CABINET

4 SEPTEMBER 2018

Index

KEY DECISION: YES

MONEY MATTERS 2018/19 - REVIEW OF FINANCIAL PERFORMANCE AGAINST THE FINANCIAL STRATEGY

1. Decision:

The Cabinet:

1.1 Noted the report and issues raised within and that Leadership Team with Cabinet Members will continue to closely monitor and manage the Medium Term Financial Strategy 2017-22.

1.2 Formally accepted the offer of £905,939 by the Better Care Fund Partnership Board to support expenditure on Disabled Facilities Grants in 2018/19.

1.3 Approved an update to the Capital Programme expenditure budget of £154,000 (from £774,000 to £928,000) for Disabled Facilities Grants in 2018/19, funded by £22,000 of council resources, and £906,000 of Better Care Fund (BCF).

1.4 Noted the award of a new contract to Axis Security Services Ltd for a 3 year period and the resulting increase in budget required for the CCTV Contract over the period of £58,860 (£19,620 in 2018/19).

1.5 Noted the three consultations currently taking place regarding Local Government Finance.

1.6 Approved the Council being part of the Staffordshire Business Rates Pilot for 2019/20 and to delegate authority to the Leader, Chief Executive and Head of Finance and Procurement to agree the application.

1.7 Approved an investment of up to £2m in the CCLA Diversified Income Fund with income received in excess of 2.5% transferred to an earmarked reserve to manage volatility risk.

1.8 Delegated the decision on the exact level and timing of the investment in the CCLA Diversified Income Fund to the Cabinet Member for Finance and Democracy and the Head of Finance and Procurement.

2. Statement of Reasons:

1.1 The Cabinet report covers the financial performance from April to June (Quarter One) for 2018/19.

1.2 The Net Cost of Services is projected to be above budget by £36,030 and Corporate Budgets (Treasury and Section 31 Grants) are projected to be on budget, a total of £36,030.

1.3 Three service areas are currently in the process of identifying their share of the Efficiency Plan target for 2017/18 that remains outstanding of £83,670.

1.4 The Council on 20 February 2018 approved a transfer <u>to</u> general reserves of £26,990.

1.5 The projected budget performance detailed in 1.2 means a lower transfer of £6,180 is currently projected to general reserves.

1.6 The Capital Programme is projected to be below budget by (£495,000) resulting in profiling updates.

1.7 Capital receipts are projected to be (£300,000) compared to the Approved Budget of (£0).

1.8 In terms of Council Tax, Business Rates, Sundry Debtors and Supplier Payment Performance:

- The Council's collection performance on Council Tax based on debt covering all years is 29.25% and this is consistent with previous years.

- There is a projected surplus for Council Tax and the Council's share of (£19,530) with £0 included in the 2019/20 budget.

- Income raised has increased by (£1,173,551) due to the issue of a large invoice related to the Better Care Fund of (£905,000).

- In addition Invoices Outstanding has reduced by (£622,816) due to lower debt for the Joint Waste Service and the transfer of Leisure Centres management.

- The Council is projected to be paying gross Business Rate levy (including the volatility allowance) of £2,023,000 to the GBS pool and will receive (£387,000) of returned levy. Therefore the projected 'net levy allowance' is £1,636,000.

- Retained Business Rate Income is currently projected to be (£252,100) higher than the Approved Budget.

- The Council's collection performance on Business Rates based on debt covering all years is 26.01%. This is lower than previous years due to the inclusion of two new large valuations where the valuation process has led to a delay in the issue of the bills and the payment plans, the implementation of the Local Discretionary Rate Relief scheme and other changes in payment plans.

- There is a projected surplus for Business Rates and the Council's share of (£22,300) with £0 included in the 2019/20 budget.

- The payment of suppliers within 30 days in 2018/19 is 80.18% and this is consistent with previous years.

1.9 The Council's investments achieved a risk status that was more secure than the aim of A- and yield exceeded all four of the industry standard LIBID yield benchmarks.

