

SCRUTINY COMMITTEE

Meeting to be held on Monday 21 January 2013 at 3.30 pm

Council Chamber, Williton

AGENDA

1. Apologies for Absence

2. Minutes

Minutes of the Scrutiny Committee held on 17 December 2012, to be approved and signed as a correct record – **SEE ATTACHED.**

3. Declarations of Interest

To receive and record any declarations of interest in respect of any matters included on the Agenda for consideration at this Meeting.

4. Public Participation

The Chairman to advise the Committee of any items on which members of the public have requested to speak and advise those members of the public present of the details of the Council's public participation scheme.

For those members of the public wishing to speak at this meeting there are a few points you might like to note.

A three-minute time limit applies to each speaker and you will be asked to speak before Councillors debate the issue. There will be no further opportunity for comment at a later stage. Your comments should be addressed to the Chairman and any ruling made by the Chair is not open to discussion. If a response is needed it will be given either orally at the meeting or a written reply made within five working days of the meeting.

5. Notes of Key Cabinet Decisions/Action Points

To review the Key Cabinet Decisions/Action Points from the Cabinet Meeting held on 9 January 2013 – **SEE ATTACHED.**

6. Cabinet Forward Plan

To review the latest Cabinet Forward Plan published 7 January 2013 – **SEE ATTACHED.**

7. Financial Standing and Budget Setting Process 2013/14

To consider Report No. WSC 12/13 to be presented by Councillor K V Kravis, Lead Member for Resources and Central Support – **TO FOLLOW.**

The purpose of the report is to inform Scrutiny Committee of the latest status of the council's financial planning, including the budget 2013/14 and the processes involved in constructing the budget.

8. The Financing of Local Government – Impact of the Business Rate Retention Scheme

To consider Report No. WSC11/13 to be presented by Adrian Dyer, Chief Executive – **SEE ATTACHED.**

The purpose of the report is to provide Scrutiny Committee with details of a request from Cabinet for the committee's assistance in reviewing the impacts of the new Business Rate Retention Scheme.

9. Scrutiny Committee Workplan Review

To review and scope items for the Scrutiny Committee Workplan for 2012/2013 – **SEE ATTACHED.**

COUNCILLORS ARE REMINDED TO CHECK THEIR POST TRAYS

RISK SCORING MATRIX

Report writers score risks in reports uses the scoring matrix below

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
Impact							

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

- Mitigating actions for high ('High' or above) scoring risks are to be reflected in Service Plans, managed by the Group Manager and implemented by Service Lead Officers;
- Lower scoring risks will either be accepted with no mitigating actions or included in work plans with appropriate mitigating actions that are managed by Service Lead Officers.

SCRUTINY COMMITTEE**Minutes of the Meeting held on 17 December 2012 at 3.30 pm****Present:**

Councillor K J RossChairman
Councillor G S Dowding..... Vice-Chairman

Councillor J Freeman
Councillor D D Ross

Councillor B Heywood

Members in Attendance:

Councillor K V Kravis
Councillor T Taylor

Councillor D J Sanders
Councillor K H Turner

Officers in Attendance:

Corporate Director (B Lang)
Scrutiny and Performance Officer (S Rawle)
Corporate Manager – Housing, Welfare and Economy (I Timms)
Section 151 Officer (S Campbell)
Principal Benefits and Fraud Officer (P Lamb) (Item 8 only)
Administrative Support (H Dobson)

SC53 Apologies for Absence

Apologies for absence were received from Councillors M J Chilcott, M O A Dewdney, P N Grierson and R P Lillis.

SC54 Minutes

(Minutes of the Meeting of the Scrutiny Committee held on 19 November 2012 – circulated with the Agenda).

RESOLVED that the Minutes of the Scrutiny Committee held on 19 November 2012, be confirmed as a correct record.

SC55 Declarations of Interest

Members present at the meeting declared the following personal interests in their capacity as a Member of a County, Parish or Town Council:

Name	Minute No	Description of Interest	Personal or Prejudicial	Action Taken
Cllr K J Ross	All Items	Dulverton	Personal	Spoke and voted
Cllr K H Turner	All Items	Brompton Ralph	Personal	Spoke

SC56 Public Participation

Members of the public spoke regarding item 7 - Review of Asset of Community Value Decision – Notley Arms, Monksilver, as follows:

Mr Ross Urquhart, Clerk of Monksilver Parish Council, spoke to the effect that the Notley Arms public house remained a social and cultural hub; it was the only pub in the area in which residents of Monksilver could meet. The property was currently valued at approximately £300,000 and he was concerned that should the proprietor gain a change of use the property could potentially be sold at twice the price to a developer to convert to residential use. He knew of a potential buyer who had made an offer to continue trading as a public house, and the offer was rejected. However, the offer does still stand. He urged the Committee not to remove the Notley Arms from the list of Assets of Community Value.

