

Unconfirmed



Minutes of a Meeting of the **Scrutiny Committee** held remotely via Zoom on **Thursday 28 January 2021 at 6.30pm**

Members of the Committee present:

Councillor Edward Back, Councillor David Beavan, Councillor Stuart Bird, Councillor Judy Cloke, Councillor Linda Coulam, Councillor Mike Deacon, 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 Maurice Cook, Councillor Tony Cooper, Councillor Richard Kerry, Councillor Ed Thompson

Officers present: Katherine Abbott (Democratic Services Officer), Damilola Bastos (Finance Planning Manager), Sarah Davis (Democratic Services Officer), Andrew Jarvis (Strategic Director), Brian Mew (Chief Finance Officer & Section 151 Officer), Agnes Ogundiran (Conservative Political Group Support Officer), Lorraine Rogers (Deputy Chief Finance Officer), Deborah Sage (Political Group Support Officer (GLI)), Amber Welham (Senior Accountant)

1 Apologies for Absence and Substitutions

There were no apologies for absence.

2 Declarations of Interest

Councillor Cloke declared a vested interest in item 7 - Forward Work Programme and the consideration of a proposed remit for a review of Community Partnerships - as a Chair of one of the Community Partnerships and a member of the Community Partnership Board.

3 Minutes

RESOLVED

That the Minutes of the Extraordinary Meeting held on 26 November 2020 be confirmed as a correct record and signed by the Chairman.

4 Draft General Fund Budget and Council Tax Report 2021/22

The Scrutiny Committee received report **ES/0653** which presented a draft General Fund Budget for 2021/22 and the updated Medium Term Financial Strategy (MTFS) as at January 2021. The report was introduced by the Cabinet Member for Resources. In introducing the report, the Cabinet Member reminded the Committee that it had considered the draft MTFS at its meeting on 17 December 2020. Since that meeting, the draft MTFS (at Appendix A to the report) had, he said, been continually revised and updated including changes resulting from the budget monitoring forecasts and the Provisional Local Government Finance Settlement announced on 17 December 2020. The Cabinet Member added that the report presented a balanced position for the current year and for 2021/22. This had been achieved, he said, by the use of reserves. The Cabinet Member added that, for the current year, £2.001m was being used from the In-Year Savings reserve. For 2021/22, the budget gap of £3.167m, was being met from the In-Year Savings reserve (£2.269m) and from the Business Rates Equalisation reserve (£0.898m). The Cabinet Member stated that this did mean that all of the In-Year Saving reserve had been committed. The Cabinet Member referred to Section 6 and Appendix A6 of Appendix A of the report which provided details on the Council's reserves position; from April 2022 to April 2025, the average total on the Council's Earmarked Reserves would be £27m, plus a General Fund Balance being maintained at £6m.

The Cabinet Member added that, at the end of the 2021/22 budget process, the Council was required to approve a balanced budget for the following financial year and set the Band D rate of Council Tax. Covid-19 had presented significant additional financial challenges to the Council and the outlook was, he said, very uncertain at this stage for both next year and the medium term. However, the Council's robust reserves position had enabled it to meet these challenges; develop its response to the pandemic and the objective of maintaining financial sustainability; and freeze its element of the Council tax for 2021/22.

The Chairman, on behalf of the Scrutiny Committee, wished to formally record thanks to the Cabinet Member and the Officers within the Finance team for their hard work and endeavours in a particularly complex and challenging environment.

The Chairman invited questions.

Councillor Lynch referred to the funding streams which had been available during the pandemic in support of the Council and businesses and asked how the impact on balances would be accommodated once those streams ceased. The Cabinet Member replied that funds had been made available for a certain period initially, then extended and different criteria applied as circumstances changed, including the most recent lockdown period. The Cabinet Member replied that, to date, funds had been made available to the Council based on the information it had submitted to the Government and this path had also seen the funding streams renewed. The Cabinet Member asked the Interim Chief Finance Officer to comment on future safeguards around alterations to funding once the pandemic had ended.

