

SCRUTINY COMMITTEE

Minutes of a remote meeting of the Scrutiny Committee of South Norfolk District Council held on Thursday 11 February 2021 at 9.30am.

Committee Members Present:	Councillors: G Minshull (Chairman), B Bernard, V Clifford-Jackson, B Duffin, J Hornby, J Rowe, R Savage and T Spruce
Apologies for Absence:	Councillor: J Wilby
Substitute:	Councillor: M Wilby
Cabinet Member Present:	Councillor: J Worley
Other Members in Attendance:	Councillors: D Bills and T Laidlaw
Officers in Attendance:	The Director of Resources (D Lorimer), the Assistant Director of Finance (R Fincham), Chief of Staff (H Ralph), Senior Finance Business Partner (M Bussens) Capital Accountant (H Craske), Senior Governance Officer (E Goddard) and the Civic Officer.

1282 2021/22 BUDGET

(a) Capital Budget Strategy and Capital Programme 2021/22 to 2025/26

The Portfolio Holder for Finance and Resources introduced the report, which he described as an ambitious and enthusiastic five year capital programme totalling £52.4m.

The Programme included funding for improvements to the Leisure Centres, £6.5m for the Waste Depot, £900,000 for Disabled Facilities Grants (funded by Government grant) and £429,000 for Town Centre Improvements in Harleston (financed using grant money from the Norfolk Strategic Fund). The investment in ICT infrastructure would also represent a large portion of the Capital Programme and was being carried out in collaboration with Broadland

District Council. Big Sky Developments, would require funding of £7.45m in 2021/22 and would be repaying loans from the Council by 2024 of £21m.

The Capital Programme would be financed by £10m from reserves, £20m in capital receipts, £5m in Government grant and £15m would be borrowed, both internally and externally.

The Assistant Director Finance asked members to note that the report consisted of two elements; the Capital Strategy and the proposed Capital Programme for 2021/22 to 2025/26.

Members raised a number of queries and in response were advised the following:

- The expenditure on leisure facilities would be prioritised on the level of urgency for the work to be done. These would be assessed on a case by case basis. Appendix B of the report listed the work to be undertaken, but they would remain under review during the pandemic.
- The £7.45m loan to Big Sky Developments in 2021/22 was mainly to cover construction costs. Member were asked to note that most development companies borrowed to fund construction and that this borrowing resulted in a better investment return than the Council could achieve elsewhere.
- If the Council was to borrow to fund the Capital Programme it would be at a fixed rate to ensure that it was protected from interest increases.
- The 2021/22 waste depot refurbishment/replacement budget of £2.5m would be funded from the recently established earmarked reserve. This provisional scheme might take a number of years to come to fruition depending on whether a refurbishment or replacement option was the preferred way forward.

A member noted that there had been significant underspends against the capital budget in previous years and he suggested that this threatened the credibility of the Capital Programme. A significant example of this was Big Sky Developments, which had large underspends on its budget over a number of years. He asked if members considered that the company was delivering, both the much needed housing in the District and the return on investment required by the Council? He suggested that if the return on investment had been achieved it could have negated the need to increase Council Tax by £5.

He also suggested that the Capital Programme should reflect the aspirations set out in the Delivery Plan and that this should be monitored on a regular basis by the newly created Commercial, Trading, and Customer Focus Policy Committee to ensure that it remained on course.

In response, the Portfolio Holder for Finance and Resources advised the meeting that the Portfolio Holder for Governance and Efficiency and the

Portfolio Holder for Customer Focus had recently been appointed as non-executive directors to the Board of Big Sky Developments and would be available to update members on non-confidential progress with projects being undertaken.

In respect of the suggestion that the £5 increase in Council Tax could be covered by other funding sources Portfolio Holder for Finance and Resources asked the Committee to note the funding gap in the Medium Term Financial Plan and emphasised that now was the time to invest in the local economy through Big Sky Developments, to address homelessness and hardship at a time of national crisis. It was also noted that the Government had consulted on allowing a £10 rise in Council Tax, but it had been decided that the Council would not make such an increase.

The Director of Resources added that a number of projects were listed as provisional in the Capital Programme, as they were long term projects that required working with partners and so were not always in the gift of the Council to deliver according to a timetable.

A member noted that working with partners on such large and complex projects as the Norwich Research Park and the Long Stratton bypass, inevitably led to slippages in their completion.

Voting was carried out by way of a roll call and with 8 in favour and 1 against, it was agreed:

TO RECOMMEND TO COUNCIL approval of

- a) the Capital Strategy (Appendix A of the report); and
- b) the Capital Programme for 2021/22-2025/26 (Appendix B of the report).

(b) Revenue Budget and Council Tax 2021/22

The Portfolio Holder for Finance and Resources introduced the report and highlighted the main issues to note in the Revenue Budget.

The net budget requirement for the 2021/22 was £15.503m. Although staffing had been mostly static or reduced there were a few areas where numbers had increased although, this had generally been at no additional cost to the Council. For example, all Community Connectors were funded by Primary Care Networks (NHS) and an additional District Direct officer was being funded by Adult Social Care.

There was an anticipated year end favourable variance of £2.1m against the current budget.

The revenue budget took account of Covid-19, which would have a long lasting impact on residents, businesses and the Council's operations. For

2021/22 the budget included provision for £794,000 of additional expenditure to respond to the pandemic. This was fully funded from Government grants.

There was also a new one-off Lower Tier Services Grant of £447,000 that had been introduced by the Government in response to the current exceptional circumstances.

The Council was drawing up a recovery plan for leisure services as it was recognised that the public benefit that leisure provided would be an important part of the Council's support to enable a healthy recovery from the pandemic.

The report proposed that South Norfolk increased its Council Tax for a Band D property from £155.00 to £160.00 for 2021/22. This equated to a 3.23 percent rise.

