

## **FINANCE & GOVERNANCE CABINET ADVISORY BOARD**

**Tuesday, 14 November 2017**

### **Present:**

**Councillors Reilly, Horwood (Vice-Chair, in the Chair), Chapelard, Dawlings, Heasman, Holden, Jukes, Lewis-Grey, Munn and Uddin**

**Officers in Attendance:** John-Jackson Almond (Assembly Hall Theatre Director), John Antoniades (Acting Property and Estates Manager), Diane Brady (Civic Development Manager), David Candlin (Head of Economic Development and Property), Jane Clarke (Head of Policy and Governance), Lee Colyer (Director of Finance, Policy and Development), Sheila Coburn (Head of Revenues and Benefits), Jane Fineman (Head of Finance and Procurement), Paul Taylor (Director of Change and Communities), Keith Trowell (Senior Lawyer and Deputy Monitoring Officer) and Mike McGeary (Democratic Services Officer)

**Other Members in Attendance:** Councillors Moore and Neve (registered speakers)

### **CHAIRMAN OF THE MEETING**

FG52/17      Although the Chairman of the Advisory Board was present, he asked his Vice-Chairman, Councillor Horwood, to chair the meeting.

### **DECLARATIONS OF INTERESTS**

FG53/17      Councillor Chapelard confirmed that, as he was no longer a member of Tunbridge Wells Alliance, he had been advised that he was not required to declare an interest in minute FG57/17 below. He emphasised that he had not pre-determined the issue, ahead of discussion on the matter.

### **NOTIFICATION OF VISITING MEMBERS WISHING TO SPEAK**

FG54/17      The Democratic Services Officer advised that Councillors Moore and Neve had both registered to speak on minute FG57/17 below, in accordance with Council Meetings Procedure Rule 18.

### **MINUTES OF THE PREVIOUS MEETING**

FG55/17      The minutes of the meeting dated 3 October 2017 were submitted.

**RESOLVED** – That the minutes of the Board meeting dated 3 October 2017 be agreed.

### **FINANCE AND GOVERNANCE CABINET ADVISORY BOARD - WORK PROGRAMME**

FG56/17      The Board received its work programme for the period up to 28 February 2018, which was based on the issues set out in the Council's Forward Plan.

**RESOLVED** – That the work programme be noted.

### **CIVIC DEVELOPMENT DELIVERY**

FG57/17      David Candlin, the Head of Economic Development and Property, summarised the key elements of a comprehensive report on the extensive work that the authority had undertaken up to and during RIBA Stage 3

(Developed Design), towards the provision of a new theatre and offices and an associated underground car park.

Mr Candlin provided some context for the proposed scheme. He advised that the provision of a modern theatre was a key component of the Borough Council's agreed Five Year Plan, as was the delivery of new office space on Mount Pleasant Avenue car park. This was a commitment, he advised, to deliver the Council's place-shaping and civic leadership responsibilities for enhancing the attractiveness and cultural vitality of the Borough. He added that the theatre would also help the authority meet one of its key targets set out in its Cultural Strategy for the Borough to become nationally recognised for its vibrant cultural provision by 2024.

Mr Candlin said that, from the outset, the work had been carried out in stages. He added that this provided a decision point for the project, a commitment of additional resources and an acknowledgment that the work and the expenditure would be abortive should the development not proceed.

Against that background, Mr Candlin said that the report explained the detailed design work that had been undertaken as part of the Stage 3 process as well as what site assembly processes had been carried out. He added that an outline was set out of the options and preferred approach to the next stages of procurement to enable the construction to proceed. In addition to that, attention was drawn to the existing civic complex site and the recommended proposed strategy and mechanism for managing its disposal.

Before the Advisory Board considered the financial elements of the scheme, the Chairman invited the following four registered members of the public to speak:

Kate Malone spoke in support of the proposals, which she described as thoughtfully designed, with minimal encroachment into Calverley Grounds, resulting in a cultural centre which would attract audiences from far afield. Mrs Malone added that it would also help to boost the local economy and encourage other businesses to become established in the town. Mrs Malone felt that those who opposed the scheme, some of whom had been involved in unacceptable behaviour, were afraid of change because they did not understand the benefits that the project would bring.

