

Confirmed



Minutes of a Meeting of the **Scrutiny Committee** held via Zoom, on **Thursday, 17 December 2020 at 6:30pm**

Members of the Committee present:

Councillor Edward Back, Councillor David Beavan, Councillor Stuart Bird, 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 Peter Byatt, Councillor Maurice Cook, Councillor Tony Cooper, Councillor Craig Rivett, Councillor Ed Thompson

Officers present: Katherine Abbott (Democratic Services Officer), Damilola Bastos (Finance Planning Manager), Sarah Carter (Democratic Services Officer), Marie McKissock (Finance Officer Compliance), Sue Meeken (Political Group Support Officer (Labour)), Brian Mew (Chief Finance Officer and Section 151 Officer), Lorriane Rogers (Deputy Chief Finance Officer), Julian Sturman (Senior Accountant),

1 Apologies for Absence and Substitutions

Apologies for Absence were received from Councillor Cloke.

2 Declarations of Interest

There were no Declarations of Interest.

3 Unconfirmed Minutes of the Meeting of the Scrutiny Committee held on 24 September 2020

By consensus agreement, it was

RESOLVED

(a) That the Minutes of the Meeting held on 24 September 2020 be confirmed as a correct record and signed by the Chairman;

4 Unconfirmed Minutes of the Extraordinary Meeting of the Scrutiny Committee held on 15 October 2020

(b) That the Minutes of the Extraordinary Meeting held on 15 October 2020 be confirmed as a correct record and signed by the Chairman;

5 Unconfirmed Minutes of the Extraordinary Meeting of the Scrutiny Committee held on 16 November 2020

(c) That the Minutes of the Extraordinary Meeting held on 16 November 2020 be confirmed as a correct record and signed by the Chairman.

6 Capital Programme 2021/22 to 2024/25 including revisions to 2020/21

The Scrutiny Committee received report **ES/0605** which set out the Council's Capital Programme for the financial years 2021/22 to 2024/5, including revisions to 2020/21. The report included the main principles applied to set the Programme (paragraph 1.4) and detailed the expenditure and financing in 2020/21, 2021/22 to 2024/25.

The Cabinet Member with responsibility for Resources introduced the report. He said that, as part of the annual budget setting process, the Council was required to agree a programme of capital expenditure for the coming four years. The report set out East Suffolk Council's General Fund Capital Programme at Appendix A and the Housing Revenue Account Capital Programme at Appendix B for 2020/21 to 2024/25; it also incorporated revisions to 2020/21. The Cabinet Member added that the Capital Programme had been compiled taking account of main principles, these being to maintain an affordable four-year rolling Capital Programme; to ensure capital resources were aligned with the Council's Business Plan; to maximise available resources by actively seeking external funding and disposal of surplus assets; and to not anticipate receipts from disposals until they were realised. The Cabinet Member continued that the General Fund Capital Programme included £103.65 million of external contributions and grants towards financing the Council's £189.44 million of capital investment for the Medium-Term Financial Strategy period. This represented 55% of the whole General Fund capital programme. Key investments for the General Fund were the Felixstowe Regeneration (Leisure Centre and Infrastructure), Lowestoft Beach Hut Replacements, Commercial Investment, Flood Alleviation, specifically the Lowestoft Tidal Barrier project and finally a potential loan to the Local Authority Trading Company (LATCO); further details of this were within section 4 of the report. The Committee was advised that the Housing Revenue Account Capital Programme totalled £64.95 million for the Medium-Term Financial Strategy period and did not require any additional external borrowing to finance it. The Housing Revenue Account capital programme would benefit from £13.31 million of external grants and contributions, which was 21% of the programme. Key investments for the Housing Revenue Account were the housing redevelopment programme and the housing new build programme. Again, further details were provided within the report in Section Four. The Cabinet Member referred to Section 6 of the report which detailed the

revenue implications arising from the Capital Programme, showed the capital charges for each year of the Medium-Term Financial Strategy period, which were split between General Fund and Housing Revenue Account. In conclusion, the Cabinet Member stated that approval of the Capital Programme for 2020/21 to 2024/25 was required as part of the overall setting of the Budget and Medium-Term Financial Strategy.

The Chairman invited questions.

