

Confirmed



Minutes of a Meeting of the **Scrutiny Committee** held in the Deben Conference Room, East Suffolk House, on **Thursday, 20 January 2022 at 6:30 PM**

Members of the Committee present:

Councillor David Beavan, Councillor Stuart Bird, Councillor Linda Coulam, Councillor Colin Hedgley, Councillor Geoff Lynch, Councillor Keith Robinson, Councillor Caroline Topping

Other Members present:

Councillor Peter Byatt, Councillor Maurice Cook, Councillor Ray Herring, Councillor Richard Kerry

Officers present: Sarah Davis (Democratic Services Officer), Matt Makin (Democratic Services Officer), Brian Mew (Chief Finance Officer & Section 151 Officer), Lorraine Rogers (Deputy Chief Finance Officer), Julian Sturman (Specialist Accountant – Capital and Treasury Management), Heather Tucker (Head of Housing), Amber Welham (Finance Business Partner - Housing)

Others present: Councillor Louise Gooch (Observer via Zoom)

1 Apologies for Absence and Substitutions

Apologies for absence were received from Councillors Back, Cloke, Deacon, Gee and Gooch. Councillor Byatt was in attendance as a substitute for Councillor Gooch.

2 Declarations of Interest

There were no Declarations of Interest.

3 Minutes

RESOLVED

That the minutes of the meeting held on 16 December 2021 be approved as a correct record and signed by the Chairman.

4 Capital Programme 2022/23 to 2025/26

The Committee received report **ES/1019** of Councillor Cook, the Cabinet Member with responsibility for Resources, which set out the programme of capital expenditure for the financial year 2022/23 to 2025/26, including revisions to 2021/22.

Councillor Cook explained the principles behind the capital programme which were to maintain affordability across the four years of the plan, ensure capital resources were aligned with the Strategic Plan, maximise resources through external funding and asset disposal, and not to anticipate receipts until they were realised.

Councillor Cook reported that the general fund capital programme totalled £262 million, and included £161 million of external contributions and grants, which represented 61% of the whole general fund capital programme. Following review and scrutiny of the capital programme by the Asset Management Group, Corporate Management Team and Strategic Management Team, Cabinet had reviewed the programme on the 4 January and recommended approval by Full Council at its next meeting on the 26 January.

The Housing Revenue Account capital programme totalled £78 million and included £4 million in external grants and contributions.

Councillor Cook explained the options for the funding of capital expenditure, either from external sources such as government grants, the Council's own resources and reserves, or debt. Debt was only a temporary source of finance and would be replaced over time by other financing, usually from revenue, which was known as Minimum Revenue Provision (MRP). Debt could also be repaid through the sale of capital assets. The Council's cumulative outstanding debt was measured by the Capital Financing Requirement (CFR).

Councillor Cook reported that the CFR was expected to increase by £72 million between 2021/22 and 2025/26 due to capital projects potentially being financed through borrowing. In the medium term debt was expected to remain below the CFR, but the scale of the current Capital Programme meant that the Council would begin to approach its borrowing limits over the life of the programme if other sources of finance were not available.

Councillor Cook confirmed that the programme did not pre-empt capital receipts, although some significant receipts were expected, and the financing of the programme would be revised when these were received. External funding was expected to be secured for other major projects in the plan, which would further improve the financial position in the longer term.

The Chairman invited questions.

Councillor Hedgley referred to the contributions figures detailed in the summary table of Appendix A and asked what these included. The Chief Finance Officer confirmed that these referred to third party financing, excluding grants. The two contributions in the table showed financing for coastal protection and a regeneration scheme where another organisation was providing a contribution to the project costs.

Councillor Beavan referred to borrowing limits and asked if project revenue could be used to reduce debt in this case. Councillor Cook confirmed that projects would potentially bring an asset value and income, but that income did not necessarily mean that borrowing was reduced. Borrowing would still have to be paid off over the project's life.

