

FINANCE AND SERVICES SCRUTINY COMMITTEE

15 OCTOBER 2018

PRESENT: Councillor M Rand (Chairman); Councillors J Chilver, R Newcombe, M Smith, R Stuchbury and A Waite. Councillor H Mordue attended also.

APOLOGIES: Councillors B Everitt, J Bloom, S Lambert and M Stamp.

1. MINUTES

RESOLVED –

That the minutes of the meeting held on 9 July, 2018, be approved as a correct record.

2. SILVERSTONE HERITAGE EXPERIENCE

On 14 September, 2016, Council agreed unanimously to provide loan funding of £2 million as part of a total £8 million package of loan support provided by the 4 county and district authorities and 2 LEPS which cover the Silverstone circuit in order to enable the Silverstone Heritage Experience to be constructed. The combined facility of £8 million was required to secure Heritage Lottery Funding of £9.1 million. It was intended that the loan support would only be required in full or in part if the anticipated private sector funding could not be attracted.

Sally Reynolds, CEO of Silverstone Heritage and Stuart Pringle, Sporting Director of Silverstone Circuits attended the meeting to update Members on scheme progress, including the progress on attracting sponsorship, the planned opening date and the construction budget. An update was also provided in relation to the future of F1 at Silverstone.

The Committee received a presentation on the Silverstone Heritage Experience. It had originally been planned to open in October 2018 on the 70th anniversary of the first Grand Prix being held at Silverstone, however due to legal and other issues this would now occur in early 2019. The vision was to bring to life the extensive heritage of Silverstone and British motor racing life through the creation of a dynamic, interactive and educational visitor experience including:

- A permanent exhibition, at the entrance to the Circuit that would take visitors on an exciting two hour journey through motor racing at Silverstone set against the wider context of the sport and, in particular, the part that the Circuit, the British Racing Drivers' Club (BRDC) and the region's motor sport industry have played in its development worldwide.
- A Collections and Research Centre, offering museum and archive-accredited storage for the unique BRDC archive and other important motor sport collections.
- An extensive education programme focused on STEM learning which aimed to address the region's shortage of engineers by inspiring the engineers of the future through its interactive teaching sessions, engineering teaching bursaries and awards programmes. This would help to ensure the region continued to be a focus of high performance engineering with a readily available qualified workforce.

The Silverstone Heritage Experience would serve as a catalyst, stimulating further development at Silverstone, for example, a new 197 room hotel and a Family Entertainment Centre. Its marketing budget would also ensure that the attraction was

promoted to a very large and diverse audience helping to strengthen Silverstone's and the region's standing nationally and internationally.

The scheme was supported by robust feasibility studies and a five year business plan which showed that the Silverstone Heritage Experience would deliver anticipated visitor numbers of 436,500 in its first full year of operation (2019). Once open, it would be self-funding, generating a healthy annual surplus so it could service the loan of £8million paid back over a ten year period. Nearly £11.5m Gross Visit Impact to the local and regional economy was projected for 2019 with an additional 87,000 bed nights generated in the region. The total number of jobs created by the Project was 78.

By virtue of the additional visitors the Project would attract to Silverstone it would help to secure the future of the Silverstone Circuit and its ability to continue to host the British Grand Prix and other national and international events which were crucially important for the region's visitor economy (and underpin the high performance engineering sector too). Silverstone remained the only Formula 1 venue in the world to operate without government or third party subsidies.

