



Overview and Scrutiny Committee

Held at:	Council Chamber - Civic Centre, Folkestone
Date	Tuesday, 27 February 2018
Present	Councillors Miss Susan Carey, Peter Gane (Chairman), Clive Goddard, Ms Janet Holben, Michael Lyons, Philip Martin (In place of Mrs Claire Jeffrey), Frank McKenna, Ian Meyers, Russell Tillson and Mrs Rodica Wheeler
Apologies for Absence	Councillor Mrs Claire Jeffrey
Officers Present:	Andy Blaszkowicz (Head of Commercial and Technical Services), Sue Lewis (Committee Services Officer), Tim Madden (Corporate Director - Organisational Change), Sarah Robson (Head of Communities), Charlotte Spendley (Head of Finance) and Lee Walker (Group Accountant)
Others Present:	Councillor David Monk, Leader, Councillor Mrs Jenny Hollingsbee, Cabinet Member for Communities and Councillor Mrs Claire Jeffrey, Chairman Oportunitas

76. **Declarations of Interest**

There were no declarations of interest.

77. **Minutes**

The minutes of the 16 and 30 January 2018 were submitted, approved and signed by the Chairman.

78. **Transforming Shepway**

As part of its Transforming Shepway programme, Shepway District Council has been considering how it can utilise service redesign and ICT to meet its ambitions to become a more efficient and effective organisation and meet the needs and aspirations of its communities in the context of increasing pressures to reduce costs.

The report provides the conclusion of work to redesign the Council's services supported by Cabinet at its meeting in June 2017. It includes the business case, future operating model and high level implementation plan. It also outlines that by adopting a refreshed ICT Strategy and making an investment in its ICT infrastructure and changing its business operations, the Council can achieve improvements in services for residents and deliver a genuine efficiency without cutting services.

Sarah Robson provided members with an update on progress so far, outlining the costs implications as set out in the report.

Members asked a number of questions paying particular attention to the following:

- As a result of the Council's forthcoming name change, the project name will change and is currently being consulted upon with staff.
- Communication is key and staff will be communicated with and engaged through a variety of means, one of which is through the 50 staff volunteer 'change transformers' who relay project information to teams across the council as well as providing feedback to the transformation team.
- As part of the project phasing, staff skills assessments will be undertaken to understand areas for development, transfer or sharing of skills.
- Improvements to service delivery for customers and staff is key to the change with no cuts to front line services.
- Mobile locality officers will be in place to work in the community and with local ward members so that issues can be dealt with quickly and efficiently. These officers will eventually be IT enabled to fulfil their roles when out and about in the district. Work on how and where these officers will be located is still to be finalised as part of the detailed design work.
- Customer self-service is key to change and will be a major part of moving forward, but this will not be to the detriment of those vulnerable customers the council has and will continue to have.

As each phase progresses members will have an opportunity to view the work being undertaken and will be kept informed at all stages of progression. The time-line is flexible but is set to give as little stress and impact to staff changes and working patterns throughout the process.

Proposed by Councillor Peter Gane
Seconded by Councillor Russell Tillson and

Resolved:

- 1. To receive and note Report C/17/82.**
- 2. To recommend to Cabinet that when appointing the project consultants they get the right people with the correct skills and experience and agree that there will be a transfer of knowledge to Council staff that will create sustainability for the project, alongside a suitable exit strategy.**

(Voting: For 10; Against 0; Abstentions 0)

79. General Fund Budget and Council Tax 2018/19

Report C/17/83 sets out the final General Fund budget and council tax requirement for 2018/19, including that part of the local tax covering district and parish services.

Members were informed that any income generated by the Kent Business Rates Pilot would be dependent on the level of economic growth but would be a minimum of £250,000.

It was noted that parish councils had been briefed on the budget and had commented on the costs of the lorry park, but had not provided feedback that affected the proposed budget for the forthcoming year.

Members were happy to receive the report.

Proposed by Councillor Ms Susan Carey
Seconded by Councillor Clive Goddard and

Resolved: To receive and note Report C/17/83.

(Voting: For 9; Against 0; Abstentions 1)

80. Treasury Management Strategy Statement, Prudential Indicators and Minimum Revenue Provision Statement for 2018/19

Report C/17/78 sets out the proposed strategy for treasury management for 2018/19 including the Annual Investment Strategy and Treasury Management Indicators to be approved by full Council. This report also sets out both the Prudential Indicators for capital expenditure and the Minimum Revenue Provision Statement for 2018/19 to be approved by full Council.

Members were provided with a review of the key points and this is attached to the minutes for information. Members paid particular attention to the following:

Borrowing Strategy – it was noted that the factors to determine change were in respect of interest rates and capital expenditure plans may come forward.

Cash flow shortages – it was noted that capital grants for major schemes may be delayed.

It was noted that the grant from European funding for East Folkestone is expected to be in instalments but as yet no confirmation has been given as to how and when these instalments will be made.

A written answer will be provided to members in respect of credit ratings and other market measures.

Proposed by Councillor Michael Lyons
Seconded by Councillor Russell and

Resolved: To receive and note Report C/17/78.

(Voting: For 10; Against 0; Abstentions 0)

81. **Future Strategy - Oportunitas Ltd**

Report C/17/81 recommends a future direction for the Council's Regeneration & Housing Company, Oportunitas. It positions the future of the company in the context of the Council's Corporate Plan and Investment Strategy, and draws heavily on the outcomes of a financial remodelling exercise undertaken by the Council as the sole Shareholder, to identify the required level of investment and the appropriate debt to equity funding structure, to ensure that income returns to the Council are optimised while also allowing Oportunitas to become financially sustainable.