2.10 Staffordshire Authorities are likely to submit an application to be a Business Rates Pilot in 2019/20.

3. Any Alternative Options:

3.0 There were no alternative options.

KEY DECISION: NO

MONITORING THE DELIVERY OF THE STRATEGIC PLAN

1. Decision:

The Cabinet:

1.1 Noted the 2017/18 end of year performance as detailed in the 2017/2018 Corporate Annual Action Plan.

1.2 Noted the new Performance Development Framework and adopted the new Delivery Plan 2018-2020 and draft Corporate Indicators.

2. Statement of Reasons:

1.1 Lichfield District Council is currently mid-way through the period of its Strategic Plan 2016 – 2020.

1.2 To date the council has directed and monitored its performance against the Strategic Plan, with Corporate Annual Action Plans and two annual Directorate Action Plans (Transformation & Resources and Place & Community).

1.3 Performance has been reported at six and 12 month intervals, with the Corporate Annual Action Plan (CAAP) reported to Cabinet, and the Directorate Actions Plans reported to the relevant Overview & Scrutiny committees.

1.4 Progress against the 2017/18 Corporate Annual Action Plan is attached at Appendix A of the report.

1.5 A mid-plan review of the way the council manages its performance has been carried out during the early part of 2018, and a revised performance framework has been developed (see Appendix B of the report).

1.6 A key outcome of the review has been the development of the council's new Delivery Plan 2018 – 2020 which it is proposed will replace the CAAP and the two Directorate Action Plans, providing a whole council approach to performance.

1.7 The Delivery Plan provides a direct link to the council's Strategic Plan as it maps ongoing actions aligned to commitments set out in the Strategic Plan. It contains only those actions that are strategic in nature or are of cross–departmental importance. By bringing together actions in this way, the Delivery Plan also helps to highlight any resource implications and will ensure corporate prioritisation takes place in a more coordinated way.

1.8 The Delivery Plan also captures the performance the council has delivered so far against the aspirations set out in the Strategic Plan, and also maps out the activity that will take place between 2018 and 2020 to support delivery of the overall Strategic Plan. As such it is a longer lasting, more forward focussed and more resilient performance tool.

1.9 Actions are mapped directly back to commitments and aspirations in each of the council's priorities in the Strategic Plan. They are also linked to each head of service and team service plans, and to individual staff members' performance and development review targets a thread of activity throughout our organisation. The Delivery Plan has also been reviewed in line with the Medium Term Financial Strategy.

1.10 The Delivery Plan also seeks to highlight how these actions relate to the council's Fit for the Future commercialisation themes: investment; income; and innovation. A column is included within the document to highlight these links.

1.11 The Delivery Plan 2018 – 2020 will be reviewed on an ongoing basis by the council's Leadership Team to monitor both performance and risk. It will also be reviewed, updated and approved on a six-monthly basis by Cabinet.

1.12 The draft Delivery Plan 2018-20 is attached at Appendix C of the report.

The Delivery Plan will be accompanied by a new set of Corporate Indicators (see Appendix D of the report) that are aligned with the Strategic Plan's outcomes and which illustrate the socio-economic health of the district.

3. Any Alternative Options:

3.1 There are numerous ways of monitoring performance and of drafting the Delivery Plan.

3.2 Cabinet can choose not to have a Delivery Plan and could choose to amend any of the entries in the Plan.

KEY DECISION: YES

DISPOSAL OF LAND AT LEYFIELDS AND NETHERSTOWE, LICHFIELD

1. Decision:

1.1 The Cabinet agreed to dispose of land at Leyfields, Lichfield and Netherstowe, Lichfield to Bromford Housing Association for the provision of affordable housing on the terms recommended by the District Valuation Officer.

2. Statement of Reasons:

2.1 One of the Council's strategic objectives is to increase the supply of affordable housing. Following a review of Council owned land that could be disposed of for such purposes, discussions were progressed with Bromford Housing regarding the disposal of two public open space areas for the provision of affordable housing development.

