

Unconfirmed



Minutes of a Meeting of the **Scrutiny Committee** held in the Deben Conference Room, East Suffolk House, Melton, on **Monday, 16 December 2019 at 6.55 pm**

Members of the Committee present:

Councillor Edward Back, Councillor David Beavan, Councillor Stuart Bird, Councillor Judy Cloke, Councillor Linda Coulam, Councillor Andree Gee, Councillor Louise Gooch, Councillor Tracey Green, Councillor Geoff Lynch, Councillor Mark Newton, Councillor Keith Robinson, Councillor Caroline Topping

Other Members present:

Councillor Stephen Burroughes, Councillor Peter Byatt, Councillor Maurice Cook, Councillor Richard Kerry, Councillor Carol Poulter

Officers present:

Stephen Baker (Chief Executive), Andy Jarvis (Strategic Director), Nick Khan (Strategic Director), Matt Makin (Democratic Services Officer), Brian Mew (Interim Finance Manager), Lorraine Rogers (Finance Manager), Sam Shimon (Tenant Services Manager), Julian Sturman (Senior Accountant), Simon Taylor (Chief Finance Officer and Section 151 Officer), Amber Welham (Senior Accountant)

1 Apologies for Absence and Substitutions

Apologies for absence were received from Councillor Deacon.

2 Declarations of Interest

No declarations of interest were made.

3 Minutes

RESOLVED

That the Minutes of the Meeting held on 26 September 2019 be confirmed as a correct record and signed by the Chairman.

4 Capital Programme for 2020/21 to 2023/24 including Revisions to 2019/20

The Committee received report **ES/0080** of the Leader of the Council and Cabinet Member with responsibility for Resources, and the Assistant Cabinet Member for Resources.

The Assistant Cabinet Member for Resources, Councillor Cook, introduced the report, which set out the Council's Capital Programme for the financial years 2020/21 to 2023/24 including revisions to 2019/20. The report included the main principles applied to set the programme and provided details of the expenditure and financing for 2019/20 and 2020/21 to 2023/24.

Total General Fund Capital investment for the period was anticipated to be £152.612m. In addition to the use of its internal resources and both internal and external borrowing, the Council was to benefit from receiving £94.546m of external grants and contributions.

Total Housing Revenue Account (HRA) capital investment for the period was anticipated to be £59.077m and benefiting from receiving £8.977m of external grants and contributions.

Councillor Cook summarised the information contained within the report, including that regarding key investments related to leisure development, flood alleviation, the HRA redevelopment and new build programme, along with information on revenue implications.

The Committee was asked review the Capital Programme for 2020/21 to 2023/24 including revisions to 2019/20 and recommend its approval.

The Chairman invited questions to Councillor Cook and the Finance officers present as well as Councillor Kerry, the Cabinet Member with responsibility for Housing.

A member of the Committee asked if there would be any investment in green technology for the Council's housing stock, such as renewable energy solutions. Councillor Kerry said that a development paper on the matter would be considered by Cabinet and noted that the Council's housing had the largest number of energy efficient schemes in the country, which included a wide variety of different technologies.

In response to a question regarding the even spread of spending across the District, the Chief Finance Officer said that annual budgets for different types of spend were set dependent on need and demand. He advised that the Capital Programme was built and driven through the Council's Business Plan.

The spending increase for the HRA redevelopment/new build programme was noted by the Committee. The Chief Finance Officer said that this programme was limited by land availability. The Strategic Director added the programme reflected the Council's new housing strategy and aimed to build and acquire new housing to replace stock lost through the Right to Buy scheme and ensure that housing stock was available across the whole of the District.

The Chairman sought reassurances on borrowing repayments and what plans were in place to mitigate the impact of any interest rate rise. The Chief Finance Officer advised that borrowing related to the General Fund was at a fixed rate of interest over equal instalment payments, and that there was only a small amount of variable interest borrowing (£10.286m) remaining to pay against the HRA, which was expected to be

paid by 2021/22. The Chief Finance Officer stated that the advice from the Council's treasury advisors did not predict a rise in interest rates in the short-term.

