

Executive – 13 April 2011

Present: Councillor Williams (Chairman)
Councillors Mrs Adkins, Cavill, Edwards, Hall, Hayward and Mrs Herbert

Officers: Shirlene Adam (Strategic Director), Richard Sealy (Client and Performance Manager), David Evans (Economic Development Specialist) and Richard Bryant (Democratic Services Manager)

Also present: Councillors Morrell and Stuart-Thorn

(The meeting commenced at 6.15 pm.)

37. Apology

Councillor Mrs Lewin-Harris.

38. Minutes

The minutes of the meeting of the Executive held on 16 March 2011, copies of which had been circulated, were taken as read and were signed.

39. Declaration of Interests

Councillor Mrs Adkins declared a personal interest as an employee of Somerset County Council.

40. Transformation Projects – Funding Update Report

Considered report previously circulated, concerning the funding arrangements through procurement savings for the financing of the Southwest One Transformation Projects.

The Southwest One partnership had been created to deliver five key Transformation Projects in addition to the operational back-office services element of the contract. The delivery of these projects was key to Southwest One's ability to deliver savings and move the back-office services of the three partner authorities onto a shared service platform. The Transformation Projects were:-

- SAP BOP (Back Office Processing) system;
- SAP CRM (Customer Relationship Management) system;
- PEM (People Excellence Model);
- Locality Based Service Delivery proof of concept; and
- Procurement Transformation Project.

Originally savings of £13,000,000 were anticipated over the 10 year period of the Southwest One contract. This figure had been reduced to £10,000,000 to ensure that the Council was being sufficiently cautious in the modelling of likely savings.

The Southwest One contract did not contractually guarantee the level of savings, but did provide a financial incentive for Southwest One to maximise the implementation of savings opportunities through a 'gain-share' arrangement.

The Procurement Transformation project was a key corporate project and quarterly progress reports were therefore submitted to both the Corporate Management Team and the Corporate Scrutiny Committee.

The total cost of the Transformation Projects over the ten year period would be £3,650,000. This figure included an additional £150,000 of project costs which were not included in the report submitted to the Corporate Scrutiny Committee on 24 March 2011. These costs had arisen since the original contract was signed.

The total cost figure comprised £2,000,000 of capital costs and £1,650,000 of revenue costs. £700,000 of the revenue costs required up front funding and the remaining £950,000 would be funded by continuing procurement savings.

The up front funding for the Transformation Projects had been agreed by the Executive in 2007 and consisted of £2,000,000 through prudential borrowing, to be repaid within 5 years from procurement savings. The up front £700,000 revenue costs were to be funded from reserves as detailed below:-

- General Fund Reserves - £200,000;
- Housing Revenue Reserves - £200,000; and
- Self Insurance Fund - £300,000.

Noted that the £300,000 had not been taken from the Self Insurance Fund. Instead £372,000 was borrowed from the Core Council Review Reserve, making a total borrowing of £772,000.

The original savings model anticipated that £1,760,000 in procurement savings would have been delivered by 31 March 2011. The Council had therefore planned for the borrowings from reserves to be repaid in full during 2010/2011.

Reported that when each new procurement initiative was agreed and implemented, the anticipated annual savings from the relevant budgets were removed. To date, the Council had removed anticipated savings totalling £944,000. Noted that this figure was £11,000 higher than that reported to the Corporate Scrutiny Committee. The difference was due to additional anticipated savings which had been removed from budgets.

With the Council anticipating receiving savings totalling £1,760,000 by 31 March 2011, there was clearly a shortfall of £816,000 (£1,760,000 less £944,000).

Of the £944,000 savings removed from budgets, £668,000 had been used to meet revenue costs of the Transformation Projects, whilst the remaining £276,000 was available to repay borrowings from reserves.

The Strategic Procurement Team was carrying out a re-profiling of the Council's spend in order to produce a revised savings forecast. Results of this exercise were expected in May 2011.

Further reported that the operational services element of the Southwest One Contract was also delivering savings to the Council through an annual, cumulative reduction of 2.5% in the amount paid for the delivery of the in-scope services. Over the lifetime of the contract, based upon 2007/2008 prices, this would deliver savings totalling approximately £6,400,000.

To date this had delivered approximately £1,300,000 in savings, which had already been used to reduce our overall budget requirements for previous years and were not therefore available to repay reserves.