Mr Paul Brandwood, of Monksilver Action Group - Notley Arms, spoke to the effect that the group represented the majority of the residents in Monksilver. The group was formed prior to the closing of the public house and had offered help and support when the pub was struggling to survive, which had been rejected. The new legislation was welcomed and would allow the village to buy the pub which it would do if there were no other offers using the valuation provided by Christies.

Mrs Anna Thomas ran a business in Woodford and spoke to the effect that the Notley Arms should remain an asset of community value. The public house was the only pub within easy walking distance for her customers and the residents of Nettlecombe. The scattered communities around Woodford, Yard, Nettlecombe considered the Notley Arms to be their local pub and wanted it to remain that way.

SC57 Notes of Key Cabinet Decisions/Action Points

(Copy of Notes of Cabinet Decisions/Action Point, circulated with the agenda).

RESOLVED that the Key Cabinet Decisions/Action Points for 5 December 2012, be noted.

SC58 Cabinet Forward Plan

(Copy of the Cabinet Forward published 27 November 2012, circulated with the agenda).

RESOLVED that the Cabinet Forward published 27 November 2012, be noted.

SC59 Review of Asset of Community Value Decision – Notley Arms, Monksilver

(Report No. WSC 170/12, circulated with the Agenda).

The purpose of the report was to review the Cabinet decision to accept the nomination of the Notley Arms, Monksilver as an asset of community value.

Members considered the report and recognised that the Notley Arms was a central point for the community and a valuable community asset. They acknowledged the supporting information attached as appendix A and B to the report, and believed that the Corporate Management Team had correctly interpreted the information when they recommended to Cabinet to add the Notley Arms to the Council's list of Assets of Community Value.

Councillor J Freeman proposed the recommendation that the decision of the Cabinet to include the Notley Arms, Monksilver on the Council's list of Assets of Community Value, be upheld, which was duly seconded by Councillor B Heywood.

During the course of the debate the main points included:

- The community had shown strong support of the Notley Arms in the past and appeared to support its future.
- Examples of Assets of Community Value provided by the Department for Communities and Local Government included public houses.
- Concern that an unsuccessful public house could be sold as residential use for a significant profit.
- Noted that Exmoor National Park had given planning permission to alter the staircase in the public house to provide more room for customers.
- Noted that the proprietor of the Notley Arms had the right of appeal to a First Tier Tribunal.

RESOLVED that the decision of the Cabinet to include the Notley Arms, Monksilver on the Council's list of Assets of Community Value, be upheld.

SC60 Scrutiny Review of Benefit Fraud Investigation Service

(Report No. WSC 169/12, circulated with the Agenda).

The purpose of the report was to present to Scrutiny Committee the final report of the benefit fraud investigation task and finish group.

The Scrutiny and Performance Officer advised that the report was partly a result of the concerns raised regarding poor service indicators contained in the Council's quarterly performance report. She highlighted the terms of reference and objectives of the review at point 4.3 of the report, attached to the agenda. The review looked at joint arrangements with outside partners, what preventative work was conducted, how resources may have contributed to low surveillance etc. Meetings were held with appropriate officers and outside partners out of which interim arrangements to support the service had been agreed. She pointed out that recovery arrangements were in place for all overpayments raised as a consequence of fraud.

Members supported the recommendation to ensure that two officers attend an Interview Under Caution and to provide additional support. However there were concerns that the Council's resources may dictate otherwise.

In response to a question the Principal Benefits and Fraud Officer advised that there were no commensurate rewards for detecting fraud any longer. The Council worked hard to prevent incorrect benefit being paid, in line with

government direction. Of the £16M paid out, the total overpaid (eligible overpayment) for the Council's caseload was £341,000 and just under 8% of the eligible overpayment was detected through fraud. He advised further that the government would shortly be launching a single investigatory service in which all the fraud services would be merged into one. The service will be involved in fraud detection and overseen and resourced by the new agency.

RESOLVED (1) that the targets for KPI 7 & 8 should be reviewed taking into account available resources and performance history.

RESOLVED (2) that the joint working arrangements with partners, be noted.