In response to a question regarding the Fire Risk Assessment for St Peter's Court in Lowestoft, the Tenant Services Manager confirmed to the Committee that the Council would continue to fund refurbishments identified following the Grenfell Tower tragedy in order to provide a fully up to date Fire Risk Assessment for the property.

There being no further questions, the Chairman moved to the recommendation as set out in the report.

On the proposition of Councillor Robinson, seconded by Councillor Back it was by unanimous vote

RESOLVED

That the Capital Programme for 2020/21 to 2023/24 and revisions to 2019/20 be recommended for approval by Full Council.

5 Housing Revenue Account Budget Report 2020/21

The Committee received report **ES/0082** of the Leader of the Council and Cabinet Member with responsibility for Resources, the Cabinet Member with responsibility for Housing, and the Assistant Cabinet Member for Resources.

The Assistant Cabinet Member for Resources, Councillor Cook, introduced the report, which outlined the Housing Revenue Account (HRA) Income and Expenditure Budgets for the financial years 2020/21 to 2023/24 and noted the forecast position for 2019/20. In addition to this, a summary of its reserves and balances was included.

The report identified that the HRA budgets were fully funded from existing HRA funds to meet the Council's HRA spending plans. This included the capital investment programme and reserve balances as per the HRA Financial Business Plan. Councillor Cook advised that there was currently no requirement for any additional borrowing.

Councillor Cook outlined information from the report's executive summary, which stated that since 1 April 2016, the Welfare Reform and Work Act 2016 had required social landlords to reduce their rents by 1% each year for four years ('the social rent reduction'). In October 2017, the Government announced that at the end of the four-year rent reduction, there would be a return to annual rent increases of up to the Consumer Price Index (CPI) plus 1% for at least five years. This would be implemented through the Rent Standard set by the Regulator of Social Housing rather than through legislation.

On 26 February 2019 the Secretary of State for Housing, Communities and Local Government published a 'Direction to the Regulator' to set a Rent Standard that would apply from 1st April 2020. Alongside this Direction, the Government also issued a policy statement on rents for social housing (the Policy Statement) and the Regulator is required to have regard to this when setting its Rent Standard. For the first time, the Government had directed the Regulator to apply its Rent Standard to all registered

providers of social housing, including local authorities. Details of the Policy Statement and Rent Standard from 2020 were provided in the report.

The Committee was advised that the new rent policy would permit the Council to increase its rents for at least five years by up to the Consumer Price Index (CPI) plus 1%. The proposed new average rent in 2020/21 would be £84.95, which was an increase of £1.90 from 2019/20. Councillor Cook confirmed that service charges could only be at cost and that the proposed average charge for 2020/21 would be £12.85, a decrease of £1.02 on 2019/20.

The capital and revenue elements of the HRA budget were set out; Councillor Cook considered that what was proposed was consistent with allowing the Council to carry out works as appropriate.

The working balance of the HRA budget was stated as £4.958m, which was said to be well above the total acceptable level of income.

The Chairman invited questions to Councillor Cook, Councillor Kerry, and the officers present.

Councillor Cook was asked by a member of the Committee if the outcome of the recent General Election and the formation of a new Government would have any impact on the HRA budget. The Committee was advised that the impact of the General Election had been a consideration when the budget had been prepared, but that it was too early to make any assumptions on how the result would impact the budget.

Another member of the Committee raised issues in her Ward where residents had reported difficulties in paying rent and Council Tax and asked if there was any concern about the increase in non-paying tenants. The Chairman added his own concerns regarding the increasing rent arrears, noting that the Council's housing stock was a taxpayer asset that should be providing a return. He asked what plans were being put in place to rigorously manage the rent arrears.

The Tenant Services Manager informed the Committee that the increase in rent arrears could be attributed directly to the recent reforms of the welfare system. She explained that under the legacy benefits system, if a claimant was entitled to maximum housing benefit this was paid to their account the day rent was taken, resulting in a zero balance. The Committee was advised that under the new Universal Credit system, housing benefit credit is paid five weeks after rent due dates.