2.2 Bromford have expressed a desire to purchase the sites at Leyfields, Lichfield and Netherstowe, Lichfield.

2.3 The District Valuer's report has now been received on the valuation for the sites and Cabinet is being recommended to approve the disposal of the two sites to Bromford for redevelopment.

3. Any Alternative Options:

3.1 Council could retain the land as Public Open Space and not seek to have these sites developed. This would mean that Council would forego a significant Capital Receipt and also forego the opportunity of providing much needed affordable housing accommodation.

3.2 Council could offer the land for sale on the open market but the District Valuer has confirmed that the best consideration will be achieved by a disposal for Affordable Housing because of the grant the Registered Social Provider receives, which gives them a status of a special purchaser.

3.3 An alternative would be for Council to develop the site itself although this would mean engaging a developer or setting up a company to deliver the development. There would be cost implications and potential time delays in doing so and therefore it is felt that working with Bromford as a partner will deliver Affordable Housing in the shortest timescale.

3.4 Discussions did take place with Bromford about a Joint Venture development with Bromford, but Bromford's preference was for the sites to be sold to them on a straightforward disposal basis for which the Council would receive a Capital Receipt.

KEY DECISION: YES

PROCUREMENT SERVICE IMPROVEMENT

1. Decision:

The Cabinet:

1.1 Acknowledged the report and the current work being done to improve procurement practices and outcomes.

1.2 Approved the entry in to a service level agreement with Wolverhampton City Council to deliver procurement support for a period of four and a half years (until 2022/23) at total cost of £260,085 (not including any inflation or software cost increases).

1.3 Recommend to Council the approval of changes to the Medium Term Financial Strategy detailed in the financial implications section of the report.

2. Statement of Reasons:

2.1 Procurement within local government is extremely important as bad practices can lead to legal challenges, financial loss and reputational damage.

2.2 The council's approach to procurement and contract management changed in 2011 with the service largely being dissolved and replaced by an agreement put in place with Staffordshire County Council to provide procurement advice and support. The Council chose to implement a decentralised approach to procurement.

2.3 As part of the management restructure in 2017, the responsibility for procurement moved to the Head of Finance and Procurement who requested a review be undertaken to assess the current level of performance and compliance.

2.4 The review found that the council spent around £8,696,955 on goods and services, raising around 5,494 invoices against 852 unique suppliers. The information analysis provided an insight in to the current situation and identified areas for further analysis and improvement.

2.5 It became clear that a lack of corporate procurement leadership has led to fragmented and differentiated procurement practices, raising the risks of non-compliance with procurement rules and legislation. This resulted in an improvement plan being created and is being delivered.

2.6 Money was obtained from the Local Government Association (LGA) to provide expert advice, and assist our ambition to improvement procurement, leading to;

- A revised approach to training to develop knowledge and skills. This has been specified and is currently being commissioned.

- A refreshed procurement portal on the intranet (Brian), providing all the necessary information and documentation to enable more self-help and self-service, while promoting good practice. This has been drafted and is in the process of being built.

- A project to further roll out the use of procurement cards (council credit cards) to reduce the number of invoices for low level spend, and one-off transactions, and so save around £15,000 in administering and processing invoices.

2.7 Our contract procedure rules were updated in the new constitution to ensure that all requirements were clearly identified and articulated, further reducing the risk of non-compliance.

2.8 In addition, the agreement between Staffordshire County Council was identified as being out of date with many of the contractual terms are no longer being met. This arrangement has a review date of 30 September 2018.

2.9 Through engagement with contract owners, it was clear that the support being offered did not meet our needs and so a revised service requirements document was created. An exercise was undertaken to consider the options available, including; continuing with the existing arrangement, recruiting a procurement officer, purchasing the services from another council or outsourcing the service to the private sector. It was felt that the resilience and relevant expertise offered through a service provided through another council would offer the best price and fit.

