

## **BATH AND NORTH EAST SOMERSET**

### **RESOURCES POLICY DEVELOPMENT AND SCRUTINY PANEL**

Wednesday, 22nd November, 2017

**Present:-** Councillors Sarah Bevan (Chair), Colin Barrett (Vice-Chair), Lisa O'Brien, Jasper Becker, Joe Rayment, Andrew Furse and Patrick Anketell-Jones

#### **34 WELCOME AND INTRODUCTIONS**

The Chairman welcomed everyone to the meeting.

#### **35 EMERGENCY EVACUATION PROCEDURE**

The Chairman drew attention to the emergency evacuation procedure.

#### **36 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Councillor Pearce gave his apologies and was substituted by Councillor Anketell Jones.

#### **37 DECLARATIONS OF INTEREST**

Councillor Anketell Jones declared an interest in item 9 'Commercial Estate' as the owner of a commercial property that has 6 party walls with a Council owned property.

#### **38 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIRMAN**

There was none.

#### **39 ITEMS FROM THE PUBLIC OR COUNCILLORS - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS RELATING TO THE BUSINESS OF THIS MEETING**

Councillor Sarah Bevan handed a statement to the Cabinet Member for Finance and Efficiency, Councillor Charles Gerrish on behalf of Councillor Karen Walker which detailed a budget wish list.

#### **40 MINUTES - 13TH SEPTEMBER 2017**

The Panel confirmed the minutes of the previous meeting as a true record and they were duly signed by the Chairman.

#### **41 BUDGET MONITORING REPORT (SEPTEMBER QUARTER MONITORING FIGURES)**

Andrew Pate, Strategic Director of Resources introduced the item. He stated that the key issue is that the overspend is being closely monitored and actions are being taken. He also pointed to the recent report to full Council on efficiencies which is relevant.

Panel members made the following points and asked the following questions on the report:

Responding to a query about the 3 month vacancy freeze, the Strategic Director explained that this means a 3 month gap in the spend. He further explained that there are some exceptions to this policy such as some posts in social care and those funded through capital. Councillor Rayment asked if this causes a lottery in that some departments will have higher staff turnover, the Strategic Director explained that there are variations but that departments can apply to be exempt from the policy.

Councillor O'Brien stated that she fully understood the overspend in the social care area but queried the Finance and Efficiency portfolio where an overspend is shown and some areas where targets have not been achieved – she asked why this had happened. The Strategic Director explained that the majority of the overspend has been in Human Resources (HR) and there has been a complete review and redesign of the service and rebasing of the budget for next year and this has resulted in staff consultation and major restructuring within the service with two teams from two divisions being combined as part of this. This followed a Peer Review. The new arrangements have been benchmarked and future HR costs will be well below the average. There are other moves to save money in this area such as pulling back HR provided to other parties such as schools. The reasons for the in year overspend are that (1) some costs were previously part funded from reserves, to allow for the extra work arising from staff reductions within the organisation, (2) base budget inaccuracies which are now being corrected and (3) losses made on support for schools.

The Strategic Director also reassured the Panel that this HR overspend had not been taken lightly, action had been taken, but there is a need to fund HR at an appropriate level. He further explained that previous management savings targets elsewhere in the Resources department had been fully delivered but one of those savings was funded from capital so did not fully achieve the expected revenue impact. Councillor O'Brien asked if the revenue/capital issue could not have been anticipated and asked if it is clear that the budget will be achieved. The Strategic Director explained this was a small part of a wider saving but that based budget legacy issues, such as this, have been reviewed ready for next year's budget.

Councillor Barrett stated that he has concerns that virements can be abused and asked for information regarding how much money is vired across headings and who has the authority to authorize this. The Strategic Director explained that there is a budget management scheme and if a virement is over a certain amount, it would have to have Cabinet approval. Councillor Barrett asked that if something is vired across headings, why would it not show in the original budget. The Cabinet member for Finance and Efficiency, Councillor Charles Gerrish explained that the papers do not include the virements report so it is difficult to give a definite sum and that the information being requested is actually the virements at officer level rather than the

overall level. The Strategic Director stated that he would respond separately with this information, he drew member's attention to the link to Appendix 4 in the report. He gave reassurance that money is taken out where there are underspends.