In response to the issue, the Council had bought in predictive analytic software in order to better identify those tenants who needed to be chased for rent arrears and to actively predict tenants who are likely to go into arrears before they do so. A portal for tenants was also being tested, which would allow them to directly access their rent account, make payments, and seek assistance, as well as automating some processes through text messaging. The Tenant Services Manager attributed recent reductions in rent arrears to this new software.

The Tenant Services Manager explained that the Council had also purchased a 'former tenants' module for the analytic software, which would allow the Housing team to

address rent arrears with those tenants no longer living in a Council-owned property. She noted that a Financial Inclusion Officer had been employed who would be able to work with tenants to maximise benefits, make referrals to debt counselling, and help reduce their outgoings. She assured the Committee that action was taken on rent arrears and that eviction usually occurred when tenants refused to pay, and that the Housing team aimed to work to help tenants who are willing but unable to pay.

The Tenant Services Manager said that a result of eviction was that tenants are made homeless and are therefore supported by the Council's homelessness services, which puts a strain on the General Fund budget. "Deep Dive" work on voids was also being undertaken and the results of this performance review would be presented to HOBTS along with strategies to reduce void times.

The Chairman sought assurances from officers that positive steps were being taken to reduce arrears. The Tenant Services Manager said that those tenants with rent arrears entered into agreements to pay a portion of their arrears each month along with their monthly rent amount. She said that the main concern now was managing the migration of claimants on to Universal Credit, which was due to be completed by 2023. It was hoped that additional resources could be put in place to make agreements with these tenants in advance, so that they were paying ahead of the transfer and that the change to Universal Credit did not impact their rent accounts.

A member of the Committee referred to under-occupancy of larger dwellings and noted that other authorities were offering alternative incentives for downsizing through packages to help people move and refurbish. He asked if this was something that could be introduced in East Suffolk.

The Tenant Services Manager confirmed that similar packages were being offered either as monetary payments or as payments directly to removals companies, but acknowledged that this was not promoted as well as it could be. It was stated that there was a significant demand for one-bedroom accommodation in the District and this restricted downsizing. The Tenant Service Manager said that alternatives were being explored to reduce under-occupancy.

In response to a request for eviction figures, the Tenant Services Manager agreed to arrange for these to be included in the Minutes of the Meeting. She noted that in the region the average for evictions was fewer than ten a year for rent arrears. It was explained that as the County Courts issued repossession to the Council, the cut-off point was dependent on a tenant's engagement with that process.

Following the meeting, the Tenant Services Manager advised the Democratic Services Officer that 13 tenants had been evicted for rent arrears during the 2019/20 financial year (to date) and that there had been an average debt of £3,090.64.

It was confirmed that the Council had first refusal on buying back any stock sold via the Right to Buy scheme and that there was an interest in buying back larger properties, should the opportunity arise. The Tenant Services Manager noted that the Council was not often aware of such sales until after a solicitor had been instructed and suggested that it could be advertised that sellers can approach the Council first. In response to an offer from a member of the Committee, the Tenant Services Manager said that it

would be helpful if Members notified housing if they became aware of such sales in their Wards.

In response to a question on garages the Committee was advised that these were low-earning and that a significant portion of the Council's stock had been constructed from concrete and were reaching the end of their life and were therefore scheduled for demolition. The resulting land would be allocated for either development or other uses, such as car parking.

The Chairman asked if the Council was intending to build new houses to meet demand or if it was working to a specific target number and queried what the barriers to development were. He also asked if the Council had protected itself from claims of social engineering through the development of social housing.

Councillor Kerry stated that it was the ambition of the Council to either build or acquire 50 houses per year. He noted that as a Registered Provider, the Council was in a strong position when it came to purchasing properties. The Senior Accountant added that the main barrier to development was housing land; the Council was in a strong financial position to build new houses, but it had been difficult to find appropriate housing land at an appropriate price. It was highlighted that the Housing Development team was a small one but hoped to be at full capacity by March 2020.