2.10 Discussions were held with several councils in the region which led to quotes being requested from two of them. A quote was received from Wolverhampton City Council with a cost of £56,490 per annum, the equivalent to recruiting a salaried procurement expert. However, the proposal provides greater resilience with access to a large procurement team and their procurement systems.

2.11 A range of potential contract savings have already been identified and it believed that with the improved support the arrangement could be self-funding, as it would be set a realistic target to reduce procurement spend by 1% each year (equivalent to around £86,970). This is not an unrealistic achievement as some neighbouring authorities have already set and achieved this target.

3. Any Alternative Options:

3.1 As explained in the report, an exercise was undertaken to consider the options available, including; continuing with the existing arrangement, recruiting a procurement officer, purchasing the services from another council or outsourcing the service to the private sector. It was felt, and can be evidenced, that the resilience and relevant expertise offered through a service provided through another council would offer the best price and fit.

3.2 Doing nothing was not an option as we were not fully compliant and are at risk of not ensuring best value in regards to procurement and contract management.

KEY DECISION: YES

NEIGHBOURHOOD AREA DESIGNATIONS - DETERMINATION OF APPLICATIONS FOR DESIGNATION

1. Decision:

1.1 The Cabinet agreed that Full Council be recommended to maintain the delegated authority granted to the Cabinet Member for Economic Growth, Environment & Development Services and the Director of Place and Community to determine applications for the designation of a neighbourhood area.

2. Statement of Reasons:

2.1 In July 2015 a meeting of the Full Council determined to grant delegated powers to the Cabinet Member for Economic Growth, Environment & Development and the Strategic Director for Democratic, Development and Legal services to determine applications from parish councils for their areas to be designated as Neighbourhood areas. Since that time the Neighbourhood Planning Regulations have been amended with regard to Neighbourhood area designation to require Council's to automatically designate a Neighbourhood area where a Parish Council applies for all of its area to be designated without the need for consultation. As such this report seeks to clarify the delegated authority previously granted in line with the amended Neighbourhood plan regulations.

3. Any Alternative Options:

3.1 Members receive a report for each area designation following an application by a Parish Council. This would result in a delay to the designation of neighbourhood areas which is not consistent with the updated regulations

KEY DECISION: YES

DELIVERING THE PROPERTY INVESTMENT STRATEGY

1. Decision:

The Cabinet:

1.1 Agreed the appointment of two posts within the newly created estates team.

1.2 Recommended to Council the use of general reserves to provide contingency funding for any shortfall within the budget and amend the Medium Term Financial Strategy for the necessary changes to Property Management Budgets as detailed in the financial implications section of the report.

1.3 Recommended that Council amend the Approved Investment Strategy to approve a loan of up to £900,000 to the local authority company for a period of 5 years.

1.4 Recognised the creation of a new officer group to provide cross-organisation focus to asset management.

1.5 Recognised the need to create a local authority company to deliver the Council's development and housing ambitions.

1.6 Recommended to Council the delegation of the next steps to the Leader and Chief Executive particularly:

- A change in the constitution to replace the Asset Strategy Group with a new member consultative group.
- A change in the constitution to delegate property acquisitions of up to £2m to the leader and chief executive, with oversight by the s151 officer and monitoring officer.
- The creation of a company including the setting up of a board, shareholder committee, memorandum and articles of association, shareholder agreement and loan terms.
- Amendment of the constitution to incorporate the company.

2. Statement of Reasons:

2.1 In December 2017, Cabinet approved the Property Investment Strategy, which set out the Council's ambitions in relation to the development of an 'investment' property estate and the development of residential property.

2.2 It was agreed that due diligence would be undertaken, using external advisors, to provide assurance of the proposals and confirm our next steps. This work was undertaken between May and July 2018. The outcomes of this work have been used to inform this report and are available in the in the appendices.

2.3 As a result of this work, it is proposed that the council retain management of its property estate through a property service, as this provides the most effective governance and tax efficient structure.

