

## CORPORATE SERVICES SCRUTINY COMMITTEE

27 June 2016

Present:-

Councillors J Brazil (Chairman), J Berry, P Colthorpe, M Edmunds, R Hosking, R Julian, J Knight, J Owen, R Westlake and J Yabsley

Apologies:-

Councillors K Ball, A Boyd, G Gribble and R Rowe

\* **1** Minutes

**RESOLVED** that the minutes of the meeting held on 24 March 2016 be signed as a correct record.

\* **2** Items Requiring Urgent Attention

There was no item raised as a matter of urgency.

\* **3** Public Participation

There were no representations from Members of the Public.

\* **4** Enterprise Zone Spotlight Review

The Committee considered Reports from the Scrutiny Officer and Chairman of the Spotlight Review (CS/16/22) and also the Head of Economy and Enterprise (EE/16/10) relating the East Devon / Exeter proposed Enterprise Zone.

The Spotlight Review explained that Enterprise Zones were established by the Government in 2012, as part of their long term economic plan. They are geographically defined areas, which aim to support growth by encouraging businesses to locate within them, providing a number of incentives, including:

- Up to 100% business rate discount worth up to £275,000 over 5 years;
- Simplified local authority planning;
- Roll out of super-fast Broadband where necessary; and
- For zones in Assisted Areas, 100% enhanced capital allowances (tax relief) to businesses making large investments in plant and machinery.

Any business rates growth generated by the Enterprise Zone (over the next 25 years was retained by the Local Enterprise Partnership (LEP) to reinvest in local economic growth.

The Spotlight Review had undertaken a closer assessment of the potential effects upon both the Enterprise Zone area in East Devon, the County Council and District Councils, prior to the issue being considered by Cabinet. The Review was undertaken by Councillor Brazil (Chairman of the Corporate Services Scrutiny Committee) and Councillors Ball, Colthorpe, Edmunds, Hosking and Radford attended and contributed.

The review considered what potential benefits an Enterprise Zone in East Devon would bring as well as the impacts and unintended consequences, why East Devon, Displacement issues, Business Rates Retention and Capital investment.

In terms of the next steps and from the evidence presented and gathered during the review, it was clear that the proposed Enterprise Zone area in East Devon had the potential for accelerating economic growth and prosperity, and would also provide an opportunity for stronger marketing and promotion of the area at a national level. However, an Enterprise Zone would also have an impact on the Council's business rates income, and could impact negatively on the economic development of other parts of the County.

Members felt there were a number of questions which needed to be answered before submitting any recommendations to Cabinet later this year, in October, which included

- Whether an Enterprise Zone in East Devon offered any financial benefit to the Council?
- How had LEP's in other parts of the country (particularly in rural areas) mitigated the effects of displacement and how successful has this been?
- Why the bid by North Devon District Council was not deemed to be viable and therefore not supported by the LEP? and
- How much opportunity would there be to reinvest business rate growth in areas outside of the Enterprise Zone?

The report of the Head of Economy and Enterprise (EE/16/10) sought to further clarify and explain those issues raised by the spotlight review.

Members asked questions on and discussed the following issues;

- the impact of Devolution on the Enterprise Zone proposals;
- what research had been undertaken to review the national picture and draw comparisons accordingly;
- the importance of progressing opportunities in the Northern Devon area, which was currently constrained by poorer road links and a lack of superfast broadband;
- clarification of the assisted area status and also EU funding in light of the outcome of the recent Referendum; and
- that the Governance arrangements needed to be robust and in the interests of both the County Council and East Devon District Council.

It was **MOVED** by Councillor Yabsley, **SECONDED** by Councillor Julian and;

#### **RESOLVED**

(a) that the Committee tentatively supports the proposals for an East Devon & Exeter Enterprise Zone, in particular, the potential to drive the local economy, notwithstanding its concerns over the lack of financial assistance from Government and the role of the Local Enterprise Partnership in the Governance arrangements, and the unequal application of methods to stimulate growth throughout the County; and

(b) that, in light a (a), the Committee strongly believes that robust Governance arrangements will be key in this proposal and recommends that Cabinet satisfies itself that such arrangements are in the best interests of both the County Council and East Devon District Council.

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#### **Risk Register**

The Committee considered a Report of the Head of Services for Communities (SC/16/8), which outlined the current position with regard to risks identified within Corporate Services and the current status of those risks. Members were being asked to review the information provided in the report and also consider items for greater scrutiny in its Work Programme.

The use of risk management allowed the more efficient use and allocation of resources, more informed, transparent and accountable decision-making and allowed the Council to focus on the critical areas for the authority.

The Risk Register was appended to the report, which was assessed at least every six months and included risk status, an explanation of the impact of the risk if realised and also details of the mitigating actions in place to manage the risk, with a status (RAG rating) marker showing progress on each action.

Members noted there was a new risk management site – <http://risks.devon.gov.uk> – which would be replacing the existing Spar.net system.

Risks identified included;

- Supplier failure: financial and other pressures leading to the failure of supply markets (PR01 );
- Inflationary pressure across markets impacts upon service delivery and budget pressures (PR06);
- Data Protection breaches (BI06)
- Specifications and commissioning strategies not clearly defined service on behalf of the Council (PR05 );
- Supplier brings a successful challenge in relation to a procurement (PR09);
- Failure to deliver priority services as a result of significantly reduced finances (FIN39);
- Failure to adhere to information management standards (BI11); and
- Reduction in Public Health funding.