Peter Hinchcliffe also spoke in support of the scheme, adding that it was important for an investment in the future to be made, from which residents and local businesses would benefit. He felt that the current Town Hall building was now too large for its original purpose and the Assembly Hall Theatre was outdated and unable to house productions which modern-day audiences demanded.

Huw Edwards said that he knew of many residents who lived in the Eastern area of the Borough who were supportive of the proposals. He felt that the scheme would result in a theatre of which the Borough would be rightly proud, adding that borrowing on this scale was perfectly acceptable in the context of the social and economic benefits that would result.

Cllr Moore had registered to speak as a visiting member. She believed that large numbers of the public had been fed misinformation about the proposals, especially with regard to the financial element of the scheme. Councillor Moore added that many experts in the theatre world were voicing their

support for what they described as a well-developed project. She drew attention to the strong assurance rating that external and internal reviews had given to the Council's project management approach.

On the loan and debt aspects of the proposals, Councillor Moore referred to the 'consolidated business case' conclusions, which she said provided reassurance for members, as well as confirming that this was a good time to be borrowing in order to deliver a 'place-making cultural investment'.

Councillor Neve said that he remained in favour of the proposals but he objected to the part-funding of the servicing of the loan by charging for collecting green waste.

Lee Colyer, the Director of Finance, Policy and Development, summarised the key aspects of the financial detail of the proposed scheme, which was set out in 'report 4' of the agenda. He advised that the estimated net scheme cost was £77m, which would involve borrowing this sum at a fixed rate of 2.75%, leading to a net revenue cost of £2.3m per annum for the 50 year loan period.

Mr Colyer drew attention to the recommended funding strategy set out in the report. This showed how the sum of £2.3m could be removed from the Council's base budget, through a mix of greater income and revenue savings. He demonstrated how a contingency fund could begin to build up from 2018/19 so that, by the construction completion stage in 2022, a sum of £3.1m would exist within this fund.

Mr Colyer emphasised two further key points: (i) the extent of the prudent approach he had adopted in preparing the funding strategy; and (ii) the strong endorsement the authority had received from both the Chartered Institute of Public Finance and Accountancy (CIPFA) and from the Mid Kent Audit Service into the governance arrangements the authority had followed in its project management of the scheme.

John-Jackson Almond, the Assembly Hall Theatre Director, reported on the key elements from the theatre business case prepared by consultants Bonnar Keenlyside. He said that the detailed report addressed the following key aspects: (i) an auditorium of 1,200 seats would be the ideal capacity; (ii) it was realistic to expect a steady growth towards 400,000 ticket sales per annum within seven or eight years, at which point the theatre should be subsidy-free; (iii) the touring show market remains resilient; and (iv) the range and type of entertainment which the new theatre could provide would be significantly enhanced, compared with the current Assembly Hall programme.

Members of the Advisory Board considered the report and its nine recommendations and raised the following points:

- Councillor Munn referred to the review report provided by CIPFA, specifically the reference to the Borough Council no longer receiving any revenue support grant (RSG) from central government after 2017/18. He asked what the longer term position was regarding the 'negative RSG' position that the authority might find itself in, beyond 2018/19. Mr Colyer advised that he had made the calculated assumption that the authority would continue to be in a 'negative RSG' position for the foreseeable future.