Following approval by Full Council on 22 February 2011, £200,000 of the £276,000 available from procurement savings to pay reserves had been used to repay in full the amount borrowed from the Housing Revenue Reserve. It was recommended that the balance of £76,000 be repaid to the General Fund Reserve.

It was intended that the outstanding repayment of £496,000 due to the General Fund Reserve should be rescheduled so that £300,000 would be repaid during 2011/2012 and the balance of £196,000 during 2012/2013. This was realistic and corresponded with the level of savings achievable from the current agreed and implemented savings initiatives.

These proposals had been considered and endorsed by the Corporate Scrutiny Committee.

Resolved that it be agreed to:-

- (a) Use £200,000 of the £276,000 available to repay reserves to repay in full the borrowings from the Housing Revenue Reserve (which had already been agreed as part of the 2011/2012 budget setting process);
- (b) Use the balance of £76,000 to help part repay the borrowings from the General Fund Reserve; and
- (c) Reschedule the repayment of the outstanding amount, totalling £496,000, due to the General Fund and Core Council Review Reserves so that £300,000 would be repaid during 2011/2012 and the balance of £196,000 during 2012/2013.

41. **Proposals to introduce a Community Right to Challenge – Consultation Document**

A consultation paper had recently been released by the Department for Communities and Local Government concerning proposals to introduce a Community Right to Challenge.

The Right would hand the initiative to communities and the bodies that represented them who had innovative ideas about how services could be shaped to better meet local needs, or could be run more cost effectively. It would ensure these ideas received a fair hearing and gave communities the time they needed to organise themselves and develop their ideas to be able to bid to run the service.

The statutory framework for the Community Right to Challenge was provided in Part 4, Chapter 3 of the Localism Bill. This bill was introduced on 13 December 2010 and was outside the scope of this consultation.

However the bill included a number of powers to specify further detail underpinning the Community Right to Challenge in regulations. This consultation paper invited views on these aspects. A précis of the consultation document was submitted for the information of Members.

The consultation paper had previously been considered by the Community Scrutiny Committee on the 8 March 2011 and their responses to the various questions asked by the Government were set out in the response form attached to the report.

During the discussion of this item Members commented as follows on the suggested responses:-

Section 6 – It was felt that there should be a timescale set down in legislation which gave protection to the community (as some Councils might not deal with challenges promptly); and

Section 8 – Again it was felt that there should be the protection of a national (legislative) limit on the maximum period between an Expression of Interest being accepted and a relevant authority initiating a procurement exercise. It was also thought that local arrangements could be put in place if desired to improve on this “national safety net”.

Resolved that, subject to the incorporation of the above views, the suggested response to the Community Right to Challenge consultation document be submitted to the Department for Communities and Local Government before the closing date on 3 May 2011.

42. **Proposals to introduce a Community Right to Buy – Assets of Community Value – Consultation Document**

A consultation paper had recently been released by the Department for Communities and Local Government concerning proposals to introduce a Community Right to Buy – Assets of Community Value.

These provisions would entitle community groups to identify and nominate public or private assets of community value to their local area to be included in the local authority list of Assets with a Community Value.

Once an asset on the list came up for sale, a community group would then have a window of opportunity to bid or buy that land or property.

The statutory framework for the Community Right to Buy was provided in Part 4, Chapter 4 of the Localism Bill. This bill was introduced on 13 December 2010 and was outside the scope of this consultation.

However the bill included a number of powers to specify further detail underpinning the Community Right to Buy in regulations. This consultation paper invited views on these aspects. A précis of the consultation document was submitted for the information of Members.

The consultation paper had previously been considered by the Community Scrutiny Committee on the 8 March 2011 and their responses to the various questions asked by the Government were set out in the response form attached to the report.

During the discussion of this item Members commented as follows on the suggested responses:-

Section 12 – It was strongly felt that compensation claims should be limited to cover expenses incurred due to the extra time it would take to go through this additional process when selling an asset (for example, interest lost on receipt). There should not be any compensation for “changes in value” due to this new proposal. If compensation became payable, the Executive was of the view that it should be funded nationally and not by the local authority. As such, the suggested response to question 37 needed to be much stronger.