The Interim Chief Finance Officer stated that Covid19 support funding was allocated to the Council in three streams - support to the Council itself for lost fees and charges; direct Covid19 support funding associated with losses to the Council's income streams

such as Council Tax and Business Rates; and various other measures around specific lost income or additional costs incurred, for example the opening and closing of leisure centres. A second stream was associated with support to the community for example the Council Tax hardship fund and Business Rate relief. The third stream was support to businesses in the form of grants; the bulk of this did not feature in the Council's budget but it was responsible for allocating the funding stream.

Councillor Cloke referred to paragraph 3.3 of the report and asked how many empty properties were within each category; Councillor Cloke also asked if it was possible to encourage owners to rent or sell the property rather than let it sit empty. The Cabinet Member for Housing responded that numbers were monitored regularly. He added that the Council's Private Sector Housing Sector worked in conjunction with the Anglia Revenue Partnership (ARP) to contact owners and put steps in place to try and bring houses back into use, if possible. The Cabinet Member added that there were often complex reasons for non-occupancy. The Interim Chief Finance Officer further advised that Council Tax premiums were, in themselves, an incentive to bring a house back into use as they were set at the maximum level. It was agreed that the number of properties for each category would be provided to the Committee outside of the meeting.

Councillor Coulam referred to the proposal to not increase Council Tax and suggested this would result in a cumulative loss to the Council with an impact over the next two to three years. The Cabinet Member for Resources replied that the pandemic had affected everyone, that funds had been made available to help where possible and that, as a policy decision, it had felt right to share the impact which residents were experiencing. He continued to say that whilst there would be a cumulative effect, the Council had saved c£310k in travel expenses during the pandemic so, he suggested, the position would be equitable. The Cabinet Member repeated that there had been a wish to not increase Council Tax to help residents and that, therefore, the budget had been prepared accordingly.

Councillor Beavan referred to the table at paragraph 6.6 (Appendix A), which indicated the current projected position on General Fund Reserves and Balances and included use of reserves to address the updated budget gaps, and asked if the proposed reductions in ear marked reserves were prudent. The Interim Chief Finance Officer said the main reason for the reduction was usage for the purpose required. Councillor Beavan asked if reserves were not maintained to mitigate risks and questioned again if the depletion of £15m was prudent. The Cabinet Member for Resources said that reserves had been used to balance this year's budget and the forecast for the next year. He added it was incumbent on the Council to replenish the reserves in coming months and years. The Senior Accountant added that the Housing and Home Reserves were funded by external funding which were bid for on an annual basis and must be used within a year. The Interim Chief Finance Officer, in response to Council Beavan's comment about risk, stated that some reserves were associated with risk and within the table at 6.6 these were included in the General Fund Reserves, the Business Rate Equalisation Reserves and the Corporate: Contingency/Service Requirements Reserves to a total of £17.5m. He added that this was a significant amount for a District Council to have and compared favourably with other local authorities.

Councillor Beavan said that hoped for income streams were not indicated in the report and if that meant reserves would be used. The Cabinet Member replied that amounts were not yet committed to. He added that reserves were ring-fenced for specific purposes and risk. He was confident that financial sustainability would be achieved, that the Council was in a robust position and could look to the future with positivity.

Councillor Deacon referred to paragraph 9 of the report which stated no other options had been considered appropriate to achieve the statutory requirement of a balanced budget. He asked if other options had been fully considered. The Cabinet Member said that in the exceptional circumstances prevalent at the moment, when the Council was unable to increase its income or reduce its costs, there were no other viable options to achieve a balanced budget. The Interim Chief Finance Officer said that setting the budget was a statutory requirement and so there were no alternatives.

In response to a question from Councillor Coulam, the Cabinet Member said the General Fund Balance had been set at £6m and there was no need to increase it because it was over and above the funds earmarked for projects.