RESOLVED (3) that the Scrutiny Committee receives an update report in July 2013 regarding the impacts of Welfare Reform on the Benefits and Fraud Investigation Service.

RESOLVED (4) that the fraud prevention work that the Council undertakes be noted and the hard work and commitment demonstrated by the Fraud Investigation Officer be acknowledged.

RESOLVED (5) that consideration be given to providing the Fraud Investigation Officer with additional support in her role to underpin the Council's statutory responsibilities in this area of work.

RESOLVED (6) that in the interests of health and safety, a protocol be adopted whereby at least two officers should be in attendance when any interview under caution is conducted as part of a fraud investigation.

SC61 Scrutiny Committee Workplan Review

(Scrutiny Committee Workplan, circulated with the Agenda).

The Scrutiny and Performance Officer reported that the South Somerset District Council scrutiny officer had been tasked with organising a joint county review on the flooding in Somerset. If the Committee wished to be involved they were requested to nominate two members to represent the Scrutiny Committee.

The Chairman proposed that those members whose wards were particularly affected with the recent flooding would be most appropriate.

RESOLVED (1) that Councillor S Dowding be nominated to represent the Scrutiny Committee with regard to the joint scrutiny review relating to flooding in Somerset.

RESOLVED (2) that the nomination of a second member to represent the Scrutiny Committee with regard to the joint scrutiny review relating to flooding in Somerset, be delegated to the Corporate Manager – Housing, Welfare and Economy, in consultation with the Chairman of the Scrutiny Committee.

RESOLVED (3) that the Workplan be noted.

The meeting closed at 4.37 pm.

Meeting: CABINET

Date: 9 JANUARY 2013

NOTES OF KEY DECISIONS

Note: The details given below are for information and internal use only and are not the formal record of the meeting

AGENDA ITEM	DECISION	CONTACT LEAD OFFICER
Forward Plan (Agenda Item 5)	Agreed that the Forward Plan published 18 December 2012 be approved.	Corporate Director
Cabinet Action Plan (Agenda Item 6)	Agreed that the following items be deleted as actioned: (i) CAB60 – Discretionary Business Rate Relief Scheme (ii) CAB71 – Review of Financial Regulations (iii) CAB72 – Non-Domestic Rate (Business Rate) Write Off Requests	Corporate Director
Somerset Waste Partnership (SWP) Business Plan 2013-18 (Agenda Item 7)	Agreed (1) that the SWP draft Business Plan 2013 – 18, attached to the agenda, be approved. Agreed (2) that the SWB draft 2013/14 budget, attached to the agenda, be approved.	Corporate Manager – Environment, Customer and Community
Request for Allocation of Planning Obligations Monies (Agenda Item 8)	Agreed (1) that allocation of £14,536 to provide play equipment at Liddymore Estate in Watchet, be approved.	Corporate Manager – Housing, Economy & Welfare
Consideration of nomination received under the Community Right to Bid Legislation (Agenda Item 9)	Nominations were withdrawn.	Corporate Director
Hinkley Point C – Proposed Section 106 Allocation (Agenda Item 10)	Agreed (1) that the allocation of £1,875 towards community safety initiatives, be approved. Agreed (2) that the financial treatment of index linked payments, as set out in 4.8 of the report attached to the agenda, be approved.	Planning Manager
Council Tax Technical Reform Proposals to amend Discounts and Exemptions (Agenda Item 11)	Agreed (1) that Cabinet recommend to Council that the current discount of 10% awarded in relation to second homes be removed. Agreed (2) that Cabinet recommend to Council that a 100% discount for uninhabitable properties (empty, unfurnished and undergoing major structural repair) be granted for up to twelve months as current class A exemption. Agreed (3) that Cabinet recommend to Council that a 100% discount for vacant dwellings (empty, and unfurnished properties) be granted for a reduced period of no more than three months. Agreed (4) that Cabinet recommend to Council that an empty homes premium of 50% be applied after two years (empty and unfurnished properties only).	Corporate Manager – Housing, Economy & Welfare