Councillor Anketell Jones noted that (referring to 5.4 in the report) most of the overspend is due to demand led statutory services. The Strategic Director stated that it is a complicated topic and the relevant team could address the issue more widely but he explained that spend patterns and the effectiveness of individual commissioning decisions are being reviewed. The service has significant demand and costs pressures.

Councillor Furse stated that the overspend is sizeable and the pressure regarding social care will continue to grow. He asked why there was an overspend in procurement (page 19), the Strategic Director explained that this is around cross cutting savings targets across the Council and the overspend shows that expectations were probably not realistic as the target tended to double count savings already being made within services.

Councillor Furse asked about the home to school transport savings, the Cabinet Member Councillor Gerrish explained that this report was produced in August and some changes would not have taken effect until the beginning of the school year in September – a number of savings have now come in.

Councillor Furse asked about the income from Sirona and it was explained that under previous arrangements the authority supported IT for Sirona but there has been a reduction in the service needed under Virgin Care.

Councillor Furse asked about the fees paid to Ernst and Young (EY). The Strategic Director explained that the details of this could be provided to Panel members, he further explained that EY have done work on due diligence, business planning, tax advice and priority based budgeting. The Cabinet Member, Councillor Gerrish explained that EY bring experience and expertise from their work with other councils.

Councillor Barrett asked about buying leave option for staff and also about how consultants are paid (a set fee or by percentage of savings they make). The Strategic Director explained that the buying leave option for staff is a way of building flexibility into budgets, it is early days but could save tens of thousands. Regarding consultants, with EY there was a smart procurement which has led to a financial partnership with them. EY are only used on issues where there is no in-house expertise or capacity, they would generally be paid on a set fee basis. Councillor Barrett asked that the Panel be kept informed.

Councillor Rayment stated that when a budget plan is in place, will the impacts be assessed. The Strategic Director explained that there has already been a review of which aspects of the overspend will impact on next year's budget and this is being allowed for.

## **42 COMMERCIAL ESTATE**

Richard Long, Head of Property introduced representatives from Hartnell Taylor Cook (HTC) Ian Lambert and Richard Saunders. HTC, the Council's recently appointed property advisors, gave a presentation (*a copy is kept on the minute book for this Panel*) on the role they will be playing in supporting the Council in its strategic management of the Commercial Estate. The presentation covered the following points:

- Who is HTC?
- What difference will the partnership with HTC make?
- How well is the BANES estate performing?
- What are the existing market conditions?
- Conclusion

Panel members made the following points and asked the following questions on the report:

Councillor Barrett asked why HTC are being introduced now if they have been working with the Council for three years and also what are the financial implications of using HTC. The officer explained that HTC have taken on a new role after a tendering process to replace the previous property advisor earlier this year, before that process HTC had only acted with the Council on individual acquisitions. On the financial issue, the officer explained that there is a fixed rate fee per annum, the figures will be circulated.

Panel members queried some phrases used – 'reversionary lease' is an extended expiry date; 'rental tone' is the established level of rent and a 'void' is an empty property.

Councillor Rayment stated that the presentation focused on how to get the most money but in the long term, thought should be given to the unique aspects of the city such as independent shops. The officer stated that Bath is in an extremely fortunate position in having a high number of independent shops and the focus for HTC is maintaining the income from the prime pitches (High Street brands) as this allows breathing space in talks with independent businesses where there is a different management approach. The HTC representatives explained that they understand the value of independent shops.

Councillor O'Brien asked when rents are reviewed, the officer explained that this is done on a 4 yearly basis and rents don't automatically go up as it would depend on the tone value of the rental area. In the past it was common to have a rental period of 25 years but more recently, to respond to the market, term lengths have been brought down (4 or 8 years is common).

Councillor O'Brien commented on the need to help independent shops with signage to help drive footfall to the area. Richard Saunders (HTC) explained that in certain areas of the city there are tenant collectives (e.g. Walcot Street Traders) and HTC work to try to promote such areas.

Councillor Furse referred to the gearing which is 20.8% (LTV – Load to Value) he stated that his concern is that the authority is dealing with public money so should

not take high risks. Ian Lambert (HTC) commented that 20.8% is a low gearing and there is at least 10% headroom.