Councillor Beavan, with reference to paragraph 1.8, asked if the change in borrowing rules from the Public Works Loan Board (PWLb) was for speculative property investments only, or all income generation projects. The Cabinet Member for Resources replied that the new arrangements prohibited any councils borrowing from the PWLB if their capital programmes contained any projects from 2021/22 onwards that were solely for income generation. HM Treasury had issued detailed guidance which was not straightforward - consequently, officers had already been briefed by the Council's external treasury advisors and would continue to have regular updates whilst further information was still being provided by HM Treasury.

Councillor Beavan asked what the LATCO would do and if this would include commercial investment. The Cabinet Member referred to the statement in the report that a full business case would be presented to Cabinet in due course. He added that the purpose of the LATCO was to create the opportunity for the Council to increase its revenue from commercial operations.

With reference to paragraph 6.4 of the report, Councillor Beavan suggested that the Minimum Revenue Provision (MRP) appeared to be depreciation; he also asked why it was indicated as trebling over the next four years when interest remained static. The Cabinet Member responded that the MRP was an annual cumulative charge for the repayment of the principal amount of borrowing. As the borrowing requirement increased this was where capital projects could not be funded through grants, contributions, capital receipts or reserves, then the amount of MRP being charged would increase.

Councillor Beavan referred to the summary table for the General Fund Programme and asked if the 2021/22 and later budgets had been adjusted to take account of underspend this year; he explained that he wished to understand what original meant in this context and if calculations were this year's or last. The Cabinet Member replied that original budgets were set at the beginning of the year and revised budgets followed the frequent departmental reviews. He confirmed that the budgets for future years benefitted from any underspend from previous years, unless the project had been completed.

Councillor Beavan asked why there was a £19k shortfall in operations this year whilst expenditure was not reflected in an increase in next year's budget. The Cabinet Member replied that budgets were set based on the perceived requirements for the coming year. These did not necessarily relate directly to previous years or reflect any shortfall in service.

Councillor Beavan referred to the summary table for the Housing Programme and asked for clarity on why housing repairs were a capital expenditure but other repairs were not. The Cabinet Member replied that housing stock was a capital asset and thus any repairs to the fabric of the asset was capital expenditure. Repairs of any other kind were revenue expenditure.

Councillor Beavan asked what direct revenue funding was and how was it calculated. The Cabinet Member replied that this was the mechanism by which resources/reserves were released to fund capital projects and were the budgeted costs for that project.

The Chairman asked if the Council sought and received expert advice on investment opportunities. The Committee was informed that considerable due diligence was applied before investment proposals were submitted to Cabinet for consideration; all commercial investments were subject to constant monitoring on a daily basis to ensure performance. The Chief Finance Officer said the Council's Investment Strategy had been approved by Full Council and provided a tightly defined and controlled environment for investments. He added that the level of commercial investment at the Council was limited and reiterated that all were subject to robust business cases and analysis.

Councillor Deacon, with reference to paragraph 1.8, asked about the Council's approach to ethical investment. The Cabinet Member replied that this was an area which was never 100% satisfactory to everyone, however, the Council's investments were across a wide range of stocks with attractive investments in green industries. The Senior Accountant (Financial Compliance) added that many of the Council's investments were with other local authorities, primarily for cash flow or capital investment purposes, and that there was no investment in non-ethical commodities.

Councillor Deacon asked about investments in local energy providers and referred to the Bill by Peter Aldous MP. The Cabinet Member replied that this was not currently available for investment but, if a good return was possible, it would be good to be able to invest locally.

Councillor Deacon asked if repairs were undertaken to be as near to zero carbon impacts as possible. The Cabinet Member replied that sometimes such repairs would be financially unviable but that this was an aim that was pursued as far as was possible without being financially imprudent.

Councillor Topping referred to page 36 of the report which detailed Housing Revenue Account capital investment projects and asked if the underspends were a result of the pandemic and if it was anticipated that this would 'catch-up' under the rolling programme of repairs. The Cabinet Member confirmed this was the case.

Councillor Topping, with reference to repairs at St Peter's Court, asked if the fire risk assessment had been completed as it did not appear to be shown in the table. It was confirmed that the building met fire regulations, but the cladding required additional work.