In response to a question regarding discretionary payments the Tenant Services Manager explained that this grant, supplied by Government, could be topped up based on a calculation of how many of a council's tenants were HRA tenants. It was confirmed that the grant money received by the Council increased each year and had been sufficient for the number of tenants applying for funds.

There being no further questions, the Chairman moved to the recommendation set out in the report.

On the proposition of Councillor Lynch, seconded by Councillor Topping it was by unanimous vote

RESOLVED

To recommend that Cabinet and Full Council:

1. Approve the Housing Revenue Account Budget for 2020/21, and the indicative figures for 2021/22 to 2023/24;
2. Note the forecast outturn position for 2019/20;
3. Approve the movements in Reserves and Balances as presented in Appendix D;
4. Approve the average weekly rent for 2020/21 of £84.95 over a 50-week collection year, an average weekly increase of £1.90 or 2.3%;
5. Note the new Rent Policy Statement and Rent Standard for 2020 with effective from 1st April 2020;
6. Approve the Service Charges and associated fees for 2020/21, Appendix B; and
7. Note the changes affecting public and private sector housing and welfare.

6 Draft Medium Term Financial Strategy

The Committee received report **ES/0186** of the Leader of the Council and Cabinet Member with responsibility for Resources, and the Assistant Cabinet Member for Resources.

The report was introduced by Councillor Cook, the Assistant Cabinet Member for Resources, which provided an updated Medium Term Financial Strategy (MTFS) for the Council, which provided a baseline forecast of income and expenditure and looks at the overall financial climate. It provides a framework within which the Council's overall spending plans will be developed.

The MTFS appended to the report had been revised for updates as of November 2019 including those resulting from the 2018/19 outturn position of Suffolk Coastal and Waveney District Councils (the predecessor Councils); budget monitoring forecasts; budget review meetings; and the Local Government Finance Settlement technical consultation.

The Draft MTFS would be continually revised with updates including those resulting from further budget monitoring forecasts; the provisional Local Government Finance Settlement, and the emerging replacement for the East Suffolk Business Plan.

The Committee's attention was drawn to sections 2 and 3 of the Draft MTFS which dealt with public finances and economic indicators, and section 4 which outlined the situation for local government finance. Councillor Cook stated that the settlement guidance issued in October 2019 deferred the proposed reforms to local government finance and rolled forward the 2019/20 settlement, with uplifts for inflation.

The Revenue Support Grant and the Rural Services Delivery Grant remained at the same level. The New Homes Bonus would only be paid for one further year and that the Government was to consult further on incentives for housing growth, which could result in the New Homes Bonus not continuing in its current format.

Councillor Cook noted that the most financially significant issue was that the Council would benefit from another year under the current Business Rates regime. It was also noted that the New Homes Bonus would only be paid for one more year and that no legacy payments had been indicated.

The forecast for 2020/21 had improved significantly due the local government finance reforms being delayed. Business Rates would be reviewed when the Council submitted its NNDR1 return.

Councillor Cook highlighted the summary of the MTFS position in the report and outlined the key movements. He stated that the delays to local government finance reform meant that the Council could achieve a balanced budget position for 2020/21 and stressed the importance of this, given the uncertain future on future funding as well as underlying budget gaps. The key assumptions were also highlighted, and the outturns and latest forecasts were noted.

The Chairman invited questions to Councillor Cook and the officers present.

Members of the Committee queried when the next review of the MTFS would be, noting that there would be a new Budget coming forward from Government and suggesting that the Scrutiny Committee should review it in July 2020 to assess the impact of the new Budget.

The Chief Finance Officer explained that the final funding level could be confirmed at the Committee's next meeting in January 2020, as the finance settlement will have been received by that point. He suggested that July 2020 would be too early to review the MTFS and suggested that it could be reviewed in September 2020.

A member of the Committee highlighted the £700,000 of operational savings listed in the report, following a Heads of Service meeting, and sought further detail on how the savings had been made. The Chief Finance Officer and the Finance Manager explained that the majority of the savings had come from the Council's partnerships and the remainder from actions such as not filling vacancies and saving money on supplies and services. The Committee was advised that the creation of a single council had meant that officers had been able to see what a single budget for a service area looked like and had provided an opportunity for identifying further savings.