Particular attention was paid to the amount of money that the company now requires to continue trading and the reasons behind this and it was explained that if the recommendations are agreed the company could be managed internally with the support of SDC staff, as is the case now.

Councillor Mrs Jeffrey, Chairman of Oportunitas informed members that all options relating to purchase of new premises would be looked at, Oportunitas cannot use compulsory purchase orders to acquire property directly although it could agree to purchase properties from the council that have been acquired via the cpo route.

A full business case will be taken to a future Cabinet meeting if the recommendations are agreed at its meeting on 28 February.

Proposed by Councillor Russell Tillson
Seconded by Councillor Michael Lyons and

Resolved: To receive and note Report C/17/81.

(Voting: For 10; Against 0; Abstentions 0)

82. **Exclusion of the Public**

Proposed by Councillor Peter Gane
Seconded by Councillor Philip Martin and

Resolved:

To exclude the public for the following item of business on the grounds that it is likely to disclose exempt information, as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 –

‘Information relating to the financial or business affairs of any particular person (including the authority holding that information). “Financial or business affairs” includes contemplated as well as current activities.’

(Voting: For 10; Against 0; Abstentions 0)

83. PREVENT update

Report OS/17/06: On 12th September 2017 the Overview and Scrutiny Committee (OSC) received an annual report on safeguarding activity conducted during 16/17 and advised of the new refreshed safeguarding policy. The committee were keen to receive an overview of PREVENT and current counter terrorism activity as some of this work now features under the safeguarding policy. The Counter terrorism and Security Act 2015 placed a duty on specified authorities to have due regard to the need to prevent people from being drawn into terrorism. Authorities subject to the provisions must have regard to the PREVENT duty guidance when carrying out the duty (this includes Local Authorities).

Nick Wilkinson County PREVENT gave a private presentation to members.

Please note this item was withdrawn and will be heard at the meeting in March.

84. Potential Freehold Disposal of Folkestone Indoor Bowls site, Cheriton Road, Folkestone

Report C/17/79 reviews the current position of the Folkestone Indoor Bowls (FIB) club, Cheriton Road Folkestone.

Proposed by Councillor Michael Lyons
Seconded by Councillor Peter Gane and

Resolved: To receive and note Report C/17/79.

(Voting: For 10; Against 0; Abstentions 0)

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CABINET REPORT C/17/78 – 28 FEBRUARY 2018

TREASURY MANAGEMENT STRATEGY STATEMENT (TMSS), PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION (MRP) STATEMENT 2018/19

Summary of key points for Overview and Scrutiny Committee on 27 February 2018

1. Introduction

- Requirement for Full Council to approve a TMSS, Prudential Indicators for capital expenditure and a Minimum Revenue Provision Statement before the start of each financial year
- TMSS based on spending plans in current budget cycle including a forecast for the impact of the Princes Parade development (£28m)

2. Economic Outlook (Section 2 – Arlingclose View)

- Uncertainty will remain while negotiations to leave the European Union continue
- The domestic economy has remained relatively strong since the referendum but growth is likely to be sluggish for several years
- The Bank base rate is now expected to rise from 0.5% to 1% during 2018-19. This is mainly a response to concerns about inflation from private sector earnings growth.
- Further detail in Appendix 1

3. Borrowing & Investment Position (Section 3)

- Table at 3.1 shows the council's underlying borrowing need (Capital Financing Requirement) is forecast to rise through to 2021 to £90m reflecting the council's capital investment plans for both the General Fund (including Oportunitas and Princes Parade) and HRA
- No new borrowing is expected to be required in 2018/19 to meet the increase in the CFR as it forecast there will be sufficient cash resources available to meet this (internal borrowing)
- However, from 2019/20 it is forecast that new (external) borrowing will be required to meet the increase in the CFR from the council's capital investment programme

4. Borrowing Strategy (Section 4)

- Reiterates the message from section 3 that although the CFR will rise in 2018/19 no new borrowing is forecast to be required as this can be met from existing cash resources (internal borrowing)

- The borrowing strategy itself for 2018/19, including the sources of funding available to the council, remains unchanged from that currently in place

5. Investment Strategy (Section 5)

- Broadly unchanged from the current approved strategy
- Priority remains security then liquidity of cash invested before yield
- Low interest rate environment continues to erode some capital value over time
- Help to mitigate against the risk of capital erosion by continuing to diversify into asset classes that can track inflation and/or provide enhanced returns while still offering good security
- Propose to continue to follow Arlingclose's recommended asset classes, counterparty list and credit quality information when making investment decisions and monitoring the portfolio.

6. Financial Implications (Section 8)

- Welcome news that the net cost of interest to the General Fund in 2018/19 is forecast to reduce by £140k compared to the 2017/18 estimate. To be achieved, in part, by investing more of the council's cash reserves and balances in to diversified products, such as pooled funds, for longer durations providing the opportunity for enhanced returns.

7. Capital Prudential Indicators (Section 10 and Appendix 3)

- Statutory requirement
- The key ones are:
 - The Operational Borrowing Limit for 2018/19 (the maximum borrowing likely limit but not the worst case scenario) = £82m
 - The Authorised Borrowing Limit for 2018/19 (the maximum affordable borrowing limit in the short term) = £90m

8. Minimum Revenue Provision Statement (Section 11 and Appendix 4)

- MRP statement broadly unchanged from that currently approved
- As a minimum, any deviations from the approved policy in year to be identified as part of the MRP statement for the next year

9. Recommendations – as stated

Prepared by:

Lee Walker (Group Accountant – Capital & Treasury)