Councillor Gooch asked if information on how the lifespan of investments was calculated could be provided; she referred to proposed investment in a crazy golf facility and asked how, as an example, it had been included in the list and the lifespan of the investment arrived at. The Cabinet Member said the lifespan of an investment was not necessarily calculated in advance, but the Council would remain responsible for repairs. In certain large investments, the Council sought the repayment of its investment in 30-40 years, but not for small amounts as with the crazy golf facility. Councillor Gooch asked how members or the public would be able to know what constituted a medium or large spend and were these one-off expenditure or part of the rolling programme. The Chief Finance Officer explained that the Capital Programme was formulated from a variety of sources and was also prioritised. He added that the Council could look at developing a categorisation in its reporting of budgetary information which specified the key objectives of each project. This suggestion was welcomed.

Councillor Topping referred to the tables on Operations expenditure (pages 31/32 of the report) and, in particular, the costs for Waveney Norse Grounds Equipment; she asked if the Council purchased these and, if so, did they remain its property. Councillor Topping also asked if, at the end of a piece of equipment's useful life, it was sold and the income was reclaimed by the Council. The Senior Accountant (Financial Compliance) said equipment and vehicles purchased by the Council and used by Norse remained the property of the Council; at the end of their useful life, equipment or vehicles would be traded in for a replacement or sold with the revenue coming back to the Council.

The Chairman asked why the Council did not invest further in its own housing stock. The Cabinet Member said that the security and liquidity of the Council's money was more important than potential yield, therefore, there was a need to ensure risk was spread and to not have all the Council's assets in one place, for example, housing. The Chairman suggested that investment in shares and business parks was also a risk and that social housing was less of a risk. The Cabinet Member replied that it was not prudent to invest heavily in housing stock as it could impact on the Council's liquidity.

The Chairman referred to the LATCO loan receiving a 6% return and queried the report also stating that the Council could borrow at low rates. The Cabinet Member said his interpretation of prospective rates was a hope to return to 6% p.a. from the operation of the LATCO; this, he said, would be a satisfactory yield but in the current circumstances remained to be seen.

In response to a question by Councillor Coulam about the use of electric vehicles, the Cabinet Member confirmed that Norse already used electric vehicles. He added that the Head of Operations was working to identify the most efficient form of green energy for refuse vehicles.

Councillor Beavan asked if the Council could commit to electric charging points in car parks. The Cabinet Member said this was not within his portfolio but if such a project was proposed it would be assessed by the finance team.

Councillor Topping asked if the rolling programme of housing repairs included the installation of solar panels. The Cabinet Member replied that this was undertaken whenever possible and that both small and large projects were being considered.

There being no matters raised for debate, the Chairman moved to the recommendation which was proposed by Councillor Topping, seconded by Councillor Coulam, and by unanimous vote it was

RESOLVED

That, having reviewed and commented upon the Capital Programme for 2021/22 to 2024/25 and revisions to 2020/21, it be recommended for approval by Full Council.

7 Draft Medium Term Financial Strategy 2021/22 to 2024/5

The Committee received report ES/0606 of the Cabinet Member with responsibility for Resources.

The Cabinet Member for Resources, Councillor Cook, introduced the report which provided an update Medium Term Financial Strategy (MTFS) for the Council, which provided a baseline forecast of income and expenditure and considered the overall financial climate. It provided a framework within which the Council's overall spending plans would be developed.

At the end of the 2021/22 budget process, in February 2021, the Council was required to approve a balanced budget for the following financial year and set the Band D rate of Council Tax. The report set out the context and initial parameters in order to achieve that objective and contribute towards a sustainable position. The key uncertainties over the period related to Covid-19 and proposed reforms to the Local Government finance system - Business Rates Retention and the Fair Funding Review which had both been deferred to 2022/23. However, the Council's robust reserves position should enable it to both meet these challenges and develop its response to both the pandemic and the goal of financial sustainability.

Councillor Cook added that the Government had recently announced that it would be delivering a one-year Local Government Financial Settlement for 2021/22. The Draft MTFS would be continually revised with updates including those resulting from the Local Government Financial Settlement and further budget monitoring forecasts.

Councillor Cook drew the Committee's attention to section 4.5 of the draft MTFS which contained estimates on business rates income and related Section 31 grants. The position on business rates for 2021/22 was extremely uncertain due to Covid-19 and this section would be reviewed following the Local Government Financial Settlement

and preparation of the non-domestic rates return in January 2021.