The Chairman asked if officers were confident about being able to plan services in the long-term, expressing his concern about the number of smaller funding sources that contributed to the Council's budget. The Chief Finance Officer explained that the 2019/20 budget had been put together on the basis of there being no Government funding for 2020/21, however this was no longer the case. He stated that a similar approach was being taken to 2021/22.

The Committee was advised that the end of the New Homes Bonus would not impact the General Fund but would impact the Enabling Communities Budget and Community Partnerships programmes. It was confirmed that there were sufficient funds available to both programmes to meet the commitments given by the Leader of the Council for the 2019-2023 period.

The Chief Finance Officer said that the budget gap of £3.2m needed to be closed in order for the Council to become self-sufficient. Reserves had been used to balance the 2019/20 budget and the 2020/21 budget would benefit from windfalls received in order to close the gap. The Chief Finance Officer said that following on from this, it was expected that the Council's new Business Plan would be in place and would set out how savings, driven by Cabinet, would be made.

In reference to a question on future Civil Parking Enforcement (CPE) costings, the Chief Finance Officer said that estimated costs had been received but that an estimate on income had not been received. The Committee was advised that this would be received in January 2020. Councillor Cook added that Cabinet would be receiving a briefing on 17 December 2019 regarding a report on the introduction of CPE.

The Chairman asked what scope there was for making savings through actions such as changing energy suppliers and reducing insurance premiums. The Chief Finance Officer noted that savings of £200,000 had recently been achieved through a new, single insurance policy for East Suffolk Council. External auditor fees had also reduced now

that there was a single council. He confirmed that savings through energy suppliers could be explored.

There being no further questions, the Chairman moved to the recommendation as set out in the report.

On the proposition of Councillor Lynch, seconded by Councillor Robinson it was by unanimous vote

RESOLVED

That the draft Medium Term Financial Strategy 2020/21 to 2023/24 be reviewed, commented upon, and recommended to Cabinet.

7 Scrutiny Committee's Forward Work Programme

The Scrutiny Committee received and reviewed its current forward work programme and the Council's Forward Plan of Key and Exempt Decisions.

The Committee identified several items for its future review:

- *Cabinet Member Updates* - that the following Cabinet Members be invited to future meetings of the Scrutiny Committee
 - The Cabinet Member with responsibility for Community Health - May 2020
 - The Cabinet Member with responsibility for Housing - September 2020
- *Draft East Suffolk Council Strategic Plan* to review, comment upon and make recommendations to Cabinet (prior to being submitted to Full Council in late February for approval), to be reviewed at the Committee's meeting in January 2020.
- *Asset Management Strategy* a review of its policies for the purchase and construction of new assets, investment in existing assets, the transferring of assets to other organisations and the disposal of surplus assets to be considered for a review at the Committee's meeting in July 2020.
- *Review of how road closure permits were managed.* It was agreed that, further to the discussions on this matter at the Committee's meeting on 26 September 2019, that the Suffolk County Council Cabinet Member with responsibility for Transport be invited to the Committee's meeting in March 2020.
- *To receive a report following the Officer review of the Council's contracts with its Development Agents* at the Committee's meeting in September 2020 to ensure the required documentation to validate the contamination status of sites was received at an earlier stage to avoid undue delays.
- *To receive a report on the Housing New Build strategy* at the Committee's meeting in September 2020, focussing on how it is intended to identify and obtain both suitable housing land and dwellings to purchase in order to meet the target of 50 dwellings per year.

The Chairman suggested to the Committee that it could consider calling additional meetings in the future, on an ad hoc basis, in order to ensure topics were given a fair

hearing. In response to a suggestion on the use of Task and Finish Groups, he stated that any such groups would need to have a clearly defined remit and be closely managed.

Councillor Topping left the meeting at the conclusion of this item.

8 Exempt/Confidential Items

RESOLVED

That under Section 100(a)(4) of the Local Government Act 1972 (as amended) the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

9 Exempt Minutes

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The meeting concluded at 8.30 pm

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Chairman