Minutes of a meeting of the **JOINT PERFORMANCE MONITORING PANEL AND POLICY DEVELOPMENT PANEL** held in the Council Chamber, Council Offices, Priory Road, Spalding, on Thursday, 25 January 2024 at 6.30 pm.

PRESENT

B Alcock (Chairman)

| | | |
|---|---|---|
| A C Beal | L J Eldridge | S Hutchinson |
| M D Booth | M Geaney | M Le Sage |
| C J T H Brewis | R A Gibson | T Sneath |
| N Chapman | A Harrison | J Whitbourn |
| S Chauhan | M Hasan | A R Woolf |

Apologies for absence were received from or on behalf of Councillors J Avery, P Barnes, J L Reynolds, J Le Sage, G P Scalese, S-A Slade and D J Wilkinson

In Attendance: The Deputy Chief Executive – Corporate Development (S151), the Strategic Finance Manager (PSPS) and the Democratic Services Officer.

**Action By**

**11. ELECTION OF CHAIRMAN**

Councillor Alcock was elected Chairman for the duration of the meeting.

**12. DECLARATION OF INTERESTS**

There were none.

**13. BUDGET OVERVIEW 2024/2025 - 2028/29**

Consideration was given to the report of the Deputy Chief Executive – Corporate Development (S151) which sought scrutiny of the draft General Fund and Housing Revenue Account revenue and capital budgets for 2024/25.

The Deputy Chief Executive – Corporate Development (S151) presented an overview of the draft budget for the period 2024/2025 – 2028/29.

The Joint Panel considered the presentation, and the following points were raised:

- Members asked what the New Homes Bonus figure was based on.
    - The Deputy Chief Executive – Corporate Development responded that this figure used to be based on incremental figures which included legacy

figures. It is now, however, based on performance within the current financial year.

- Members queried whether the historic cost to the authority of the Internal Drainage Board (IDB) levy had ever been calculated and whether the legality of the levy had ever been challenged.
    - The Deputy Chief Executive – Corporate Development stated that the cost of the levy historically would be very large.
    - The levy was set out in the Drainage Boards Acts and when the cap on council tax was brought in, the legislation was worded in such a way that the drainage levy was caught by it.
    - It was noted that if no cap was in place, a recommendation would have been made to increase council tax to cover the whole cost of the drainage levy.
- Members asked whether the relevant legislation had ever been examined to ensure that the drainage levy's incorporation into the local authority budget was lawful.
    - The Deputy Chief Executive – Corporate Development responded that this had not been examined in specific detail.
    - The legislation was worded intentionally to stop levies increasing.
- Members were pleased about the news for IDB funding for 2024/25.
- Members stated that appeared bizarre that drainage boards could collect revenue from agricultural businesses but not from individual households, making the drainage levy a cost to the Council.
    - The Deputy Chief Executive – Corporate Development commented that this was a technical anomaly.
- Members queried how many services broke even.
    - The Deputy Chief Executive – Corporate Development confirmed that Building Control services had to break even legally and that planning fees did a good job of covering the service costs.
    - If capital was added into the costs for car parking, this would provide a very different figure due to investment over the previous financial years.
    - Market stalls also covered their costs.
    - It was noted that green waste was looking to return to a break-even position.
    - Rental income opportunities were also being pursued, particularly in relation to the Priory Road

offices.

- Members asked why waste services had fallen into a deficit and what control did the Council have to return the service to a breakeven position.
    - The Deputy Chief Executive – Corporate Development stated that this was due to an increase in pay, vehicle, and fuel costs.
    - The government pay award had given a 10% rise to the lowest paid and vehicle costs had recently increased by 30-40%.
    - Modelling work was underway to ensure that the service did not have a cost to the taxpayer, but should this not be sufficiently advanced, an RPI increase would be applied to green waste fees.
    - This work would look at the number of people using the green waste service, the number of bins and the projected growth in the service to ascertain the fees required.
    - Fees for the bulky waste services were also being looked at as part of this piece of work.
- Members asked whether any inter payments were made during the transaction of waste between the District Council and the County Council?
    - The Deputy Chief Executive – Corporate Development confirmed that a transport fee was paid to the District Council if our waste was taken outside of the County.
- Members queried whether Officers were confident that the fuel contract for waste services vehicles was value for money?
    - The Deputy Chief Executive – Corporate Development confirmed that a response would be sought from the service outside of the meeting and circulated to all Members.
- Members stated that garden waste bins had recently gone on sale again, had an assessment been done of the costs for this expansion and built into the budget?
    - The Deputy Chief Executive – Corporate Development stated that as the service had changed, an assumption would need to be made about the level of income required for the expansion and adjustments made in the 2025/26 budget to account for this expansion.
- As planning fees were due to increase year on year but the budget had remained the same, Members queried whether this showed a decrease in the number of planning applications being received?