Councillor Cook noted that East Suffolk was in an advantageous position under the current Business Rates Strategy, and the delay in changes would enable the Council to benefit from another year under the current regime.

With regards to Council Tax, there was again considerable uncertainty due to Covid-19 and the estimates within the MTFS were cautious. There was likely to be a larger deficit on the 2021/22 Collection Fund for Council Tax and Business Rates, but new regulations had been introduced for the collection of fund deficits that had arisen in 2020/21 which allowed collection over three years rather than one year.

Councillor Cook drew members' attention to Section 6 of the Strategy which detailed the forecast reserves and balances and highlighted that the summary did not include the use of reserves to address budget gaps.

Councillor Cook highlighted the Spending Review Update appended to the report which contained an update on the measures introduced in response to the financial impacts of Covid-19 on Local Government. These measures included Covid-19 Support Funding; Reimbursement of Lost Sales, Fees and Charges; a Tax Income Guarantee Scheme and further Council Tax support. The Spending Review also contained announcements on longer term economic and infrastructure initiatives, including a new Levelling-Up Fund, investment in coastal erosion and flooding.

Councillor Cook noted that these developments and the Council's robust reserves position should enable it to meet the challenges of the Covid-19 pandemic and its goal of longer-term financial sustainability.

The Chief Finance Officer summarised some headline figures, including some additional grants which had been confirmed since the report had been written. He added that the New Homes Bonus allocation for 2021/22 had also been notified, and whilst it was lower than in previous years this had been anticipated and was reflected in the report.

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

In response to a question from Councillor Deacon on the New Homes Bonus, the Chief Financial Officer confirmed that new properties developed by the Council did qualify for the New Homes Bonus, including the affordable housing supplement where applicable. However, the Government would be consulting on changes to new home incentives.

Councillor Deacon asked whether point 5.11 of the MTFS should make reference to the Procurement Task and Finish Group. The Chief Financial Officer responded that the points and figures in the report reflected the work of the Task and Finish Group, and that point 5.11 was an overarching statement as to how contracts should be approached.

In response to a question from Councillor Coulam on the Business Rate Equalisation figures shown in point 6.8 of the MTFS, the Chief Finance Officer stated that the reason for the high projected income in 2021 was due to the temporary changes in how business rates income had been received due to the Covid-19 pandemic which created a delay between the grant being received and Business Rate Collection Fund deficit being addressed.

Councillor Green asked why there had been a saving of £310,000 as a result of Covid-19, as shown in appendix A3. Officers confirmed that this was as a result of travel and expense savings due to officers and members working from home, and savings in utility costs due to public facilities and leisure centres being closed.

In response to a question on the Government's income compensation scheme from Councillor Green, officers confirmed that the scheme had been set up to cover loss of income from sales and fees such as planning income and parking fees and that the Council had estimated the loss to be in the region of £3million. Returns would be submitted quarterly, and the money would be received the month after.

Councillor Green asked how councillors could monitor spend on the grants received by the Council. The Chief Financial Officer responded that ringfenced grants were monitored internally against the grants criteria, non-ringfenced grants provided more general support and were distributed across a range of areas.

Councillor Gooch asked how the budget would change with forecast changes in inflation and further sudden changes post-Brexit. Councillor Cook responded that whilst the finance team did need to consider future scenarios which could impact the budget, they could only use the information that was immediately available to inform the budget. Councillor Cook added that the support available from the Government was much greater than had been expected which had a positive impact on the budget. With regards to the possibility of negative interest rates, the Council's advisors believed this unlikely, but it was accepted that this could change and the Council would react appropriately.

In response to a question from Councillor Gooch on the support grants for leisure centres, officers confirmed that the Council had submitted an expression of interest and had received an application form. The outcome of the application was expected

within the next month.

In response to a question on a Council Tax freeze from Councillor Beavan, Councillor Cook responded that the Council was aware of the hardship that had been caused by Covid-19 and whilst circumstances could change it was felt that a Council Tax freeze was appropriate at this point. Some additional information was still needed on support from Government and analysis of other figures before the decision could be finalised.