Draft Localised Council Tax Support Scheme (Agenda Item 12)	<p>Agreed (1) that the results of the public consultation for the proposed scheme, the feedback obtained from West Somerset Residents and the detailed Equality Impact Assessment be noted.</p> <p>Agreed (2) that Cabinet recommend to Council that a Council Tax Support Scheme that limits entitlement to 70% liability be adopted.</p> <p>Agreed (3) that it be noted that, due to the high percentage of retired residents in West Somerset, the impact of the 10% reduction in funding council tax support falls unfairly on working age people in West Somerset.</p>	Corporate Manager – Housing, Economy & Welfare
Localisation of Council Tax Support – Funding Arrangements (Agenda Item 13)	<p>Agreed that Cabinet recommend to Council that £110,262.00 of government Council Tax Support grant received of £368,208, be redistributed to Parish and Town Councils, in accordance with the details listed in Appendix A of the report attached to the agenda.</p>	Chief Executive
Report on Financial Settlement for 2013/14 and Latest Medium Term Financial Plan (MTFP) (Agenda Item 14)	<p>Agreed (1) that the details of the financial settlement for local government be noted.</p> <p>Agreed (2) that, subject to recommendations to Council, the principle of not freezing the level of council tax in 2013/14, be approved.</p> <p>Agreed (3) that, subject to recommendations to Council, the level of Council Tax in 2013/14 be increased by 3.7%.</p> <p>Agreed (4) that the draft proposed list of savings initiatives as detailed in table 6 of the report, attached to the agenda, for inclusion in the outturn for 2012/13 and the draft budget for 2013/14, be approved.</p> <p>Agreed (5) that the Medium Term Financial Plan as shown in table 5 of the report, attached to the agenda, be noted.</p>	Chief Executive

For a record of the reasons for the decision; details of any alternative options considered and rejected by the decision-making body at the meeting at which the decision was made; a record of any conflict of interest relating to the matter decided which is declared by any member of the decision-making body which made the decision; and in respect of any declared conflict of interest, a note of dispensation granted by the relevant local authority's head of paid service, please use the attached link below, to the Council's website where the minutes and relevant reports can be viewed: -

<http://www.westsomersetonline.gov.uk/Council---Democracy/Council-Meetings/Cabinet-Meetings/Cabinet---9-January-2013>

Date: 11 January 2013

Weekly version of Forward Plan published on 7 January 2013

Forward Plan Ref / Date proposed decision published in Forward Plan	Date when decision due to be taken and by whom	Details of the proposed decision	Documents and background papers to be available to decision maker	Does the decision contain any exempt information requiring a resolution for it to be considered in private and what are the reasons for this?	Contact Officer for any representations to be made ahead of the proposed decision
FP/13/2/01 25/09/2012	6 February 2013 By Councillor K V Kravis – Lead Member Resources & Central Support	Title: Annual Budget & Council Tax Setting 2013-14 Decision: to provide Members with all the information required for Council to approve the revenue budget and capital programme for 2013/14 for recommendation to Council.		No exempt / confidential information anticipated	Section 151 Officer 01984 635253 01823 355482
FP/13/2/02 25/09/2012	6 February 2013 By Councillor T Taylor – Leader of Council	Title: Draft Corporate Plan for 2013-14 Decision: to introduce the draft West Somerset Council Corporate Plan 2013/14 for recommendation to Council.		No exempt / confidential information anticipated	Adrian Dyer, Chief Executive 01984 635212
FP/13/2/03 02/11/12	6 February 2013 By Councillor D Westcott – Lead Member for Community and Customer	Title: Consideration of nomination/s received under the Community Right to Bid Legislation Decision: To approve listing		No exempt / confidential information anticipated	Bruce Lang, Corporate Director 01984 635200
FP/13/2/04 25/09/2012	6 February 2013 By Councillor K V Kravis – Lead Member Resources & Central Support	Title: Draft Capital Programme 2012-13 and Capital Strategy Decision: to present the draft Capital Programme 2012/13 and draft Capital Strategy for recommendation to Council.		No exempt / confidential information anticipated	Section 151 Officer 01984 635253 01823 355482