Councillor Gooch asked how the Council monitored changes in business projections and the overall percentage of business growth and shrinkage and if there was a likely impact on the retention of business rates. The Cabinet Member replied that the business world had been changed forever by Covid19; he said that business rates were subject to variances at the behest of Government. However, the Council undertook very regular reviews and the Officer team were fully aware of the need to effectively risk assess. The Interim Chief Finance Officer said that the mechanisms for monitoring and managing forecasting were regularly and extensively reviewed internally as well as nationally by the Ministry of Housing, Communities and Local Government. He continued to say that mechanisms existed to undertake effective horizon scanning to identify which sectors were in decline and which were growing, for example renewables. In response to a further question by Councillor Gooch, the Interim Chief Finance Officer confirmed that key economic factors were also being taken into consideration

Councillor Robinson, with reference to the Council's maintenance of General Fund balances at around 3-5% of its budgeted gross expenditure, asked if this was sufficient and how the figure had been arrived at. The Interim Chief Finance Officer said the parameters were at recommended levels set by CIPFA. He added that the 3-5% figure was dependent on the Council's exposure to expenditure levels.

The Chairman referred to paragraph 4.31 of the report which summarised the current position on the New Homes Bonus (NHB) Reserve and proposed use of NHB funding over the period of the Medium Term Financial Strategy - he asked if the indicated projection for 2024/25 of £3,606,000 was earmarked NHB monies or contingency in the event of risk. The Interim Chief Finance Officer referred to Appendix A3 which he said illustrated the areas which would be used for contingency; he added that the NHB reserve would be retained, in part, in case it was needed to support the budget.

Councillor Deacon referred to paragraph 8.1 and asked if the findings of the budget consultation survey on future financial sustainability had featured in the budget process. The Interim Chief Finance Officer said the short survey had focussed on

general aspects of financial sustainability; the survey had been sent directly to town and parish councils and representative business organisations. He added that no specific budgetary proposals had been included. The Committee was advised that the issue of delivery of extra grant funding to the business community had been referred to in the budget consultation process. Councillor Deacon asked if the consultation had then made little difference. The Interim Chief Finance Officer said there was room for development and refinement in order to improve the consultation process so that it 'flagged' themes and specific proposals.

Councillor Topping referred to the proposal to freeze the Council's element of the Council Tax for 2021/22, she said that the proposal would be welcomed by many residents who had been badly affected financially by the pandemic and asked if the Council's shortfall as a result of the proposed freeze would be met from reserves next year. Councillor Topping also asked if a small increase, of say 1%, would help to protect reserves and suggested that the public would understand the need to protect front line services in future years. The Cabinet Member for Resources said other options had been considered. He added that there would be budget gaps in years 3, 4 and 5 but several areas were subject to Government legislation for which the figures were not yet known.

Councillor Beavan referred to Appendix A5, the summary of the General Fund Revenue Budget, and expressed his concern at the on-going gap; he asked if there was confidence that the gap of £6m per annum would be found to balance the budget each year. The Cabinet Member for Resources said it was not unusual to see such significant figures that far ahead and repeated that Government grant funds were as yet unknown. The Interim Chief Finance Officer added that the summary presented a worse case scenario with areas of uncertainty factored in; he added that assumptions had also been made about the regime for renewables. In the next couple of years the figures would be refined and he was confident would not be as bleak as the appendix perhaps indicated.

The Interim Chief Finance Officer said that within the 2021/22 budget some figures around Business Rates would need to be added before the Full Council meeting in February and he anticipated that this would significantly improve the position presented. The estimated calculation for this was c£1.5m.

The Chairman asked if the Government could amalgamate the various elements of grant funds at the point of allocation to Councils. The Interim Chief Finance Officer replied that it was anticipated that the Fair Funding Review might consider this.

Councillor Deacon, with reference to Appendix A1 Risks and Mitigating Actions, asked if there was a cumulative impact of the risks indicated and how this was being mitigated. The Cabinet Member for Resources said each individual risk was monitored by the Council's internal and external audit teams. The Interim Chief Finance Officer added that Reserves were the biggest mitigation of financial impact.

There being no further questions, the Chairman thanked the Cabinet Member and the Officers for a well-thought through and balanced budget in unprecedented and difficult times.