Councillor Topping asked what local services would be curtailed should there be a deficit in the Council Tax Collection Fund as detailed in point 4.21 in the MTFs. Councillor Cook reported that there would be a report to Cabinet on Council Tax in January, currently it was estimated that there would be a 0.6% reduction in income. As with the Council Tax freeze, the decision is based on the assumption that there will be no cuts to services or capital projects that had already been allocated. Point 4.21 referred to the broader Council Tax situation rather than the outlook for this Council.

The Chairman asked what the reason was for the disparity between County Council reserves which were 10% of expenditure and this Council's reserves which were at 3-5% of expenditure. The Chief Financial Officer responded that appropriate reserve levels were determined by individual authority risk assessments. A report was made to Council on the position of the reserves and the 3-5% level was considered appropriate.

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 Green it was by a majority vote

RESOLVED

That the Scrutiny Committee, having received and reviewed the report, its appendices and the recommendations from Cabinet (as set out above) makes comment

1. approves the draft Medium Term Financial Strategy attached as Appendix A.
2. approves that members and officers develop proposals to set a balanced budget for 2021/22 and beyond, including a recommended freeze on the district element of Council Tax in 2021/22 subject to further evaluation and analysis.
3. approves that members and officers develop proposals to continue the support and response to the Covid-19 pandemic.

8 Cabinet Member's update

The Chairman invited Councillor Cook, Cabinet Member with responsibility for Resources, to provide his update.

Councillor Cook gave an overview of his career to date, which had included work for financial institutions and as a hotelier. In his role as a Councillor, Councillor Cook had become Cabinet Member with responsibility for Resources just before the start of the pandemic and he thanked the finance team for its hard work over the last year dealing with the challenges of Covid-19. He stated that the financial legacy of both Waveney and Suffolk Coastal District Councils had ensured that this Council's finances were in good stead, and that this remained true despite the pressures of the past year.

A number of projects were moving forward which would strengthen the Council's income streams, including commercial property rentals, leisure developments, the Deben High School Housing development and the creation of a LATCO.

With regards to expenditure, Councillor Cook reported that he was pleased to see investment in green technology which would reduce expense in the long term, and increased investment in other areas which had boosted income whilst interest rates were low.

The Chairman invited questions to Councillor Cook.

In response to a question from Councillor Deacon on the worst-case scenario for finance, Councillor Cook responded that the past twelve months had proven to be an ever changing and unprecedented challenge for the finance team and the Council as a whole, which had seemed to get increasingly worse as time had moved on.

Councillor Gooch asked what opportunities there were for Councillor Cook to report to Central Government on the needs of Local Government. Councillor Cook responded that he had been surprised by the number of opportunities that he and the Council had to feedback to Government, for example on the grants needed by local business during the pandemic.

Councillor Byatt asked whether the time was right to ask Government to reduce business rates to benefit small businesses in the area. Councillor Cook responded that the Government had planned to review the business rates system, but this had been deferred for twelve months. In his own ward, Councillor Cook had noted that many of the empty high street units had been successfully let by small businesses which had been kept going with the help of governments grants, and he hoped that this was the case across the district.

9 Update on progress by the Scrutiny Committee's Task and Finish Group

The Committee received report ES/0607 of the members of the Task and Finish Group on integrated care.

The contents of the report was noted, and the Chairman stated that the recommendations to Scrutiny Committee of the Task and Finish Group would be received at its February meeting.

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

10 Scrutiny Committee's Forward Work Programme

The Scrutiny Committee received and reviewed its current Work Programme.

The Scrutiny Committee received a draft scoping form on waste management which had been prepared and submitted for consideration by Councillor Gooch, Councillor Topping and Councillor Deacon. The scoping form was approved by the Committee and it was confirmed on the work programme for the meeting on 25 March 2021.

The Scrutiny Committee noted that its report to Cabinet following the review of the Council's Housing Strategy was scheduled to be received on 2 February 2021. The Chairman also confirmed that, as agreed, additional dates had been added to the draft Calendar of Corporate Meetings in the 2020/21 Municipal Year which would be considered by Full Council in late January.

11 Exempt/Confidential Items (LGA)

It was proposed, seconded and by unanimous vote

RESOLVED

That, under Section 100A(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 involved the likely disclosure of exempt information as defined in Paragraphs 1 and 3 of Part 1 of Schedule 12A of the Act

12 Unconfirmed Exempt Minutes of the Meeting of the Scrutiny Committee held on 24 September 2020

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

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Chairman