- Councillor Munn next drew attention to the statement that the authority would need to undertake a review of its development programme resources as part of the funding strategy for the scheme. He asked whether that review was already under way. Mr Colyer said that this review had not yet started but that, once the Council had determined whether to proceed with this scheme, the Chief Executive would then begin to look at both the capacity and the resources of the authority to deliver, within the constraints of the agreed budget.
- Councillor Holden queried some of the statements made by the members of the public who had spoken on this item. He said that (i) there certainly was a level of opposition to the project and (ii) it was incorrect to say that a significant factor was 'fear of change'. He added that, while he was not against the provision of a new theatre, he felt that the emphasis of the benefit was very largely on the town of Tunbridge Wells and that it was therefore the rural parts of the Borough which would lose out. Councillor Holden referred to the CIPFA statement in the report that the financing costs of the loan would amount to approximately 20% of the authority's net revenue budget. He asked how this would impact upon the need to deliver the Cranbrook community hub and on the provision of a recycling centre for the Eastern part of the Borough, and underlined the point that the theatre was not a commercial, income-generating element of the project.
- Councillor Dawlings recognised the benefits of the scheme but felt that the Council had not argued sufficiently how it would attract more businesses to be established and how the retention of business rates – if confirmed – would help to fund services across the whole of the Borough.
- Councillor Uddin recognised the scale of the decision which the Council faced, but felt that the innovative, creative scheme proposals set out would act as a boost to the local economy. He indicated his strong support for the scheme, adding that he was reassured by the Council's history of good financial management of its resources.
- Councillor Heasman expressed his support for the scheme and endorsed: (i) the proposal for a 1200-seat theatre; (ii) the recommendation to opt for a 'new-build' scheme; and (iii) the case for investing a capital sum of this scale in the town and Borough. He also said that he objected to the actions of some of the detractors of the project, who were applying a certain level of pressure to people to sign a petition without explaining any of the scheme's benefits.
- Councillor Holden responded to some of the points made. He felt it important to recognise that councillors were not at the heart of the Borough's economic success. He said that no proper commercial reasoning had been set out for the new theatre, adding that he doubted that this would be achieved through ticket sales.
- The Leader of the Council, Councillor Jukes, said that it was vital to look to invest in the future, so that generations to come would benefit from the courage that this Council was displaying through promoting this scheme. He added that it would also act as a significant boost to

the local economy. Councillor Jukes also emphasised the very high level of transparency the authority had shown in both its procedures and its decision-making with regard to this project.

- Councillor Chapelard asked what the implications would be if the underground car park element of the scheme were excluded. Mr Colyer said that the car park was very much a part of the Council's scheme plans, adding that, while there was no cost estimate for excluding this part of the proposals, any significant alteration at this stage would inevitably lead to a delay in beginning construction. Mr Candlin also said that it was important to remember that the underground car park would provide a similar number of spaces to those lost elsewhere within the scheme, a factor which was of significance in terms of supporting businesses in that part of the town centre.
- Councillor Chapelard also asked what other options had been considered for servicing the debt. He felt that members should be offered some choices as to how this could be achieved. Mr Colyer said that the funding strategy was one which he had been asked to prepare, with a particular emphasis on what was deliverable.
- Councillor Munn said that, having read the comprehensive report and listened to the debate thus far, he remained unconvinced about the project. He sought further clarification on the ticket sales aspect of the business case, where he felt that significant growth was a fundamental issue. He asked what forecasting existed around 'neutral' growth or even no growth at all.

Mr Colyer said that the forecasting was based on several factors, including taking a wider view of the economy and the experience of the Marlowe Theatre in Canterbury, where ticket sales in excess of 400,000 per annum were being achieved.

Mr Almond added that the consultants had expressed a high degree of confidence with regard to the market generally and to the growth in ticket sales. He added that the Council should expect a low growth initially under the current Assembly Hall, followed by a step change in line with enhancements to the programme in the new venue, then a linear increase in subsequent years.

The acting Chairman thanked all contributors to the debate and asked whether the Advisory Board was supportive of the nine recommendations.

**RESOLVED** – That the recommendations set out in the report be supported.

## **FEES AND CHARGES SETTING 2018/19**

FG58/17 Jane Fineman, the Head of Finance and Procurement, presented a report, which set out a schedule of proposed fees and charges for Council services for 2018/19 to which Cabinet approval was being sought.

Mrs Fineman explained that the authority's agreed Medium Term Financial Strategy (MTFS) assumed a 3% increase in the income from the sale of services and products across the range of activities listed. These covered,

amongst other items: hire of the Assembly Hall Theatre; hire of the Camden Centre; services at the Cemetery and the Crematorium; and the use of the parks for outdoor sports.