Forward Plan Ref / Date proposed decision published in Forward Plan	Date when decision due to be taken and by whom	Details of the proposed decision	Documents and background papers to be available to decision maker	Does the decision contain any exempt information requiring a resolution for it to be considered in private and what are the reasons for this?	Contact Officer for any representations to be made ahead of the proposed decision
FP/13/2/05 25/09/2012	6 February 2013 By Councillor D J Westcott – Lead Member Community and Customer	Title: Review of Customer Access Decision: to review customer access.		No exempt / confidential information anticipated	Steve Watts, Group Manager Environment, Customer and Community 01984 635261
FP/13/2/06 25/09/2012	6 February 2013 By Councillor K V Kravis – Lead Member Resources & Central Support	Title: Budget Strategy Update Decision: to advise members of the progress to date in formulating a new budget strategy to succeed the current strategy.		No exempt / confidential information anticipated	Adrian Dyer, Chief Executive 01984 635212
FP/13/2/07 25/09/2012	6 February 2013 By Councillor K V Kravis – Lead Member Resources & Central Support	Title: Implementing Value for Money Strategy Decision: to agree way forward to implement Value for Money Strategy.		No exempt / confidential information anticipated	Adrian Dyer, Chief Executive 01984 635212
FP/13/2/08 07/01/13	6 February 2013 By Councillor K V Kravis – Lead Member Resources & Central Support	Title: SWAP Governance Project Approvals Decision: to approve leaving existing partnership and join new company.		No exempt / confidential information anticipated	Section 151 Officer 01984 635253 01823 355482
FP/13/3/01 25/09/2012	6 March 2013 By Councillor T Taylor – Leader of Council and Councillor K V Kravis – Lead Member Resources & Central Support	Title: Corporate Performance & Budget Monitoring Report 2012-13 – Quarter 3 Decision: to provide Members with an update on progress in delivering corporate priorities, performance of council services including budgetary information		No exempt / confidential information anticipated	Bruce Lang, Corporate Director 01984 635200

Forward Plan Ref / Date proposed decision published in Forward Plan	Date when decision due to be taken and by whom	Details of the proposed decision	Documents and background papers to be available to decision maker	Does the decision contain any exempt information requiring a resolution for it to be considered in private and what are the reasons for this?	Contact Officer for any representations to be made ahead of the proposed decision
FP/13/3/02 23/11/12	6 March 2013 By Councillor D Westcott – Lead Member for Community and Customer	and customer satisfaction. Title: Consideration of nomination/s received under the Community Right to Bid Legislation Decision: To approve listing		No exempt / confidential information anticipated	Bruce Lang, Corporate Director 01984 635200
FP/13/4/01 25/09/2012	3 April 2013 By Councillor K V Kravis – Lead Member Resources & Central Support	Title: Allocation of Section 106 funds held – Quarter 4 Decision: to make proposals for the allocation of monies secured through planning obligations to individual schemes, and to update members with the current funding position.		No exempt / confidential information anticipated	Ian Timms, Group Manager Housing, Welfare and Economy 01984 635271
FP/13/6/01 25/09/2012	June 2013 By Councillor K V Kravis – Lead Member Resources & Central Support	Title: Cabinet Appointments on Outside Bodies Decision: to appoint representatives to serve on outside bodies for the period to the Annual Meeting in 2014 (except where specific periods are stated).		No exempt / confidential information anticipated	Bruce Lang, Corporate Director 01984 635200
FP/13/7/01 25/09/2012	July 2013 By Councillor K V Kravis – Lead Member Resources & Central Support	Title: Allocation of Section 106 funds held – Quarter 1 Decision: to make proposals for the allocation of monies secured through planning obligations to individual schemes, and to update members with the current		No exempt / confidential information anticipated	Ian Timms, Group Manager Housing, Welfare and Economy 01984 635271

Forward Plan Ref / Date proposed decision published in Forward Plan	Date when decision due to be taken and by whom	Details of the proposed decision	Documents and background papers to be available to decision maker	Does the decision contain any exempt information requiring a resolution for it to be considered in private and what are the reasons for this?	Contact Officer for any representations to be made ahead of the proposed decision
FP/13/7/02 25/09/2012	July 2013 By Councillor T Taylor – Leader of Council and Councillor K V Kravis – Lead Member Resources & Central Support	funding position. Title: Corporate Performance & Budget Monitoring Report 2012-13 – Quarter 4 Decision: to provide Members with an update on progress in delivering corporate priorities, performance of council services including budgetary information and customer satisfaction.		No exempt / confidential information anticipated	Bruce Lang, Corporate Director 01984 635200
FP/13/7/03 25/09/2012	July 2013 By Councillor K V Kravis – Lead Member Resources & Central Support	Title: Review of Financial Regulations [FR2] Decision: to offer comment on the Financial Regulations.		No exempt / confidential information anticipated	Bruce Lang, Corporate Director 01984 635200
FP/13/7/04 25/09/2012	July 2013 By Councillor K V Kravis – Lead Member Resources & Central Support	Title: Medium Term Financial Plan Update Decision: to present the updated Medium Term Financial Plan.		No exempt / confidential information anticipated	Section 151 Officer 01984 635253 01823 355482
FP/13/7/05 25/09/2012	July 2013 By Councillor K V Kravis – Lead Member Resources & Central Support	Title: Fees and Charges Decision: to propose levels of fees and charges for the period 1 April 2013 to 31 March 2014 (in some cases fee increases will be implemented earlier, this will be stated in the relevant sections of the report).		No exempt / confidential information anticipated	Section 151 Officer 01984 635253 01823 355482
FP/13/10/01	October 2013	Title: Allocation of Section 106 funds held – Quarter 2		No exempt / confidential information anticipated	Ian Timms, Group Manager Housing,