Councillor Beavan shared a slide comparing this Council's Housing Revenue Account capital financing against reserves with that of neighbouring Councils. Compared to other Councils, East Suffolk had very little capital expenditure, and whilst this was a prudent accounting position it did mean that there was room to invest in housing. Councillor Cook responded that whilst there were two funds, limits were cumulative across both funds. Emphasis had been placed on spending in the general fund as opposed to the housing fund as these projects would produce an asset base and income that could secure investment for housing. Councillor Kerry, Cabinet Member with responsibility for Housing, added that housing stock would be invested in as part of the Council's environmental programme but that these projects were not yet ready, and environmental solutions and costs were still being worked on. Until these projects were ready to go there would be less capital spending in housing than in the general fund. Councillor Kerry confirmed that housing targets had been discussed previously by the Cabinet and Council, and there were plans to build 176 new properties in the next three years.

Councillor Beavan stated that housing was one of the most important roles of the Council, and that there should not be a choice between building new properties and investing in existing stock to raise environmental standards. If an asset made money, it was a prudent investment which would contribute to the Council's funds, and housing was a very low risk investment compared to the building of other assets. Councillor Cook responded that there was a limit to amount the Council could borrow to fund housing building and other projects, and therefore it was necessary to prioritise some projects over others. Councillor Kerry added that at present the Council was updating existing housing stock and money was being borrowed to fund this. The total cost had not been confirmed but it would cost multiple millions, and until the Council was clearer on how much would need to be borrowed for housing refurbishment it would not be sensible to borrow more money for house building. Councillor Kerry confirmed that no more money would be borrowed to increase housing stock until the whole housing revenue account had been evaluated.

Councillor Byatt, referring to the need to update the existing housing stock, asked what would be done with properties which could not be bought up to standard. Councillor Byatt added that right to buy did affect housing stock and asked what was being done with regards to this. Councillor Kerry responded that there may be one or two properties which could not be bought up to standard, but no decisions on this had been made yet. In respect of right to buy, the Council did fully utilise all receipts, and would be in a deficit in the near future if more receipts were not realised.

Councillor Byatt referred to the Towns Fund project and asked what the timescales were for the completion of a business case. Councillor Byatt also referred to the Felixstowe Beach Huts and Lowestoft Station and asked for an update on these projects. The Chief Finance Officer confirmed that business cases for the Towns Fund had to be submitted to the Department for Levelling Up, Housing and Communities by

the end of March, and so the business case would be received by Cabinet at their March meeting, and this report would include an update on Lowestoft Station. With regards to the Felixstowe Beach Huts, the project had been moved to September but would still be delivered in this programme.

Councillor Byatt expressed concern over increasing costs for the East Point Pavilion and asked whether any further costs were anticipated. Councillor Cook responded that costs had increased for all projects, and this was being monitored. Officers added that the increased costs had been due to the shortage of construction materials, but that work had now started and no additional increases were anticipated.

The Chairman referred to the replacement of streetlighting within the report, and asked whether all replacement lights would be LED. Officers responded that this was the case and that the lights could also be turned off to save power.

The Chairman referred to recent changes in interest rates and asked how the Council was planning for this in their budget. Officers confirmed that they consulted with external treasury advisors and had applied a percentage increase based on increases in previous years. Officers did try and ensure that any borrowing was at a fixed rate so that debt repayments could be accurately accounted for.

In addition, Councillor Robinson referred to changing rates of inflation and the potential for the Bank of England base rate to change, and asked whether there was a sufficient safety net in the current budgets. Councillor Cook responded that an increase in the base rate did often reduce borrowing, but it would also increase investment rates and so there was a need to balance between the two. Officers did provide weekly summaries of interest rates and movement on the Councils accounts so that the situation could be monitored closely and quickly reacted to. The Council did also have reserves which provided an additional safety net.