With regard to questions 40 and 41, it was suggested that the responses to these questions were double-checked against the full copy of the consultation paper.

Resolved that, subject to the incorporation of the above views, the suggested response to the Community Right to Buy consultation document be submitted to the Department for Communities and Local Government before the closing date on 3 May 2011.

43. **Support for the Fredericks Somerset Micro Enterprise Loan Fund**

Considered report previously circulated, concerning support for the Fredericks Somerset Micro Enterprise Loan Scheme for start up and micro businesses.

Correspondence had been received from the Fredericks Foundation inviting the Council to take an active role in the Fredericks Somerset Micro Enterprise Loan Scheme. The letter had also summarised the history of the company, its aims and its establishment in the South West.

The Foundation was a registered charity and its loan scheme was targeted at individuals who had experienced difficulties in accessing credit from banks, who could be people who were unemployed, had a bad credit rating or had little personal finance. Loans were offered at a preferential rate and also offered ongoing support and mentoring, to enable clients to increase their business and to ensure the loan was repaid.

Submitted for information further background information on the Foundation together with a number of examples of some of the businesses that had benefitted from the scheme, two of which were from Somerset.

Fredericks Somerset had been set up in 2009 with funding from the Fredericks Foundation (£50,000), West Somerset District Council (£30,000) and Somerset County Council (£20,000).

Since its launch, the scheme had offered finance to three start ups, one of which was in Taunton Deane. It was administered locally and managed by a Steering Group, comprised of funders and local businesses, who also acted as mentors and business advisors.

The Council had been asked to take an active role in the scheme primarily through a contribution of funding, as well as through local promotion and networking, to stimulate demand amongst clients and potential mentors.

Reported that a contribution of £30,000 to the capital loan fund had been requested, with an additional £20,000 set aside to top up the fund as necessary. An additional £7,000 per annum was requested towards the revenue cost of a Client Manager.

Officers had discussed the Council's budget constraints with the Foundation and the difficulties of making a long term commitment. As a result, it was proposed that the Council should support the scheme on the following terms:-

- A one-off contribution of £30,000 to the Fredericks Somerset Capital Loan Fund, to be paid in agreed stages; and
- A contribution of £3,000 per annum for a period of two years towards the revenue cost of the Client Manager.

If this proposal was supported, the one-off payment of £30,000 would be taken from the Local Authority Business Growth Incentive (LABGI) reserves and the annual £3,000 contribution would be taken from the Economic Development Revenue budget.

Noted that it was proposed that a legal agreement was entered into with the Foundation to ensure appropriate measures were in place to protect the Council's interests, including a means to withdraw the Council's finance should the scheme not be delivering the Council's objectives.

When this matter had been discussed at the Corporate Scrutiny Committee meeting on 24 February 2011, a number of issues were raised by Members which were outlined in the report. These issues had been referred to the Director of Operations at Fredericks and the responses received were submitted which addressed the various concerns.

Should the Council agree to support the programme it was important that it was firmly tied in with new business support arrangements from Government agencies. Later in the year Business Link services would change radically towards a nationally

administered on-line support mechanism. The use of voluntary business mentors would be at the centre of that new service.

In addition, the Department for Work and Pensions had recently announced the New Enterprise Allowance (NEA) for the long term unemployed, to encourage them to start their own business. The NEA included a weekly allowance to support the new business, a loan scheme for capital costs, and the services of a business mentor.

Utilising the Council's LABGI reserves on the project would enable the Council to deliver its dual aims of supporting business growth and job creation on the one hand, alongside increasing the investment value of the reserve on the other.

Resolved that it be agreed that:-

- (a) Taunton Deane took an active role in Fredericks Somerset; and
- (b) a legal agreement be entered into with the charity setting out the terms of financial support along the following lines:-
 - (i) A one-off contribution of £30,000, to be paid in agreed stages; and
 - (ii) A contribution of £3,000 per annum for a period of two years towards the revenue cost of a Client Manager.

44. **Executive Forward Plan**

Submitted for information the Forward Plan of the Executive over the next few months.

Resolved that the Forward Plan be noted.

45. **Chairman's Thanks**

The Chairman noted that this was the last meeting of the Executive prior to the Local Government Elections on 5 May 2011. He thanked Members and officers for their support over the past year.

(The meeting ended at 7.08 pm.)