The Chairman moved to the recommendations which were proposed by Councillor Robinson, seconded by Councillor Coulam and by a majority vote it was

RESOLVED

That it be recommended to Cabinet and then to Full Council to:

1. Approve the General Fund Revenue Budget as set out in this report and summarised in Appendix A5 and notes the budget forecast for 2022/23 and beyond;
2. Approve the Reserves and Balances movements as presented in Appendix A6;
3. Approve that no further changes are made to Council Tax Discounts and Premiums for 2021/22;
4. Approve the Efficiency Strategy attached as Appendix B; and
5. Approve a Band D Council Tax for 2021/22 of £171.27.

5 Housing Revenue Account Budget Report 2021/22

The Scrutiny Committee received report **ES/0654** which invited the Scrutiny Committee to submit any comments and recommendations on the proposed 2021/22 budget for the Housing Revenue Account (HRA) to Cabinet and Full Council. The report was introduced by the Cabinet Members for Housing and Resources, Councillor Kerry and Councillor Cook, respectively. In his introduction, Councillor Cook stated that the report brought together the HRA budget for the period 2021/22 to 2024/25, with a forecasted position for 2020/21 and a summary of its reserves and balances. The HRA budgets were, he said, fully funded from existing funds to meet the Council's HRA spending plans, including the Capital Investment Programme and reserve balances as per the HRA Financial Business Plan.

Councillor Cook added that under the new 2020 Rent Standard, Local Authorities could increase rents by up to the Consumer Price Index (CPI) +1% for five years; the September CPI value must be used, this had been 0.5%, which had given the Council the option to increase rents by up to 1.5%. Rents would be based on a formula rent set by Government. Councillor Cook said the Council continued to collect rent and service charges on a 50-week basis. The proposed rent would give an average weekly rent of £89.30 for 2021/22, an increase of £0.65 compared to 2020/21.

Councillor Cook also advised that service charges could only recuperate the cost of providing a service. The proposed average weekly General Service Charge for Grouped Homes for 2021/22 was £13.26. An increase of £0.41 compared to 2020/21.

The Committee was further informed that the HRA Repairs & Maintenance (R&M) programme was split between capital and revenue; the capital element was to be funded by the Major Repairs Reserve (MRR) and the revenue element was to be funded from the income derived from rents. The 2021/22 housing R&M revenue budget had been set at £4.292 million. This was considered sufficient to allow the Council to carry out all necessary works to maintain the decent homes standard in all its properties.

In concluding his introduction, Councillor Cook said that the budget proposals gave a forecast HRA working balance for 2021/22 of £5.428 million, maintaining it well above the minimum acceptable limit of 10% of total income.

The Chairman invited questions.

Councillor Coulam asked if the ban on evictions or bailiffs taking possession of properties might be extended beyond the permitted date of 21 February. Councillor Kerry said that if the situation warranted it he assumed the Government would repeat the previous extensions to take account the impact of the lockdown.

Councillor Gooch referred to the Right to Buy Scheme, specifically paragraph 2.5 of the report which stated that future year estimates of 30 properties per annum to be sold through the scheme had been built into the HRA financial business plan, and asked how that figure had been calculated and what estimates were beyond the period of the budget. The Senior Accountant replied the estimates had been based on historical data and that the impact of Covid 19 on future years was not yet quantifiable. Councillor Gooch asked if the estimate was therefore based on trend and not the nature of the occupancy; this was confirmed.

Councillor Lynch referred to Appendix E to the report which provided the key assumptions which had been made in the HRA budget, specifically under Income, the line *Garage rents annual increase* - he noted that market research indicated the garage rents to be particularly low and that a 5% increase, year on year, was recommended and asked if this should be increased further. Councillor Kerry replied there was a low uptake to rent the garages and so a most increase was felt to be more appropriate. The Senior Accountant said that the rents had been brought in line with comparative local authorities but not increased too much because of the low demand for the garages. In response to a further question, it was confirmed that unused garage sites were referred to the development team for consideration for possible housing development.