  - The Deputy Chief Executive – Corporate Development confirmed that the number of planning applications, particularly large applications, had significantly reduced across all three authorities.
  - It was noted that the planning income was highly volatile dependent on the economic conditions at the time of budget setting.
- Members asked if there was an intention to charge for pre-application advice in the future.
  - The Deputy Chief Executive – Corporate Development confirmed that this charge would be included within the final budget.
- Members asked what was being done to offset the use of agency staff to fill vacancies within the Planning service.
  - The Deputy Chief Executive – Corporate Development stated that the service was looking at using expertise from across the three councils, rather than use of agency staff.
- Members queried what the interest rate was for debt repayments in the HRA.
  - The Deputy Chief Executive – Corporate Development confirmed that the interest rate was fixed but they were actively looking for when the interest rate exceeded this fixed rate with the aim to reschedule the debt.
- Members stated that house prices seemed to be falling and asked whether there was a risk that an asset could fall into a negative equity.
  - The Deputy Chief Executive – Corporate Development reinforced that all acquisitions were paid at section 106 levels, which was about 50% of market value.
  - Servicing of the debt ate into the yield and changes to the balance of the business case of the acquisition.
  - The team needed to model to find the ‘sweet spot’ for debt monitoring. This would ensure officers negotiated harder for sharper prices on future acquisitions.
  - Options for getting stock other than purchasing new builds could be considered.
- Members asked what sort of organisations the Council would borrow from.
  - The Deputy Chief Executive – Corporate Development stated that all loans would be taken with the Public Loans Works Board (PLWB) as these were easy to reschedule. Loans are to be

taken short-term while interest rates are high.
    - South Holland had been so successful in acquiring section 106s that the point had already been hit to take debt for the HRA so as to not deplete the HRA reserves.
- Members queried what had happened to money previously invested with a PLWB competitor.
    - The Deputy Chief Executive – Corporate Development stated that the sum had been written off until further notice.
- Members asked if the properties that the Council had bought were subject to Right To Buy and whether the discount price was worked out on market value or acquisition price.
    - The Deputy Chief Executive – Corporate Development confirmed that a majority of the acquisition price was retained on RTB properties.
    - In the short-term, the full price would be paid but this did taper off. Details of how this process worked would be circulated to members outside of the meeting.
- Members queried the intention for the budget set aside for industrial units.
    - The Deputy Chief Executive – Corporate Development stated that this money was set aside for the development of the Crease Drove site that the Council owned.
- Members stated that if the costs were uneconomic to develop the Crease Drove site, other options should be looked at to use the site.
- Members asked if the budget gap was reduced by half a million this year, would it also reduce the gap for future years?
    - The Deputy Chief Executive – Corporate Development confirmed that this was correct and future savings targets would reduce accordingly.
- Members stated that maximum pain should be taken now to make subsequent years better.
    - The Deputy Chief Executive – Corporate Development responded that if this did not happen the budget gap would move from cliff edge to cliff edge every year.
    - There was a need for services to increase their fees and charges by RPI annually.
- Members asked how Boston and East Lindsey fared in comparison to South Holland and whether there was any learning to be shard.

    - The Deputy Chief Executive – Corporate Development confirmed that South Holland was in a similar position to Boston, but East Lindsey had some unique circumstances and were therefore in a better position.
    - Sharing of ideas was being done across the three councils and officer time would be recharged when projects were implemented as part of a hub. This also helped to make savings in relation to IT.
- Members asked what Parish Precepts were looking like for this year?
    - The Deputy Chief Executive – Corporate Development stated that these were still coming in but were not capped so a variety of increases would likely be seen.
- Members asked when the last triennial pension evaluation had been done.
    - The Deputy Chief Executive – Corporate Development confirmed that the latest review had just been done in 2023/24, the next one would be in 2026/27.
- Members asked if there was a trend across a number of years for staff costs?
    - The Deputy Chief Executive – Corporate Development noted that for some years, specific staff costs had been funded by external grants and were therefore not included in the core staff pay budget.
    - For the years 18/19 to 19/20 was a 13% increase, 19/20-20/21 a 7% increase, 20/21-21/22 a 3% increase, 21/22-22/23 a reduction of 1%, 22/23-23/24 a 15% increase, and 23/24-24/25 was a 4% increase.
- Members queried whether the pay budget fluctuated. It was currently £12m but had previously been £9m.
    - The Deputy Chief Executive – Corporate Development stated that the £9m pay budget was during the COVID period and noted that this was when South Holland was between council partnerships.
- Members asked if the number of staff had varied.
    - The Deputy Chief Executive – Corporate Development noted that previously Breckland employed officers pay had been recharged rather than included in the core staff pay budget.
    - This factor had deflated prior years pay budgets.
- Members asked whether the employer's contribution