Councillor Lynch informed the meeting that the borrowing limit was approved by the Audit and Governance Committee, and that the Audit and Governance Committee were also advised on interest on investments. Councillor Lynch added that the Council did not have the ability to borrow over a thirty year period as had been suggested for housing, and that some Councils had run into difficulties with regards to borrowing for housing projects which had negatively impacted their ability to borrow.

Councillor Beavan commented that in such a period of uncertainty on interest rates and inflation, it was key that the Government set out a funding programme for a period of three to four years as soon as possible to provide some security.

Councillor Beavan proposed an additional recommendation to the report, that the Cabinet investigate whether it would be prudent to build an extra fifty houses per year in addition to borrowing to improve existing housing stock. The additional recommendation was seconded by Councillor Byatt.

Councillor Lynch stated that this item was to consider the Capital Programme and budget, not to amend or change the budget. The Committee could either approve the budget or not, it could not make amendments to the budget.

On a vote of five against and three for, the amendment did not pass.

On the proposal of the Chairman, seconded by Councillor Coulam and by majority vote it was

RESOLVED

That the Scrutiny Committee reviews and comments upon the Capital Programme and the Cabinet recommendations as set out below;

1. That the General Fund capital programme for 2021/22 to 2025/26 including revisions as shown in Appendix B be recommended for approval by Full Council.
2. That the Housing Revenue Account capital programme for 2021/22 to 2025/26 including revisions as shown in Appendix G be recommended for approval by Full Council

5 Housing Revenue Account (HRA) Budget Report 2022/23 to 2025/26

The Committee receive report **ES/1021** of Councillor Cook, Cabinet Member with responsibility for Resources and Councillor Kerry, the Cabinet Member with responsibility for Housing, which set out the Housing Revenue Account (HRA) Budget for 2022/23 to 2025/26, including a forecasted position for 2021/22 and a summary of its reserves and balances.

Councillor Cook introduced the report and explained that the HRA budgets were fully funded from existing funds to meet the Council's HRA spending plans, including the Capital Investment Programme and reserve balances.

Councillor Cook reported that under the new 2020 Rent Standard, Local Authorities could increase rents by up to CPI plus 1%. The September CPI value, 3.1%, would be used, giving the Council the option to increase rents by up to 4.1%. Social rents were based on a formula rent set by government and Affordable rents were set based on the Local Housing Allowance. The proposed rent gave an average weekly rent of £92.19 for 2022/23, which was an increase of £1.97 compared to 2021/22. Service charges could only recuperate the cost of providing a service. The proposed average weekly General Service Charge for Grouped Homes for 2022/23 was £14.57 which was an increase of £0.41 compared to 2021/22.

Councillor Cook stated that the budget proposals gave a forecast HRA working balance for 2022/23 of £3.122 million, maintaining it well above the minimum acceptable limit of 10% of total income.

The Chairman invited questions.

Councillor Topping thanked the finance team for increasing apprenticeship spaces by seven in East Suffolk.

The Chairman referred to staffing within the housing portfolio and asked whether a business case was being put together to consider whether it was appropriate to have a full time empty homes officer. Councillor Kerry confirmed that this was still being investigated as part of a wider investigation into staffing levels within the team. A report would be received by the Cabinet in due course.

Councillor Byatt asked whether the impact of increasing fuel and energy costs on tenants was being considered and what provisions were being made for those tenants who had to choose between heat and rent payments. Councillor Kerry stated that the Council had the best rent arrears figures since 2016, which currently stood at 2.87%, due to the software used by the team allowing officers to engage with those most in need. The Head of Housing added that authorities across Suffolk were working together to assist residents who were experiencing financial hardship as quickly as possible. Councillor Byatt stated that he had many positive reports on the housing team from within his ward.

The Chairman referred to the figures for provision for bad debt, budgeted for 5% of income, and asked what could be done to reduce this. Officers confirmed that although this figure was higher than previous years, it was lower than many other Councils. Officers did generally take a cautious approach and looked at the worst case scenario and it was hoped that the full budget would not be needed for bad debt provision.