Forward Plan Ref / Date proposed decision published in Forward Plan	Date when decision due to be taken and by whom	Details of the proposed decision	Documents and background papers to be available to decision maker	Does the decision contain any exempt information requiring a resolution for it to be considered in private and what are the reasons for this?	Contact Officer for any representations to be made ahead of the proposed decision
25/09/2012	By Councillor K V Kravis – Lead Member Resources & Central Support	Decision: to make proposals for the allocation of monies secured through planning obligations to individual schemes, and to update members with the current funding position.			Welfare and Economy 01984 635271
FP/13/10/02 25/09/2012	October 2013 By Councillor T Taylor – Leader of Council and Councillor K V Kravis – Lead Member Resources & Central Support	Title: Corporate Performance & Budget Monitoring Report 2013-14 – Quarter 1 Decision: to provide Members with an update on progress in delivering corporate priorities, performance of council services including budgetary information and customer satisfaction.		No exempt / confidential information anticipated	Bruce Lang, Corporate Director 01984 635200
FP/13/12/01 23/11/2012	December 2013 By Councillor K V Kravis – Lead Member Resources & Central Support	Title: Review of Financial Regulations [FR2] Decision: to offer comment on the Financial Regulations.		No exempt / confidential information anticipated	Bruce Lang, Corporate Director 01984 635200
FP/13/12/02 23/11/2012	December 2013 By Councillor T Taylor – Leader of Council and Councillor K V Kravis – Lead Member Resources & Central Support	Title: Corporate Performance & Budget Monitoring Report 2013-14 – Quarter 2 Decision: to provide Members with an update on progress in delivering corporate priorities, performance of council services including budgetary information and customer satisfaction.		No exempt / confidential information anticipated	Bruce Lang, Corporate Director 01984 635200

Note (1) – Items in bold type are regular cyclical items.

Note (2) – All Consultation Implications are referred to in individual reports.

The Cabinet comprises the following: Councillors T Taylor, C Morgan, K V Kravis, S J Pugsley, D J Sanders, K H Turner and D J Westcott.
The Scrutiny Committee comprises: Councillors K J Ross, R Lillis, M J Chilcott, M O A Dewdney, G S Dowding, J Freeman, P N Grierson, B Heywood and D D Ross.

Report Number: WSC 11/13
 Presented by: Adrian Dyer, Chief Executive
 Author of the Report: Adrian Dyer, Chief executive
 Contact Details:
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 Email: adyer@westsomerset.gov.uk

Report to a Meeting of: Scrutiny Committee
 To be Held on: 21st January 2013
 Date Entered on Executive Forward Plan Or Agreement for Urgency Granted: N/A

THE FINANCING OF LOCAL GOVERNMENT – IMPACT OF THE BUSINESS RATE RETENTION SCHEME

1. PURPOSE OF REPORT

- 1.1. The purpose of the report is to provide Scrutiny Committee with details of a request from Cabinet for the committee's assistance in reviewing the impacts of the new Business Rate Retention Scheme.

2. RECOMMENDATIONS

- 2.1. That Scrutiny Committee consider initiating a review of how the new business rate retention scheme is going to impact on the Council from a financial perspective and whether there are any measures that could be taken to mitigate and or monitor the impacts.

3. RISK ASSESSMENT (IF APPLICABLE)

Risk Matrix

Description	Likelihood	Impact	Overall
Although there are no risks associated with the recommendation in this report there is a significant risk that the Council fail to identify new processes that need to be introduced to enable the potential negative impacts of the business rate retention scheme to be monitored and minimised	Possible (3)	Major (4)	Medium (12)
<i>The mitigation of this risk is the identification of all possible elements of the scheme where there is potential for the Council to maximise opportunities to raise additional income as well those that pose a risk to the stability of the Councils finances and consequently implement new systems of control</i>	Unlikely (2)	Moderate (3)	Low (6)

The scoring of the risks identified in the above table has been based on the scoring matrix. Each risk has been assessed and scored both before the mitigation measures have been actioned and after they have.