percentage for pensions was mandatory.
    - The Deputy Chief Executive – Corporate Development confirmed that the triennial review told the Council what the contribution needed to be, and this figure was set by each pension fund, so the contribution percentage varied nationally.
- Members queried whether the percentage contribution was based on monthly salary.
    - The Deputy Chief Executive – Corporate Development stated that the triennial review was based on the size of the staff cohort.
    - If the cohort increased during the period of the review, it would improve the position of the fund as the Council had put contributed more than expected.
- Members stated that the pension offered by the Council was very attractive and was an advantage in helping to retain staff.
    - The Deputy Chief Executive – Corporate Development responded that the pension scheme for new starters was now based on a career-average salary rather than a final salary and that the employer contribution percentage was currently 23.8%.
    - It was noted that pension funds were moving back to being fully funded.
- Members asked whether the Council risked being self-insured.
    - The Deputy Chief Executive – Corporate Development responded that the Council tried to cover off the majority of risk but would pick up insurance claims if under the value of £10k.
- Members referred to the recent award of £20m Levelling Up funds for Spalding and asked what say South Holland Members would have in the spending of the award and whether staff costs would be recharged.
    - The Deputy Chief Executive – Corporate Development confirmed that a report would go to Cabinet and Council to approve putting the £20m award in the budget.
    - A Board would be set up to oversee the expenditure and engage with the community.
    - Officers would bring proposals for themes forward to the Board and options for engaging with the community on these themes. In turn this would then generate projects to be considered by the Board.
    - It was confirmed that staff costs would be recharged, funded from the grant.

- Members queried whether officers were satisfied that there were no extra charges that the HRA should be paying to the General Fund.
    - The Deputy Chief Executive – Corporate Development stated that the relationship between the General Fund and the HRA was currently being reviewed and all costs would be robustly scrutinised.
- Members asked what effect the non-domestic rates pool had.
    - The Deputy Chief Executive – Corporate Development explained that business rates were pooled across the County as if no pool existed, the Government would take a larger proportion of the collected business rates.
    - It was explained that South Holland had historically been in and out of the pool due to large power station appeals that would pull the pool down and degrade other partners.
    - There was an annual benefit to being in the pool and 50% of the total rates collected were paid to the Government, 10% to Lincolnshire County Council and 40% to South Holland.
- Members asked what effect a large increase in business rates at another authority would have on the pool.
    - The Deputy Chief Executive – Corporate Development stated that this depended on where the growth was as some things, such as renewables, were not included in the pool.
- Members queried whether solar farms were rateable.
    - The Deputy Chief Executive – Corporate Development confirmed that commercial solar farms were rateable.
    - It was explained that the legislation worked so that where the majority of the value of a business is situated, that was the authority to which all of the business rates were payable to as the hereditament could not be split.
- Members queried whether the Council generated interest on capital investments and whether capital was reinvested into assets.
    - The Deputy Chief Executive – Corporate Development confirmed that this was included as part of the Treasury Management strategy.
    - It was noted that cash balances are invested to generate interest income.
    - Capital expenditure is incurred on the acquisition or improvement of assets, in line with the capital

programme. Capital expenditure would need to be financed, potentially reducing cash balances.
    - Currently, the Council was investing with other Councils and was receiving better interest rates as a result of this.
- Members asked whether checks were done to ensure that the Council was not lending to authorities with a s114 notice.
    - The Deputy Chief Executive – Corporate Development responded that the section 151 officer made all lending decisions and checks were carried out prior to lending.
    - It was also explained that the Council's money would be safe if it lent to an authority that later received a s114 notice.
- Members queried why Disabled Facilities Grants were not increasing year on year.
    - The Deputy Chief Executive – Corporate Development stated that these were fully grant funded.
    - It was noted, however that if the grants were successfully spent, there was the potential for more money to be awarded and this was being proactively looked at.
- Members asked whether the fair funding review for business rates had just been postponed for 2024/25.
    - The Deputy Chief Executive – Corporate Development confirmed that the review had been postponed for 2024/25 and 2025/26.
    - It was explained that with the potential for a new government coming later this year it would likely take a few years to work through the detail of any such review.
- Members thanked officers for the detailed and helpful presentation.

The Panel wished to provide the following feedback to Cabinet, for their consideration:

- Support was given to addressing the budget gap as soon as possible and to bear the maximum pain to achieve this year's savings target to improve the gap for subsequent years.
- Better alignment was required across the three authorities, and this needed to be firmly timetabled to achieve early.
- Savings needed to be found, particularly relating to IT expenditure.
- Reiterated the need for fees and charges to be increased

annually.

It was also requested that a copy of the minutes of this meeting be provided to the Cabinet.

**AGREED:**

That the comments of the Joint Panel on the Draft Budget and Medium-Term Financial Strategy for the period 2024/25 – 2028/29 be noted for Cabinet's consideration at its February meeting.

**14. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT**

There were none.

(The meeting ended at 8.01 pm)

(End of minutes)