Councillor Topping referred to the tenants portal mentioned in the report and asked how successful this had been. The Head of Housing confirmed that around 10% of tenants were signed up and the team were encouraging more to register, and that more functionality would be added to the system in future to allow tenants more control and visibility of their tenancy. The system was working well as it allowed tenants to be more flexible and have more insight into their rent accounts.

The Chairman asked how the housing team verified tenants income and how often this was assessed, as there was provision to charge full market rent for properties where tenants income was above £60,000 and it seemed that no one within East Suffolk's estate met this requirement. The Head of Housing confirmed that the administrative task of assessing income on an annual basis was significant and that it would not be cost effective to do this for only a small change in rents. The Head of Housing also confirmed that there were no other authorities who did this due to the administrative burden. Income was assessed at the point of application, and there were varying income thresholds which changed depending on the size of property required.

Councillor Lynch asked if there was any backlog in repairs and maintenance due to the pandemic, and asked if the budgeted figures were enough. In addition were any repairs or significant upgrades taken into account into the cost of property under right to buy. The Head of Housing confirmed that the amount allocated for repairs would be monitored on a monthly and quarterly basis. With regards to right to buy, a number of assessments were carried out to inform both the valuation of the property based on the current condition, and any discounts based on future repair schedules.

The Chairman referred to increasing costs of materials for repairs and asked how this was managed by the Council. The Head of Housing confirmed that cost rises were impacting the costs of repairs and maintenance. Contracts were in place to help manage this, but the impact was being felt across the board.

There being no further questions, on the proposal of Councillor Robinson, seconded by Councillor Hedgley and by a majority vote it was

RESOLVED

That the Scrutiny Committee, having reviewed and commented upon the Housing Revenue Account Budget Report and the Cabinet recommendations;

1. Note the HRA budget for 2022/23, and the indicative figures for 2023/24 to 2025/26;
2. Note the revised outturn position for 2021/22;
3. Note the movements in HRA Reserves and Balances;
4. Note the proposed rent increase of up to 4.1% (September 2021 CPI + 1%) as per the Rent Standard 2020.
5. Note the service charges and associated fees for 2022/23;
6. Note the Rent and Service Charges to be charged over a 50-week period unless being used for Temporary Accommodation when a 52-week period will be applied.
7. Note the changes affecting public and private sector housing and welfare;
8. Note the effects of COVID-19 to the HRA.

6 General Fund Budget and Council Tax Report 2022-23

The Committee receive report **ES/1020** of Councillor Cook, the Cabinet Member with responsibility for Resources. Councillor Cook introduced the report which provided the General Fund Budget for 2022/23 and the updated Medium Term Financial Strategy (MTFS) as of January 2022. THE MTFS had been considered by Committee at their December 2021 meeting but had since been revised to include the Provisional Local Government Finance Settlement announced in December 2021.

Councillor Cook explained that the Provisional Settlement was generally favourable to local government and the Council. Other grant funding, including the Revenue Support Grant and the Rural Services Delivery Grant would also continue into the next year, with no significant change from current year funding levels. The Council's advantageous position on business rates had also been maintained for another year.

Councillor Cook stated that the Council Tax base was an improved position for 2022/23, with growth at 1.93% compared to previous forecasts of 1%. The Provisional Settlement confirmed no change to the referendum limit for Council Tax which remained at the higher of 2% or £5. For the Council, an increase of £4.95 (2.89%) equated to a District Band D Council Tax of £176.22 for 2022/23 which would generate £440,000 of income.

Councillor Cook concluded that the report presented a balanced position for the current year and next year, which would be achieved by a combination of additional income, savings, and use of reserves. Budget gaps would however remain in future years of the MTFS due to significant uncertainty around local government finance reforms. It was likely that a combination of action would need to be introduced over the coming year to ensure a longer term sustainable position, including a phased use of reserves, maximising income and achievement of savings.

The Chairman invited questions.

