The Committee be asked to note:**

- 1. The steps that were taken as a result of the Committee's recommendations to Cabinet in July 2013; and**
- 2. The progress made by the Companies to date and the Financial Statements attached at Appendices 1 and 2.**

Policy Overview: The Companies are the result of the Council's ambition to be more commercial and generate innovative sources of income.

Financial Implications: None

Risk Assessment No

Equalities Impact Assessment No

Other Material Implications: None

Exemption Clauses: **Appendices 1 and 2 are not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.**

Background Papers: Previous Cabinet and Overview & Scrutiny Reports and Minutes.

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Report Title: Progress report on the Council's commercial companies

Purpose of the Report

1. To provide the Committee with confirmation as to how the recommendations of the Committee following the call-in of the Cabinet decision have been implemented.
2. To provide the Committee with an update on the progress the Council's two commercial companies have made since they commenced trading.
3. To provide the Committee with the financial statements attached at Exempt Appendices 1 and 2.

Issue to be Decided

4. Members are asked to note the implementation of the original recommendations and the progress made by the companies to date.

Background

5. In June 2013, the Committee called-in the decision of the Cabinet to create two commercial trading companies. As a result of the call-in the Committee made a number of recommendations to Cabinet, all of which were accepted by the Cabinet.
6. An update report was presented to Cabinet on 12th September 2013, which explained the steps that were being taken to implement the recommendations and approval was given for the creation of the Building Consultancy Company as the recommendations had been satisfied in respect of it.
7. As a result, A Better Choice for Building Consultancy Limited was registered at Companies House on 7th January 2014 and it started trading on 1st April 2014.
8. A further progress report was presented to Cabinet on 13th February 2014 regarding the Property Company, which set out the findings of the independent review of the business model and approval was given for the creation of the Property Company.
9. As a result, A Better Choice for Property Limited was registered at Companies House on 17th April 2014.
10. Both companies have entered into a Shareholder's Agreement with the Council, which set out what each company can and can't do and when it needs consent from the Council, Cabinet or Trading & Enterprise Board.

Original Committee Recommendations

11. There were seven original recommendations made by the Committee and accepted by Cabinet. These are set out below with a note explaining how these have been implemented.

- i. **No payment will be made to any Director/Officer other than expenses and no Officer should be paid other than contractual overtime.**

Under the terms of the Shareholder's Agreement, both companies require the consent of Council before "any Director (or any person recruited to work for the Company) shall be entitled to remuneration in connection with the performance of his or her duties for the Board and determining the level and terms upon which the remuneration will be payable." This means that before either company can employ any staff in its own name, Council will have to approve that employment and the terms on which the employment is to be made.

The Articles of Association of each company also contain a provision that states that Directors may only be remunerated if it is approved by the Council as Shareholder.

- ii. **Each company will hold an AGM and all Councillors will be invited to attend (but not have any voting rights).**

The requirement to hold an Annual General Meeting is contained in the Articles of Association. This obligation is also included in the Shareholder's Agreement, where it also says that all Councillors shall be invited to attend and that the companies shall report to the AGM on those matters that the Trading and Enterprise Board require it to report on annually.

- iii. **Not to appeal against Council planning decisions.**

Under the terms of the Shareholder's Agreement, both companies require the consent of the Council through the Trading and enterprise Board, before "making any application for planning permission or lodging an appeal against a planning authority".

- iv. **The Council to have an independent review of the financial model to include an opinion on being a going concern.**

This was carried out by Grant Thornton and reported to Cabinet on 13th February 2014.

- v. **That the Section 151 Officer should not be a Director of either company.**

The Section 151 Officer has not been appointed as a Director of either company. The Head of Finance has been appointed as a Director of A Better Choice for Building Consultancy Limited. A request will shortly be made to the Trading and Enterprise Board and the Leader to appoint the Head of Finance as a Director to A Better Choice for Property Limited.

- vi. **In respect of the Property Company – should consider options to support home ownership models, including staircasing.**

A Better Choice for Property Limited has been considering all options when looking at its acquisitions programme and possible development schemes and any revisions to its business plan will reflect this.

vii. That the release of each tranche of the £10M be subject to the approval of Council.

It is a conditions precedent of the Facilities Agreement between the Council and A Better Choice for Property Limited that the consent of the Council is provided prior to the drawdown of each tranche of £2million. Without the consent, the Council will refuse to release the funds and any drawdown request is invalid.

Progress of A Better Choice for Building Consultancy Limited

12. The first 9 months of trading has seen higher levels of activity and income than anticipated within the initial business plan. This has been achieved without undertaking any significant marketing or advertising due to long term staff sickness. With active marketing and advertising it should see even higher levels of commissions in the next few months.
13. Progress is being made towards making an application to the Construction Industry Council for the Building Consultancy to become an Approved Inspector. This will provide a significant new area of work and provide greater opportunities to sell current consultancy services to this new market.
14. A review of the current business plan will be undertaken after the first year's trading and revised to focus efforts in marketing to develop the business further.
15. The levels of staff resources within the Building Control Team who deliver the consultancy work has increased by 0.5 FTE recently, however there will be a need to consider seeking additional resources at some time in the near future.
16. The Building Consultancy has been very well received by regular agents and also by members of the public who have been appreciative of the additional services offered.
17. A copy of the latest Board report on business activity and financial statements is attached at Exempt Appendix 1, a verbal update will be provided to the Committee.