Members sought further information and were informed:-

- (i) that the Heritage Experience (HE) was anticipating have a reduced entry price for students attending with a local school. However, the HE had debts that would need to be serviced so wouldn't be able to consider free entry for students until such stages as borrowings had been repaid.
- (ii) that as a charity the HE had an aim to work with local education providers, including secondary schools and the Buckingham and Northampton Universities.
- (iii) that the information provided at the meeting in relation to a cycle route between Buckingham and Silverstone would be looked into.
- (iv) on the current financial position of Silverstone Circuits, in particular in response to reports that had recently appeared in the press regarding "material uncertainty" over its future. Silverstone Circuits were confident that agreement of an appropriate facility would be reached to allow the group to continue to meeting its liabilities, including F1's owner. Members were further informed that the financial streams for HE and Silverstone Circuits were ring-fenced.
- (v) that legal and other issues had meant that the Heritage Experience would open at the beginning of 2019, rather than in October 2018 (70th anniversary of the Circuit). However, the HE was confident that this new deadline would be met.
- (vi) that Silverstone Circuits had been developing a number of initiatives over the last few years and was confident that it could operate as a viable business without the British Grand Prix. Likewise, the Heritage Experience business model was not dependent on Silverstone retaining the F1 Grand Prix.
- (vii) that the HE believed that 98% of its visitors would be British. It was likely that translators would be organised for non-English speaking groups, rather than providing information in a number of languages.
- (viii) that the business plan for the HE and possible visitor numbers had been estimated based on number of people that lived within a 30 minutes, 1 or 2 hour drive. The impact of more housing growth in the north of the Vale would likely mean that the HE would be within the 'reach' of more people.

- (ix) that Silverstone and the HE had an ambitious programme of future development that they hoped would be supported by AVDC's Planning Department dealing with planning applications expeditiously.
- (x) on some aspects of the Communications and Marketing Strategy that had been developed to publicise the Heritage Experience, including for the opening in 2019 and for the British Grand Prix.

RESOLVED –

That the Silverstone Heritage CEO and the Sporting Director, Silverstone Circuits, be thanked for attending the meeting and updating Members on the positive progress made with the Silverstone Heritage Experience.

3. QUARTERLY FINANCE DIGEST: APRIL TO JUNE 2018

The Committee received the Quarterly Financial Digest for the period from 1 April to 30 June 2018, which represented financial information on the Council based on the actual income and expenditure for the first three of the 2018/19 financial year.

As at the end of June 2018, an overspend against budgets was reported of £120,532, along with forecast overspend of £321,604, before the use of reserves, for the full year to the end of March 2019.

The Medium Term Financial Plan (MTFP) agreed by full Council in February 2018 had assumed a contribution to balances of £240,000 for 2018/19. Based on the forecast financial position, there was now an assumed use of balances of £134,000. General working balances were held by the Council as insurance against unexpected financial events.

The forecast level of balances for the financial year was reported as £1.843m, marginally below the minimum assessed level of balances of £2.0m. The forecast position did not currently assume any use of reserves to support emerging overspends. Earmarked reserves were held for legitimate reasons and the balances represented a fair assessment of the budgetary pressures that they were held against. Any use of reserves was an essential part of sound financial planning. The use of reserves would be assessed in year with any use of them resulting in a reduction of the forecast overspend and lessening the call on balances.

The first quarter position and forecast outturn had highlighted a number of emerging financial risks that would allow considered corrective actions to be taken. Members were given an assurance that budget holders, managers and finance business partners were working to mitigate issues and to address the year to date financial position.

The main reason for the overspend to date had been for the use of agency staff to support vacancies and some activity pressures. The use of agency staff incurred a premium and an adverse variance to agreed budgets. Members were informed that the dependency on high cost agency staff was being targeted to reduce the risk of further in-year overspends. For all of the areas identified as using agency staff, plans were being developed to address spend and mitigating actions were being taken. Some vacancies were being filled and proposals are being put forward for most effective delivery models

For the 3 months to date, agency staff had been employed in a number of key operational areas to support project work and service delivery. These included:

- People and Payroll department where agency costs had been incurred to support both vacancies and prolonged periods of sickness absences. This continued to be a concern but support arrangements were in place to support delivery and reduce dependency on agency staff.
- The Connected Knowledge and GDPR programme: These were work programmes for which funding had been allocated.
- IT: to cover key vacant posts. Recruitment in this area had historically been difficult but it was anticipated that the position would improve in October as appointments had been made.
- The Depot to employ loaders and also to meet additional costs of new waste rounds. The use of agency staff in these areas had allowed for flexibility to meet staffing patterns.
- Planning Department: this continued as the highest spend area and represented an area of concern. AVDC was a growth area for planning and received more applications than most other District Council. Whilst the planners needed to process this high volume of applications have now been recruited they still need to be trained and therefore significant support from agency planners is needed to ensure performance targets continue to be met.