The Chairman referred to planned increase in Business Rate Retention which had been reduced from 75% to 50% and asked whether this would impact the budget. Councillor Cook confirmed that as this change was still being discussed when the budget had been

set, it had not been included as the figure was not certain. The Chief Finance Officer confirmed that there was a great deal of uncertainty in local government finance from 2023/24 onwards and the planned consultation on these changes would need examining to provide longer term security.

The Chairman asked what impact the increase in minimum wage would have on the Councils budgets. The Chief Finance Officer confirmed that no directly employed Council staff were on minimum wage. The Deputy Chief Finance Officer confirmed that there was an impact through partner organisations, such as Norse and the leisure facilities, where staff were employed on minimum wage and the impact would be around £20,000-£30,000 but this increase was being absorbed in the contracts with these companies.

In response to a question from Councillor Beavan on salary increases and negotiations, the Deputy Chief Finance Officer confirmed that pay increases were agreed at a national level and the Council was then informed of what this change would be. Nothing had been confirmed for the next year, but the Council generally budgeted for a 2% increase.

Councillor Byatt referred to Appendix A3 and asked whether funding for Communities Officers and Funding Officers would continue, and whether the Wi-Fi implementation for market towns had been completed. In reference to Appendix A6 and A7 Councillor Byatt asked what plans there were for Covid reserves over the next few years. The Deputy Chief Finance Officer confirmed that with regards to Appendix A3 this showed the use of the NHB Reserve to fund communities initiatives and any apparent end dates were a result of budgets being set over particular project timelines rather than the timeframe of the MTFs. With regards to Covid funding the reserve held funding received from the government in anticipation of extra cost pressures on local government and for business rate relief. Central government had allowed the collection fund deficit to be spread over a number of years resulting in the reserves from this fund also being spent over a number of years, it was not the case that the Council was expecting further Covid costs in the next year. The Chief Finance Officer added that there was very little bad debt associated with this funding, as the Council was distributing on behalf of the government.

Councillor Topping asked whether the finance team would consider using reserves as a temporary solution to close the funding gap as had been suggested in the resident survey at Appendix B. The Chief Finance Officer stated that the use of reserves to enable transition to a more sustainable financial position would be important over the next few years, and the Council had built up reserves to enable this to be done.

The Chairman noted that funding and grant receipt was very complicated due to the number of ways it was received, and asked if this could be simplified. The Chief Finance Officer confirmed that there would be a review of local government finance this year, which would hopefully simplify some of the funding mechanisms and combine some of the smaller grants received.

Councillor Gooch referred to the residents survey in Appendix B, particularly the questions regarding the environment, and asked whether increased requirements under the Environment Bill had been factored into the budget. Councillor Cook stated

that the Council could not budget for something until it was clear what budget would be needed and the outcomes of the Environment Bill were still uncertain. The Cabinet Member with responsibility for the Environment generally argued that any spending for improved carbon emissions was cost neutral due to savings down the line and the increase income in this area from carbon neutral industry such as offshore wind farms. The Chief Finance Officer confirmed that central government had promised funding for the implementation of the Environment Bill, but further details were needed.

There being no further questions, on the proposal of Councillor Hedgley and seconded by Councillor Robinson it was by a unanimous vote

RESOLVED

That the Scrutiny Committee reviews and makes recommendations to Cabinet on the following Cabinet recommendations;

1. Approves the 2022/23 General Fund Revenue Budget as set out in this report and summarised in Appendix A6 and notes the budget forecast for 2023/24 and beyond;
2. Approves the Reserves and Balances movements as presented in Appendix A7; and
3. Approves a proposed Band D Council Tax for East Suffolk Council of £176.22 for 2022/23, an increase of £4.95 or 2.89%.

7 Scrutiny Committee's Forward Work Programme

The Scrutiny Committee received and reviewed its current forward work programme. The Chairman reported that the work programme format was being reviewed going forward and that the Committee would be updated in due course on these changes.

The meeting concluded at 8.23pm.

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Chairman