Progress of A Better Choice for Property Limited

18. Although the Company was registered at Companies House in April 2014, officers didn't begin actively pursuing properties for purchase until the Autumn once the loan agreement with the Council had been completed.
19. Whilst the property market tends to be quieter during the last quarter of the calendar year the Company still managed to view approximately 35 properties up until the beginning of January 2015. As a result of these viewings two properties have been purchased (one three bedroom terraced house and one terraced house which is split into two flats) and offers on another 3 properties have been accepted and are currently subject to due diligence.

20. At the time of writing this report one flat has been let, we have received an expression of interest on the second flat and we anticipate letting the three bedroom house in early February.
21. Whilst the ultimate aim of the Company is to make a profit in its trading activities, it was agreed that the first phase of properties that were purchased would be rented at a less than market “affordable” rent. This enables the Company to compliment the work that the Council undertakes reducing homelessness and increases the number of potential tenants who can afford to rent their own property, possibly for the first time.
22. A financial statement is attached at Exempt Appendix 2.

Risk Assessment

23. Not applicable as this is a progress report, risk assessments were presented as part of the Business Case for each company.

Equalities Impact Assessment

24. Not applicable as this is a progress report, an assessment was carried out for the original reports.

Conclusion

25. All of the Committee’s recommendations were accepted by the Cabinet and have been implemented through the legal documentation that governs the companies and through the companies’ business plans.
26. The companies are making steady progress for their first year of trading.

Portfolio Holder’s Views

27. The cabinet was grateful for the recommendations made last year. This report shows that the companies have worked to comply with those recommendations and as a result are more accountable, robust and effective trading companies. These companies will, in future, supplement the income of the shareholder and support responses to potential homelessness.

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Future Reviews and Report Tracker

February

- **ABC Business plan performance report Q3 2014-15**
- **Purchase of Commercial Property**
- **Annual review of Community Safety Partnership**

March

- **S106 contributions and education provision**

New items:-

Apart from items such as scrutinising the Council's draft budget, which the Constitution requires the O&S Committee to do every year; the O&S Committee sets its own work programme for the year. Some items recur on a regular basis e.g. the yearly update from the Community Safety Partnership and the quarterly Business Plan performance report; others are of a 'one-off' nature.

With the agreement of the Chairman, items can be put on the O&S agenda following a request from Cabinet or another Committee (e.g. Audit). Members of the O&S Committee are also able to suggest items that the Chairman may wish to put on the Committee's agenda (**by putting their proposal in writing to him**) – such items must represent a Borough wide perspective and provide the opportunity to influence, to improve services or contribute to policy development.

The Chairman will then decide if the item is appropriate for O&S to consider and, if so, is there room on the work programme.

Any such item will be put to the Committee for Members to decide if they wish to add it to the work programme.

Year Plan 2014/15

Month	items	Task Group
May	<ul style="list-style-type: none"> • ABC Business Plan quarterly performance report (Q4) • Fly tipping 	
June	<ul style="list-style-type: none"> • Call-in meeting re Cabinet Minute No. 397 	
July	<ul style="list-style-type: none"> • Sickness & Absenteeism annual report. • Housing Strategy Action Plan Monitoring Report and annual review of Homelessness strategy 	Budget Scrutiny TG meeting
August	No meeting	
September	<ul style="list-style-type: none"> • ABC Business Plan quarterly performance report Q1 • BSTG Report back on 'Informing the next 5 Years' 	
October	<ul style="list-style-type: none"> • BSTG – Information report • Update on new waste and recycling scheme. 	
November	<ul style="list-style-type: none"> • ABC Business Plan quarterly performance report Q2 • Update on Conningbrook • S106 agreements 	
December	<ul style="list-style-type: none"> • Update on Portas Pilot project • Progress on Focus 2013/15 	Council's draft 2015/16 budget - Budget Scrutiny TG meetings
January	<ul style="list-style-type: none"> • Report of Budget Scrutiny Task Group • Update and progress report on ABC Commercial Companies and the O&S Call-in recommendations 	Budget Scrutiny TG meetings
February	<ul style="list-style-type: none"> • ABC Business Plan quarterly performance report(Q3) • Purchase of Commercial property • Annual review of Community Safety Partnership 	
March	<ul style="list-style-type: none"> • S106 contributions and education provision 	
April	Meeting cancelled	

O&S Committee – Report Tracker – Current position

Minute No.	Report Title	Officer	Date due	Current position	Recommended action
13/05/13	Overview and Scrutiny Annual Report	Senior Scrutiny Officer	May/June 2015		Timetable for May/June each year
142/09/12	3 year review of Mayoralty		Sept 2015		
431/04/12	ABC Business Plan performance reports – 2013/14	Policy & Performance Officer	May/Sept/ Nov/Feb		
62/06/12	Sports & Leisure		TBA		
398/03/13	Refurbishment of the Stour Centre	TBA	TBA	Final Report from Task Group to be presented to O&S	
335/02/14	Community Safety Partnership – annual update	Assistant Health, Parking & Community Safety Manager	February 2015		
216/11/13	Council play parks	TBA	TBA	Awaiting confirmation of date of report	
102/07/14	Annual report on Housing framework	Housing Strategy Manager/Head of Housing	July 2015		

103/07/14	Sickness and Absenteeism – annual report	Head of Personnel & development	June/July 2015		
104/07/14	ABC commercial companies	Principal Solicitor Property and Projects	Jan 2015		
104/07/14	Purchase of Commercial property	Strategic Housing and Property Manager	Feb 2015		
247/11/14	S106 contributions and education provision	Area Education Officer – South Kent	Mar 2015		
301/12/14	Disabled Adaptations	TBA	TBA		