4. **BACKGROUND INFORMATION**

4.1. At the meeting on 5th December 2012 Cabinet considered (Min. CAB72) a request for amounts of outstanding business rates to be written off. During the debate the point was made that under the new business rate retention scheme which was being introduced on 1st April 2013 the Council will be liable for 40% of the cost of any write-off's and that there will be similar financial impacts arising from other elements of the scheme. It was subsequently resolved by Cabinet that Scrutiny Committee be asked to consider initiating a review surrounding emerging new issues of the business rate retention scheme.

4.2. To assist members in reaching a decision as to whether a review is necessary a very high level summary of the scheme and potential issues are listed below in paragraphs 4.4 to 4.12.

4.3. **Business Rate Retention Scheme**

4.4. Introduction

The business rates retention scheme will be introduced from April 2013 and is intended to provide a direct link between business rates growth and the amount of money councils have to spend on local people and local services. Councils will be able to keep a proportion of the business rates revenue as well as growth on the revenue that is generated in their area. The intention is that this will provide a strong financial incentive for councils to promote economic growth. Business rates retention is at the heart of the government's reform agenda and will help achieve 2 priorities: economic growth and localism.

The core ideology of the scheme is that the government will carry out calculations to ensure that councils with more business rates income than their current spending will make a tariff payment to government. Similarly, where councils have greater needs than their business rates income, they will receive a top-up payment from the government. The total sums of these payments will equal each other thus ensuring that the total business rate income is invested in local government.

4.5. A summary of the scheme

The scheme is initially founded on two figures that are calculated by government. Firstly, the '**Baseline Funding Level**' which represents the amount of business rates that the Council need to retain to fund service delivery. Secondly, the '**Individual Council Business Rate Baseline**' which is determines whether the Council makes a tariff payment to government or receives a top-up payment. The actual calculation involves subtracting the *Baseline Funding Level* from the *Business Rate Baseline*. The resulting figure, if positive represents the amount of the tariff to be paid and if negative represents the top-up to be received. For the Council this calculation is:-

Individual Business Rate Baseline	£3,973,165
Baseline Funding Level	£1,050,735
Difference payable as a Tariff	£2,922,430

4.6. If a Council pays a tariff then it also has to pay a '**Levy**' on any business rates income it retains as a result of economic growth. This is calculated by calculating the *Tariff* as a percentage of the *Individual Business Rate Baseline*. In respect of the Council this equates to a *levy* rate of 73.6%, although this is capped by government at 50%.

4.7. At the core of the scheme is the requirement for the Council to estimate in January each year what its net business rate yield is likely to be in the coming year. This figure is used to calculate the amounts that are paid to government (50% central share), major precepting authorities (20%) and the Council (40%). The amount that the Council's 40% exceeds its

Individual Business Rate Baseline figure represents the amount of economic growth from which a *levy* of 50% is paid to government, leaving the Council to retain 50%.

- 4.8. The estimated initial payments to government and major precepting authorities must be paid in instalments during the year irrespective of the amount of net yield collected. This could have obvious cash flow implications for the Council. It is not until the end of the financial year that the actual net business rate yield is calculated and any retrospective underpayment or overpayment adjustment to government and major preceptors enacted.
- 4.9. This cash flow issue coupled with the fact that it determines the estimated amount of rates retained by the Council makes the accuracy of the estimated net rate yield calculation vitally important. The actual net yield amount, which to a large extent is based on the amount collected by the Revenues Team, is even more important because it determines the actual amounts paid to government / major preceptors and retained by the Council.
- 4.10. However, the fact that the Council has a power station situated within its boundaries paying business rates makes the task of predicting what the net rate yield will be with any degree of accuracy almost impossible. This is because the amount of rates payable is based on the amount of energy produced, which can obviously fluctuate tremendously during the year. If the amount of energy produced is less than the amount that the business rate liability was based on then a refund becomes payable. The volatility of this can be demonstrated by the fact that a £6.151m refund was paid in 2009/10 in respect of rates paid during 2006/07 to 2009/10. This was followed by a further refund of £863k in the following year in respect of the period 2005/06 to 2009/10.
- 4.11. We know that an appeal has been lodged with the Valuation Office and that a refund will, almost certainly, have to be paid next year but unfortunately the amount is unknown.
- 4.12. Apart from the actual amount collected there are other elements of the new scheme that affect the net yield calculation, they include:
- The award of Mandatory Rate Relief (currently fully paid by government)
 - The award of Discretionary Rate Relief (currently part funded by government)
 - Losses in collection (currently fully paid by government)
 - Appeals leading to refunds (currently fully paid by government)

5. FINANCIAL/RESOURCE IMPLICATIONS

- 5.1. There are no financial implications directly associated with the recommendation in this report. Having said that the potential financial impact the new scheme can have on the MTFP is not insignificant.