The Committee was also asked to note that it was proposed to increase most discretionary fees and charges in line with inflation, based on the September RPI figure of 1.1 percent.

In response to number of queries, the Committee was advised the following:

- The budget was built on a number of assumptions about the level of Government funding, the New Homes Bonus and the outcome of the Fair Funding amongst a number of others. There were, therefore, too many variables to estimate confidently when the funding gap in the Medium-Term Financial Plan would be closed.
- The Government would no longer allow local authorities to borrow from the Public Works Loan Board to support the acquisition of assets primarily for yield. However, the Council invested to deliver economic and other community benefits (rather than primarily for yield). Furthermore the Council had a number of other sources of borrowing available to it, including the Municipal Bonds Agency.

The Assistant Director for Finance advised the meeting that officers were working to improve and develop the budget papers each year. For example, the revenue budget papers for 2020/21 now showed the main changes to the base budget. If required the last full year actuals could be added for next year. However, there was a balance to be struck between providing enough information to allow members to review the budgets and providing so much information that the key messages were lost.

Unfortunately, the current year Quarter 3 performance report, which was usually on the same agenda as the budget papers and provided performance monitoring information in respect of calendarised budgets (and estimated outturn figures), had not been available for the February Cabinet.

In response to several queries, the Committee was informed that:

- They would be provided with an estimate of the savings that had been

made by the reduction in members' expenses during the pandemic, following the meeting.

- The delays to some scheduled audits were due to pressures both within the Council and with the auditors during these unprecedented times. Work was ongoing to ensure that as much as possible was done to mitigate these delays.
- It was acknowledged that the response to the budget consultation was low, with only 23 respondents. It would be investigated to determine if data protection laws would allow the Council to use email addresses of residents held for other purposes to be used for an electronic survey to increase the consultation response next year.

Voting was carried out by way of a roll call and it was unanimously agreed:

TO RECOMMEND TO COUNCIL

- a) The approval of the base budget; subject to confirmation of the finalised Local Government Finance Settlement figures which may necessitate an adjustment through the General Revenue Reserve to maintain a balanced budget. Authority to make any such change to be delegated to the Assistant Director of Finance;
- b) The use of the revenue reserves as set out in Appendix E of the report;
- c) That the Council's demand on the Collection Fund for 2021/22 for General Expenditure shall be £8,037,280 and for Special Expenditure shall be £7,192;
- d) That the Band D level of Council Tax be £160.00 for General Expenditure and £0.14 for Special Expenditure.

(c) Treasury Management Strategy Statement 2021/22

The Portfolio Holder for Finance and Resources introduced the report, which set out how the Council managed its borrowing, investments and cash flows.

The Council had £33.5m in treasury investments and £24m invested in loans to wholly owned Council companies. The anticipated return on investments in 2021/22 was £56,300.

Members' attention was drawn to the criteria for Council investments, which set out money and time limits on where the Council made its investments and the institutions they were made with.

The Council had set a prudential limit of £30m on its borrowing, so the £15.5m that the Council was proposing to borrow over the medium term was well within the limit and affordable.

The Assistant Director Finance added that although the Council would have permission to borrow, it would only do so when there was certainty that it would need to.

Cllr V Clifford-Jackson in the Chair.

A member drew attention to the list of approved countries for investment and suggested that in the light of the recent unrest in Hong Kong it should be removed from the list.

In response to a query about the operational boundary for external debt, the Assistant Director Finance advised the meeting that this was a limit beyond which borrowing was not normally expected to exceed. To go any higher than this figure would require the formal agreement of Council. The operational boundary for 2021/22 was £35m and the authorised limit £40m. However, it was expected that any borrowing would be far below this figure, as it would only be reached if all of the projects on the Capital Programme came to fruition during this period, which was very unlikely.

In answer to a query, the Director for Resources confirmed that the Council would be under borrowing 2021/22, as it would be using its cash (internal borrowing), instead of incurring external debt.

In response to a question in respect of the maturity structure of borrowing, the Assistant Director Finance explained that this required the Council to have no more than 50 percent of its borrowing due for repayment in under 12 months. This was to ensure a range of maturities, so any refinancing required was spread out over a longer period of time. This indicator was more relevant to councils with a large borrowing portfolio than to South Norfolk, which was currently debt free.

Voting was conducted by way of a roll call and it was unanimously agreed:

TO RECOMMEND TO COUNCIL:

- a) The Treasury Management Strategy Statement 2021/22;
- b) The Treasury management Policy Statement 2021/22 (Appendix 1 of the report);
- c) The Annual Investment Strategy 2021/22 (Appendix 2 of the report);
- d) The Treasury Management Practice (TMP1) (Appendix 3 of the report);
- e) The Treasury Management Scheme of Delegation (Appendix 4 of the report);
- f) The Prudential Indicators (Appendix 5 of the report);
- g) The Minimum Revenue Provision (MRP) Statement (Appendix 6 of the

report)

A vote was also conducted on the proposal to remove Hong Kong from the list of approved countries for investment and with 7 for and 1 abstention it was agreed:

TO RECOMMEND TO COUNCIL

That Hong Kong be removed from the list of approved countries for investment in the Treasury Management Practice (TMP1) document (Appendix 3 of the report)

1283 SCRUTINY WORK PROGRAMME AND CABINET CORE AGENDA

The Chairman noted the Development Management Flooding item that was on the agenda for the 31 March 2021 meeting of the Scrutiny Committee. She advised the meeting that Lord Dannatt was currently chairing an inquiry into flooding at the County Council and it was hoped that any findings made available from this could be fed into the 31 March meeting, so that members could explore what was being done for the prevention of flooding.

(The meeting concluded at 11.00 am)

Chairman