2.4 To optimise income and deliver our property ambitions, it is necessary to create capacity and capability through the recruitment of property processionals. In addition, a number of projects will be undertaken to improve our systems, information, processes and procedures. Funding will come through existing budgets, increased income, and the fit for the future budget. However, it is also proposed that a contingency budget should also be made available from general reserves to cover any shortfall in the initial years as the team becomes established.

2.5 Two new groups will be created to provide oversight and assurance. One will be a member consultative group, replacing the current Asset Strategy Group, and the other will be a cross-council officer group. These groups will provide strategic oversight, direction and scrutiny to the management of our property portfolio.

2.6 To meet the expectations of the market in regards to speed of decision making, it is proposed that two new assessment tools are introduced to consider opportunities and where passed, delegated authority is given to the leader and chief executive to make acquisition decisions up to the value of £2m.

2.7 The development and sell, or lease, of residential property is different, and will require the creation of a local authority company as we have no duty to undertake this activity. The company will be owned by the council who will be a shareholder, and a member shareholder committee formed to oversee the governance and performance of the company.

2.8 Initially, officers will be used as directors and no-one will be directly employed by the company, thereby keeping initial operating costs at a minimum. As the business plan is delivered and capability proven, this will likely change with new directors appointed and staff recruited.

2.9 Initially, development will be undertaken through design and build contracts, making use of small to medium contractors or strategic partners where possible. This is in keeping with the Governments ambitions, set out in their "fixing our broken housing market" white paper.

2.10 The company will be funded through loans from the council to provide operating capital, with the council obtaining a small income from the interest on these loans as well as any dividend returned once the company becomes profitable. It is not anticipated that the company will generate a profit within the first 3 years.

2.11 In addition, the council will provide the company with land as equity or through direct sale. An initial pipeline of development land has been identified and will be assessed formally through the company. The business plan aims to develop five dwellings a year on existing land and could turn an initial investment of around £900k in to a profit of £1.8m within five years. A full business plan will be created prior to the company being incorporated and the financial modelling checked by tax and finance advisors.

2.12 It should be noted that this report and recommendations will considered by Strategic Overview and Scrutiny Committee prior to it proceeding to Full Council in October, thereby permitting any observations from that committee to be reflected in the final report.

3. Any Alternative Options:

3.1 Placing all activity in to a company is an option available to the council, however there would be a significant increase in tax liabilities as the company is not the most tax efficient operating model for managing a property estate and so this was discounted. However, a company is the only option available for housing development due to existing legislation.

3.2 Outsourcing, particularly in relation to our estate, is an option and discussions were held with companies who could undertake the activity. There is a reduced level of control as the relationship becomes more one of contract management than direct management, and so we would risk losing some flexibility and may not gain the benefit of consolidating the whole property function in to a corporate landlord arrangement (using skills to manage the investment and operational estates).

3.3 Shared Service was considered as other councils are already undertaking this activity, both in relation to investment property and development. Discussions were had with local councils and there was some, but limited input. In regards to investment property, this could be done through another council but this would simply be the administration as the decision-making element would need to remain and so expertise would be needed for this. Such expertise would be required more broadly and so would mean little benefit from sharing. With regards to development, there was limited interest from other councils as this would mean a change to the company structures they have already set-up, or would need a new company set up for this purpose. At this stage, the ability to focus on delivery within our own economic geography and to our own prioritised schemes would be more controlled through our own company. Although discounted at this stage, this option remains a potential for us in the future.

3.4 Joint Venture, particularly with the set-up of a company, was considered and discussions have taken place with other councils and organisations. Some of these conversations have been fruitful and this remains an option as we move forward and incorporate the company, although the council would wish to retain control over the company.

3.5 Developable land could be provided for self-build, or sold to other parties for development, thereby removing the need for a company. However the income received by the council would be significantly less and it would not allow the council to build capacity for the future, meaning it would be a short-term benefit will no long-term returns.

3.6 Doing nothing was considered not to be an option as there are housing needs not currently being delivered, and the existing arrangements for the management of our estate are not sufficient to optimise performance.