6. SECTION 151 OFFICER COMMENTS

- 6.1. The government are fundamentally changing the way they fund local government by allowing Councils to retain part of their net business rate yield. In theory this initiative of rewarding Councils as a result of economic growth is positive. However, unlike the current business rate scheme the government are expecting, under the new scheme, Councils to part fund a greater number of its elements. This in turn will place a much greater emphasis on how the Council administers its business rate systems, processes and monitoring arrangements. It will therefore be important that they are reviewed to check their appropriateness and robustness.

7. EQUALITY & DIVERSITY IMPLICATIONS

- 7.1. There are no implications directly associated with the recommendation in this report.

8. CRIME AND DISORDER IMPLICATIONS

8.1. There are no implications directly associated with the recommendation in this report.

9. CONSULTATION IMPLICATIONS

9.1. There are no implications directly associated with the recommendation in this report.

10. ASSET MANAGEMENT IMPLICATIONS

10.1. There are no implications directly associated with the recommendation in this report.

11. ENVIRONMENTAL IMPACT IMPLICATIONS

11.1. There are no implications directly associated with the recommendation in this report.

12. LEGAL IMPLICATIONS

12.1. There are no implications directly associated with the recommendation in this report.

SCRUTINY COMMITTEE – 12- MONTH WORKPLAN – 2012/13

2012 9 May	18 June	16 July	20 August	22 October	19 November	17 December	2013 21 January	18 February	18 March	22 April
Notes of key Cabinet Decisions/Action Points Cabinet Forward Plan	Notes of key Cabinet Decisions/Action Points Cabinet Forward Plan	Notes of key Cabinet Decisions/Action Points Cabinet Forward Plan	Notes of key Cabinet Decisions/Action Points Cabinet Forward Plan	Notes of key Cabinet Decisions/Action Points Cabinet Forward Plan	Notes of key Cabinet Decisions/Action Points Cabinet Forward Plan	Notes of key Cabinet Decisions/Action Points Cabinet Forward Plan	Notes of key Cabinet Decisions/Action Points Cabinet Forward Plan	Notes of key Cabinet Decisions/Action Points Cabinet Forward Plan	Notes of key Cabinet Decisions/Action Points Cabinet Forward Plan	Notes of key Cabinet Decisions/Action Points Cabinet Forward Plan
Waste Partnership & SORT IT + Scrutiny	Final Report of Community Safety Task & Finish Group		Police and Crime Panel Update	Community Safety – Annual Report	Magna – Annual Report	Appeal Against an Asset of Community Value	Financial Standing and MTFP 2013/14 to 2015/16	Corporate Performance & Budget Monitoring 2012-13 – Quarter 3		
Verbal Update on Task & Finish Group Work	New Financial System	Corporate Performance & Budget Monitoring – 2010-11 – Quarter 4	Corporate Performance & Budget Report – Quarter 1 2011/12		Corporate Performance & Budget Monitoring 2011-12 – Quarter 2	Fraud Task and Finish Group Final Report	Impact of the Business Rate Retention Scheme	Corporate Plan & Service Plans – 2013-2014		
	Visit to Greater Manchester Waste Treatment & Recycling Facility – Update	Updated Medium Term Financial Plan (MTFP) – 2012-2015	Veolia Service Level Agreement		Draft Localised Council Tax Benefit Scheme					
	Williton Hospital - Update		Council Tax Consultation							
Scrutiny Committee Workplan Review	Scrutiny Committee Workplan Review	Scrutiny Committee Workplan Review	Scrutiny Committee Workplan Review	Scrutiny Committee Workplan Review	Scrutiny Committee Workplan Review	Scrutiny Committee Workplan Review	Scrutiny Committee Workplan Review	Scrutiny Committee Workplan Review	Scrutiny Committee Workplan Review	Scrutiny Committee Workplan Review

Task & Finish Group Work In Progress:
Review of S106 Process

Task & Finish Group Work to be scheduled:
Review of Business Rate Recovery Process
GP Out of Hrs

Meetings of Joint Waste Scrutiny Panel:
(WSC Reps, Cllrs, Freeman & Lillis)
18 January, 2013 – 10am TDBC