Mrs Fineman added that implementation of the proposed fees and charges would enable the authority to exceed its financial target set out in the MTFS by approximately £109k. She added that the income expected from planning fees – which were set nationally – was based on an expectation that the Government would apply an approximate 20% increase from April 2018.

Members of the Advisory Board considered the content of the report and its recommendations and raised the following issues:

- Councillor Holden asked: (i) whether the charge for green waste removal was included; and (ii) with ‘offence penalties’, had the authority not been diligent enough in issuing penalty charge notices in Council car parks.

Mrs Fineman said that the potential green waste charge had not yet been agreed and was not yet part of the charging structure. She added that, if agreed, this could be part of future years’ reports. On ‘offence penalties’, she said that penalty charge notices (pcn) were not included in this report. She added that the current year’s pcn income was down against target due to a lower footfall in the town centre.

- Councillor Heasman welcomed the proposed planning fee increase, adding that the Council should be lobbying the Government to allow local authorities to implement a realistic charging structure. Councillor Jukes said that he, along with the Kent Leaders’ Group, was doing exactly that.
- Councillor Holden queried whether it was right to charge a planning application fee; he suggested that residents were already paying for this service through their council tax. Councillor Jukes said that the result of such a policy would be that developers of housing schemes, for instance, would not be required to pay towards the very considerable staffing costs for determining planning applications. Councillor Heasman added that there was no justification for local authorities being in a position of running a planning service at a loss.

**RESOLVED** – That the recommendations set out in the report be supported.

## **COUNCIL TAX REDUCTION SCHEME 2018/19**

FG59/17 Sheila Coburn, the Head of Revenues and Benefits, reported the outcome of a public consultation process on proposed changes to the Council Tax Reduction Scheme for 2018/19. She explained that the purpose of amending the scheme was to lessen the impact of Universal Credit, which was due for implementation in the Borough from August 2018.

Mrs Coburn advised that the outcome of the public consultation was that Option 1 – apply a fixed income period to avoid multiple changes – had been the preferred way forward.

Members of the Advisory Board considered the report and its recommendations and raised the following issues:

- Councillor Munn expressed satisfaction with the way in which the consultation had been organised.
- Councillor Holden said that he was concerned about the low numbers who had responded. He also drew attention to the comments made by Live Well Kent that a large proportion of their clients were suffering adverse stress due to difficulties around claiming the new Universal Credit. He noted the response given by the Borough Council that the impact of Option 1 would need to be monitored and asked what that meant in practical terms.

Mrs Coburn said that the authority was aware of the difficulties that some people might have with on-line Universal Credit applications and advised that support would be provided via the Citizen's Advice Bureau and the Council's Gateway staff.

Councillor Holden asked how the Council was advising applicants that this support was available and how widely the stress might be felt. Mrs Coburn said that there would be approximately 160 claimants who would move over to Universal Credit in August next year; she added that this number should be transferred without causing any difficulties for the people involved.

- Councillor Heasman acknowledged the problems that some people were having elsewhere in the country and said that the Borough Council needed to be very mindful of the stress that some people were suffering. He suggested that it might be helpful if an article were written for the Local magazine, explaining what people transferring on to Universal Credit next August could expect, in order to prepare them for this change.

Councillor Heasman supported the proposal for Option 1 and made a plea that, if there were no reporting of income changes, then after six months had passed, the Council kept a close watch on any significant changes. Mrs Coburn said that the Revenues and Benefits staff would be able to monitor for any significant changes at any stage, not just after the first six months.

**RESOLVED** – That the recommendations set out in the report be supported.

## **DRAFT ASSET MANAGEMENT PLAN 2018/19**

FG60/17 John Antonades, the Acting Property and Estates Manager, presented the draft Asset Management Plan for 2018/19 which, he advised, provided a management strategy for the authority's property assets. He added that it was being presented to Cabinet for approval on 7 December, after which a period of public consultation would take place, before its submission once more to Cabinet and full Council in February, for final approval.

Mr Antonades said that, since the publication of the agenda, a number of minor corrections had been made to the Asset Register (Appendices C, D and E of the report).