Councillor Anketell Jones asked the following questions (answers are shown below:

- We are heavily dependent on retail – will HTC help us to diversify? The officer explained that asset performance is reviewed, next year there will be consideration given to more re balancing through investment. Ian Lambert (HTC) explained that the value of the Council's assets are not just in individual properties but also in properties potentially being grouped together.
- What is the opinion of HTC on the pedestrianisation of Milsom Street? Ian Lambert (HTC) explained that a pedestrianised area has to be liveable and buses rerouted. He added that more information would be needed from retailers. Councillor O'Brien stated that caution should be used as pedestrianisation can decrease retail activity.
- What do you believe attracts retailers to Bath? Ian and Richard (HTC) explained that the environment, architecture and mix of occupiers makes Bath a very popular European destination.
- Will you be advising Property Services on how they manage the relationship with independent tenants? Ian Lambert (HTC) explained that HTC can be called upon if needed.

There was some discussion around Southgate and that there are specific shopper profiles in that area with more modern size requirements in mind whereas the northern centre, the layout of shops attracts a different type of retailer. Retailers go where it suits them and both centres can balance each other. Ian Lambert explained that Cabot Circus initially had a major negative effect on other parts of Bristol when it was first built and that has not happened in Bath.

Councillor Rayment asked that the unanimous cross party wish to keep the mix of retailers in Bath be noted by officers and HTC.

The Strategic Director stated that officers and HTC have heard and noted the need for balance and efforts will be made to keep the balance right.

## **43 GRAND PARADE AND UNDERCROFT UPDATE**

Derek Quilter, Divisional Director of Property and Project Delivery introduced the item and explained that he would feedback the Panel comments to the Cabinet member.

Panel members made the following points and asked the following questions on the report:

Councillor Furse stated that his concern is that, while this was a Council scheme, there was control over the appearance and usage but in selling it the Council would lose that control. He added that he would like to know what restrictions will be put in the terms of the building agreement as this may be the only control the Council has as it is difficult for Councillors to oppose potential licensing applications. The officer stated that the lease would only be granted on certain terms and that there will be a

building agreement. He added that there are already restrictions on opening hours for the scheme and that these restrictions would carry over.

Councillor O'Brien stated that we must be aware that a developer can apply for a variation on a license. She added that it is important that we make it clear that the building must be maintained. The lease must be very specific. The officer explained that this was a listed building so restrictions would apply.

Councillor Rayment echoed concerns about potential changes to this iconic area of Bath. The officer explained that there is a very detailed planning application and it would not be sold as freehold so the Council would maintain some control.

#### **44 CABINET MEMBER UPDATE**

The Cabinet member for Finance and Efficiency, Councillor Charles Gerrish updated the Panel on the following:

- The round of budget engagement meetings has begun – so far there have been meetings with Bath Avon South and 3G (a third sector group) – groups have expressed wishes to work positively with the Council. There is a Bath Avon North meeting today and next week Bath, Keynsham and Somer Valley.
- We are proactively looking at where we can transfer community assets – these help with savings.

Panel members made the following points and asked the following questions on the report:

In response to a query from Councillor Anketell Jones, the Cabinet Member explained that 3G includes CAB/MIND/Age UK/SWAN/Rural Network and DHI.

Councillor Rayment asked if there was any indications of the impacts of the national budget (announced today 22<sup>nd</sup> November 2017). The Cabinet Member explained that he had not yet seen the Government reports but he noted there was no mention of social care. Andrew Pate, Strategic Director of Resources explained that Universal Credit had been referred to and also empty homes.

In response to a query from Councillor Rayment, the Cabinet Member explained that the authority had not met with Government representatives yet but they will explore ways to enable the Government to empower the authority to find ways of raising money.

#### **45 PANEL WORKPLAN**

With the following amendments, the Panel noted the workplan:

- The 'Update on demand for Printing, Catering and Cleaning services and future delivery options' item be moved to 21<sup>st</sup> March 2018.
- The Chair to speak with officers about where best to place other unscheduled items.

The meeting ended at 7.00 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**