Budget managers were provided with detailed agency staffing analysis on a monthly basis to ensure they have information on costs and to facilitate decision making in terms of using agency staff. Despite these known pressures on staff costs, it had been possible to largely offset agency costs with additional efficiencies and income for the first quarter. This related to Savings against budget in relation to transitional relief for business rates, and increased income from commercial rents, particularly at Pembroke Road.

The Committee was informed that page 13 of the Digest contained details of the reserves and provisions held by the Council against specific risks and commitments. The Digest also reported on the level of capital spend to 30 June 2018. Whilst the year to date spend of £1.586m represented only 16% of the total anticipated spend, there was no perceived risk on the delivery of the schemes and it was anticipated that the spend would increase in line with plans over the last 9 months of the year.

No new borrowings had been taken out over the last 3 months so the current borrowings remained at £18.5m. The Council had £51.0m invested at the end of June, in a combination of banks, building societies and money market funds.

Members sought additional information and were informed:-

- (i) that the overall trajectory and costs in relation to the use of agency staff had reduced over the last six months.
- (ii) Car Parking management – that the lower costs related to savings from transitional relief in business rates offset by lower income from car parks. It was likely that some of the losses would be capitalised within the capital programme.
- (iii) Housing Services – that grant from Government for specific issues such as homelessness was usually held in a reserve that could be drawn down when needed. This also allowed the reserve to be carried forward to the next year.
- (iv) Enterprise Service Desk support – that the higher costs related to the need to use agency staff. However, some staff had now been appointed and the costs were likely to reduce for the future.

- (v) Bad Debt Provision for Housing Benefits overpayments – that the bad debt provisions were not calculated and charged until year-end.
- (vi) Authorisation for employing agency staff – that managers had to manage the budget within their own areas. Where there was a need to employ agency staff, a decision would be made following consultation with the relevant Assistant Director and finance business partner.
- (vii) that a new pay structure had been introduced at the Depot following a review. This had been well received by staff and was also assisting with staff retention and recruitment.
- (viii) on the initiatives being undertaken to reduce the use of agency staff, for example, 'Grow Your Own' scheme, recruitment of graduates direct from university, apprenticeships (where this was possible and practicable), and offering flexible work arrangements for staff.
- (ix) that it was likely that the amount of planning work would increase in response to issues such as additional work on the Vale of Aylesbury Local Plan (following the Planning Inspector's report) and the Expressway. The resource required to deliver planning work was regularly reviewed. The Council had asked central Government for capacity funding to offset some of the above planning costs associated with the Vale's additional housing growth.
- (x) that the planning fees that the Council was able to charge were set by Government, although the Council had some discretion to charge for pre-planning application advice and for planning agreements if extra services were being delivered.
- (xi) that an updated draft car parking strategy for Aylesbury would be reported to Cabinet and full Council in the next week or two.
- (xii) that AVDC would be again offering free car parking at Council owned car parks in the run up to Christmas.
- (xiii) that it would be possible to provide Members with a breakdown of the costs associated with employing agency planners.
- (xiv) that the recent Audit Committee meeting had considered issues in relation to the quality of delivery of the Planning Service. Members had been informed at that meeting that the Council was generally successful in dealing with planning appeals, with considerably less than 1% of planning applications ending in non-determination findings.
- (xv) that the expected Year End variance figure for the Aylesbury Special Expenses would be updated for the next Finance Digest.

RESOLVED –

That the contents of the Digest and the financial position for the Council for the first three months of the 2018/19 financial year be noted.

4. WORK PROGRAMME

The Committee considered their work programme for the period until April 2019.

The agenda items for future meetings would be:-

- (i) 17 December 2018 – Budget Planning 2019-20, Quarterly Finance Digest (half year position), Connected Knowledge Update, and on Debt Management.
- (ii) 14 January 2019 – Budget Planning 2019-20, Capital Programme Review, Public Sector Equality Duty and the Treasury Management Strategy.
- (iii) 8 April 2019 – No items as yet.

RESOLVED –

That the work programme be agreed, as discussed at the meeting.