The Advisory Board members considered the content of the report and its recommendations and raised the following issues:

- Councillor Munn said he had been struck by reference to business rates retention and New Homes Bonus arising from the Southborough Hub project and sought clarification.

Mr Colyer, the Director of Finance, Policy and Development, advised that New Homes Bonus would apply to the housing element on the playing field site, adding that he would be able to provide more detailed information in due course.

- Councillor Jukes welcomed the Asset Management Plan and was pleased to see the modest increase in the value of leases and lettings set out. He added that, with the Council's portfolio-holdings increasing to a total value in excess of £100m, that would have some positive impact on the civic development scheme.

**RESOLVED** – That the recommendation be supported.

## **PERFORMANCE SUMMARY: QUARTER 2**

FG61/17 Jane Clarke, the Head of Policy and Governance, presented a summary of the Borough Council's performance for the second quarter of 2017/18. This was based on the following criteria: (i) the 14 specific projects which were aimed at delivering the Council's agreed Corporate Priorities for the year; (ii) a number of projects which formed the authority's 'Change Programme' i.e. that focused on improving operational delivery or transforming the way in which services were provided; and (iii) the 39 formal performance indicators across all services (29 of which had targets that could be measured).

Ms Clarke advised that, only seven of the authority's Corporate Priority projects had passed all of their milestones at the half-year stage, although this was to be expected given the complex stage many of the projects were now at.

With the authority's Change Programme, Ms Clarke said that all seven projects were 'on track' and one had been completed.

In respect of the Council's general performance, Ms Clarke advised that: (i) 21 of the 29 performance indicators were 'performing' by the quarter-end; (ii) five – not four as set out in the report – indicators were 'underperforming' and (iii) data was still awaited on three further indicators. Details of the recovery plans for the underperforming indicators were set out in an appendix to the report.

Ms Clarke also advised that information was collected on a range of indicators that together provided an indication of the 'state of the Borough' for residents. Two of the ten indicators related to Borough Council services directly and had targets set by the authority, both of which had been met during the second quarter.

Members of the Advisory Board considered the report and its recommendations and raised the following issues:



- Councillor Heasman asked if a 'rolling' figure could be provided in subsequent reports in respect of planning appeals, which as Chairman of the Planning Committee he would find of particular value. Ms Clarke acknowledged the point and agreed that, with a low number of appeals involved – just six in quarter 2 – each one awarded against the authority had a large percentage impact. She added that the data which Councillor Heasman had requested was likely to be part of the Government's Single Data List and, if so, could easily be provided and would be included in future reports.
- Councillor Chapelard asked what was meant by the phrase 'the number of daily visitors to the town continues to be a challenge for us' in relation to the under-performing indicator for off-street parking income.

Jane Fineman, the Head of Finance and Procurement, said that this was essentially because of less footfall in the RVP shopping centre, probably in part due to the managed reduction in the number of units that were currently open.

**RESOLVED** – That the recommendations set out in the report be supported.

## **COMPLAINTS SUMMARY: QUARTERS 1 AND 2**

FG62/17 Jane Clarke, the Head of Policy and Governance, presented a report which provided a review of complaints received by the authority under the formal Complaints Procedure, for the period 1 April to 30 September 2017.

Ms Clarke reminded members that the authority now operated a two-stage corporate complaints procedure, with a response to be provided at stage one within 15 working days and, at stage two, within 20 working days. She added that a target had been set of responding to 90% of complaints within these timescales.

Ms Clarke advised that, at the half-year position, 82% of formal complaints at stage one and 70% at stage two had been responded to within the required timescale. She added that an analysis of the reasons why the performance targets had not been met showed that the deadline in most cases had only been missed by a few days. Ms Clarke said that, as a result, the administrative process had now been refined, to speed up certain elements, with the intention that the second half-year performance would achieve the agreed targets.

Ms Clarke drew attention to the fact that the total number of formal complaints made in the first half of the year (172) was down in comparison both with the previous six months (201) and with the equivalent half year period in 2016/17 (235).