Members asked questions about the role of the Cabinet in reviewing the Risk Register, Data Protection breaches and the training provided for both staff and Members and also

It was **MOVED** by Councillor Yabsley, **SECONDED** by Councillor Knight, and

#### **RESOLVED**

(a) that a future Masterclass session invite the relevant risk 'owners' for further explanation of the relevant 'risks' and how these are mitigated; and

(b) that Data Protection Breaches be a future Work Programme item, to include the role of Members in this area and also any training requirements.

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#### **Treasury Management Stewardship Annual Report 2015/2016**

The Committee received the Report of the County Treasurer (CT/16/60) on the Treasury Management Stewardship Annual Report 2015/2016.

The Report showed the outturn position, performance and also informed Members of any key matters arising from the Council's Treasury and Debt Management activities during the 2015/16 financial year. The report also included an update on the 2016/17 Strategy.

In summary, the report outlined that no long term borrowing was undertaken during 2015/16. There were four short-term loans totalling £14.4m that were undertaken from other local authorities, each for a 30 day period at an average rate of 0.30%. It was not envisaged that any new long term borrowing would be required over the next three year period. In addition, there had been no opportunities during the 2015/16 financial year to repay outstanding debt without incurring substantial premium penalties, which would negate the benefit of repaying the debt.

Investment income of £1.139m had been achieved in 2015/16 against a full year budget of

£0.950m. This represented a return of 0.76% against a full year budget target return of 0.65%. Successful prudent management of the Council's short term cash reserves had delivered a surplus of £0.189m for the 2015/16 financial year.

As a result of the change in policy the MRP charge for 2015/16 to make provision for the repayment of the Council's external debt and internal borrowing was £11.9 million less than the budget.

It was **MOVED** by Councillor Brazil, **SECONDED** by Councillor Knight, and

**RESOLVED** that the Treasury Management Stewardship Report for 2015/2016 be endorsed and recommended to Cabinet.

\* **7**      **Tender Process for Highway Maintenance Contract**

The Head of Highways, Capital Development and Waste reported on the procurement of the new Highways Maintenance Contract, in view of the Committees recent work and recommendations regarding the involvement of Corporate Services Scrutiny in Commissioning activity.

Members heard that the current highways term maintenance contract expired at the end of March 2017, and the new contract would follow on to provide continuity of service.

The procurement work was governed by a Project Steering Board, with senior Member and Officer Representatives on the Board. Devon was working with Somerset County Council and Plymouth City Council on the procurement project to drive savings within the procurement. Whilst Devon would have its own contract, through the joint work with Somerset and Plymouth, there may be opportunities for cost savings through cross border working.

The procurement process is the "Competition Procedure with Negotiation" which enabled Initial Tenders to be received followed by a process of negotiation to optimise the contract, prior to then issuing Final Tenders.

The Evaluation Methodology was in three elements, being Cost, Technical Quality and Additionality (characterised as "value-added" components of the Tenderer's offering).

Cabinet would consider the final proposals on 14th September 2016.

Members asked about the involvement of neighbourhood teams in the process and also how the lessons learned from the previous contract had been used to inform the current procurement process.

\* **8**      **Locality Budget Annual Report 2015/2016**

Members received the Report of the Head of Services for Communities (CS/16/5) which in line with the Councils 'Locality Budget Operating Principles' was an annual statement which summarised the allocations approved by Members in relation to their Locality Budgets.

Each Member of the County Council was allocated a budget of £10,000 for 2015/16 to use to respond to local needs by giving grants in accordance with the operating principles in Part 3 of Section 5 of the Constitution. The scheme, together with the joint Town and Parish Fund, was a key element of the Council's "Better Together" commitment to community resilience.

Appendix 1 to the report outlined for each Member the total locality budget for 2015/16, the total locality budget payments made in 2015/16; and also the amount carried forward to 2016/17.

In terms of overall figures, the carry forward from 2014/15 to 2015/2016 was £211,323.68, the total locality budget for 2015/16 was £831,323.68 and the total locality budget spent in 2015/16 was £517,862.22.

A total of £313,461.46 was carried forward into the current financial year (2016/17).

An analysis of 2015/16 locality budget expenditure by project type shows the following expenditure during 2015/16:

Culture	£63,055.09
Economy	£62,607.06
Events	£66,014.46
Facilities	£260,705.09
Highways	£47,585.27
Other	£17,895

Members highlighted the benefits of the locality budget scheme, welcoming its aims and objectives in helping community projects.

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### **Scrutiny Work Programme**

The Committee reviewed the Scrutiny Work Programme and determined those items of business to be included therein for its sphere of activity, having regard also to the Council/Cabinet Forward Plan.

It also noted the progress in respect of the work of the Income Generation Task Group and that a final Task Group report would come to the Committee on 22<sup>nd</sup> September 2016.

**RESOLVED** that the Work Programme be agreed, with the following changes;

(a) that the Domestic Abuse and DOLS items currently included in the People's Work Programme being 'transferred' to the Corporate Services Scrutiny Committee;

(b) that the Mid Term review of the NPS contract be considered at a Masterclass in September, with a potential Spotlight Review to be conducted following this (if required); and

(c) that further consideration be given to how Members might be more involved in the Devolution process, particularly the role of Scrutiny and its activities within a Combined Authority arrangement.

**\*DENOTES DELEGATED MATTER WITH POWER TO ACT**

The Meeting started at 2.00 pm and finished at 3.49 pm