The Chairman welcomed the reduced number of rent arrears cases. Councillor Kerry referred to the implementation of predictive analytic software to assist with current tenant arrears and a former tenant arrears module had been introduced. The reduction on arrears was a positive step and an improvement on the more ad hoc approach previously which has also reduced the caseload of Officers.

Councillor Gee referred to paragraph 1.5 of the report which referred to social landlords being able to charge a full market rent where a social tenant had an annual household income of at least £60,000. Councillor Gee said this appeared to be a high threshold and queried if claimants with up to £60,000 earnings were eligible for social housing. Councillor Kerry replied that the threshold was set by the Government and not the Council. The Interim Chief Finance Officer said the threshold allowed rent to be at market rate and was not therefore social rent; he added that he assumed this was to enable local authorities to utilise under-used housing at market rents.

Councillor Gooch referred to Appendix C to the report (page 73) - HRA repairs and maintenance revenue budgets - and asked if there were proposals to phase out the solid fuel, central heating and electric fires or if this was limited by the fuel opportunities in the locations. It was agreed that a response to this would be provided outside of the meeting. The Strategic Director added that it was necessary to

remember that some older tenants did not wish to have their homes modernised. The Council, he said, had a programme to improve the thermal efficiency of its properties including the use of air source heat pumps.

Councillor Topping, with reference to paragraph 2.4 of the report on the Right to Buy Scheme, asked if, having purchased a property, the homeowner wished to sell, could they do so without paying the Council back. The Senior Accountant said the maximum discount of 70% or £84,200, whichever was the lower, was dependant on the length of residency. A time period of five years was required to pay back an element of the discount and an element of any profit the purchaser had made. Councillor Topping asked how this was monitored. The Senior Accountant said this would form part of the legal contract at the time of purchase. In response to a further question, it was confirmed that if a purchaser was unable to afford the property it could be bought by the Council and the occupant made a tenant again. The Senior Accountant was asked to clarify if this could be undertaken while the resident was in the property.

Councillor Beavan asked for some additional clarity around changes to Universal Credit. The Senior Accountant said there had been no change this year. She added that Officers were available to help people to access funds and to cover any 'gap' while applications were being processed.

The Chairman asked about the six months notice period in the event that eviction was necessary. The Senior Accountant said this was set in legislation and not by the Council.

There being no further questions or matters raised for debate, the Chairman thanked the Cabinet Members and Officers for their responses to the questions which had been posed.

The Chairman moved to the recommendations which were proposed by Councillor Robinson, seconded by Councillor Cloke and by unanimous vote it was

RESOLVED

That the Scrutiny Committee recommended to Cabinet, and subsequently Full Council, that it:

1. Approve the Housing Revenue Account Budget for 2021/22, and the indicative figures for 2022/23 to 2024/25;
2. Note the revised outturn position for 2020/21;
3. Approve the movements in Reserves and Balances as presented in Appendix D;
4. Approve the average weekly rent for 2021/22 of £89.30 over a 50-week collection year, an average weekly increase of £0.65 or 0.74%;
5. Effects of COVID-19 on the service in 2020/21 to be noted;
6. Approve the Service Charges and associated fees for 2021/22, Appendix B; and
7. Note the changes affecting public and private sector housing and welfare.

20.17 The meeting adjourned briefly and reconvened at 20.25

An update from the Scrutiny Committee's Task and Finish Group on Integrated Care (ES/0655).

It was noted that the Task and Finish Group would next meeting on 25 January 2021 and its final report would be submitted to the Scrutiny Committee at its meeting on 25 February 2021.

7 Scrutiny Committee's Forward Work Programme

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

The Scrutiny Committee also received a proposed remit, submitted by Councillor Green to monitor the progress of the Community Partnerships' priorities and projects; the effectiveness of the Partnerships' memberships; and the efficiency of the allocation of funds by the Small Grants Scheme. The remit was approved and confirmed for the meeting in May 2021. It was agreed that the Community Partnership Board be advised of the review and that the proposed survey make it clear that responses would be available on the website.

There are no Exempt or Confidential items for this Agenda.

The Meeting concluded at 9.03pm

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Chairman