The Advisory Board members considered the content of the report and the recommendations.

Councillor Munn said that, in past reports, it had been the Assembly Hall Theatre that had recorded one of the highest number of formal complaints. He noted that the Theatre had received only a very small number in 2017/18

to date. Ms Clarke said that the significant investment in the facilities at the Theatre had been a contributory factor, along with re-categorising some of the comments received; these had previously been recorded as a formal complaint, but were in fact expressions of dissatisfaction with the content of the shows.

**RESOLVED** – That the recommendation set out in the report be supported.

## **DRAFT BUDGET 2018/19 AND DRAFT MEDIUM TERM FINANCIAL STRATEGY**

FG63/17 Lee Colyer, the Director of Finance, Policy and Development presented a report which explained the environment within which the authority was planning its budget for 2018/19 and the assumptions that were being built into the process.

Mr Colyer provided some detailed background information, which built upon his earlier reports to the Advisory Board in August and October. From this, members noted that the draft budget still had a funding gap of £149k at this stage. Mr Colyer drew attention once more to the continuing loss of central government grant, which would be reduced from £200k to 'nil' in 2018/19.

Against the loss of government grant, Mr Colyer explained the latest position regarding business rates. He advised that all district councils in the county had joined with Kent County Council and Medway Unitary Authority in the submission of a bid to the Government to become a pilot for the retention of 100% of business rate growth for 2018/19. Mr Colyer explained that, should this bid be successful, it could lead to this authority retaining an extra £600k of business rate growth and the creation of a West Kent Infrastructure Fund of £1.055m.

The members of the Advisory Board considered the report and its recommendations and reached the following conclusion.

**RESOLVED** – That the recommendations set out in the report be supported.

## **QUARTERLY FINANCIAL REPORTS - QUARTER 2 (TO 30 SEPTEMBER 2017)**

FG64/17 Jane Fineman, the Head of Finance and Procurement, provided a verbal report on the quarter 2 position regarding the revenue and capital budgets, as well as a 'treasury and prudential indicator management' update for the same period.

Mrs Fineman said that, in terms of what would be reported to the Cabinet on 7 December, the (i) treasury management and (ii) revenue budget reports would be for noting, and (iii) the additional application for capital budget expenditure would require formal Cabinet agreement.

Members of the Advisory Board considered the verbal update and raised the following issues:

- Councillor Dawlings congratulated the Finance staff for presenting another satisfactory quarterly financial report.
- Councillor Munn asked for further detail regarding the Council Tax Support Grant underspend, specifically whether this would have to be

returned to central government or could be redistributed. Mrs Fineman advised that the authority would not have to return any unspent grant funds.

**RESOLVED** – That the verbal recommendations be supported.

#### **CALCULATION OF COUNCIL TAX BASE**

FG65/17 Jane Fineman, the Head of Finance and Procurement, advised that the calculation of the council tax base related directly to the number of chargeable dwellings in the Borough, a process which by statute could not be undertaken until the beginning of December each year; the outcome would be presented to the Cabinet at their 7 December meeting, she added.

Mrs Fineman said that, due to new housing developments in the Borough in the past year, the tax base was forecast to rise by 1.67%. Related to Council Tax matters more generally, Mrs Fineman stressed the importance attached to the monitoring of recovery rates.

**RESOLVED** – That the verbal recommendation given be supported.

#### **URGENT BUSINESS**

FG66/17 The Democratic Services Officer advised that there were no additional items for the Board's consideration which had arisen since the publication of the agenda.

#### **DATE OF THE NEXT MEETING AND SCHEDULED ITEMS**

FG67/17 It was noted that the next meeting of the Board was scheduled to take place on Tuesday 9 January 2018 at 6.30pm, when the following items would be discussed, based on the current Forward Plan.

- Asset Management Plan 2018/19
- Property transaction report, July to December 2017
- Annual Audit Letter 2016/17
- Treasury Management Policy and Strategy
- Medium Term Financial Strategy 2018/19 - 2022/23
- Budget 2018/19

NOTE: The meeting concluded at 9.00 pm.