

SCRUTINY COMMITTEE

Minutes of a meeting of the Scrutiny Committee of South Norfolk District Council held at South Norfolk House, Long Stratton on 7 February 2018 at 9.30am.

Committee Members Present: Councillors: G Minshull (Chairman), T Lewis, B Bernard, B Duffin, L Neal, T Palmer, R Savage and J Wilby

Apologies: Councillor: C Gould

Substitute Member Present: Councillor: V Thomson for C Gould

Cabinet Members in Attendance: Councillors: Y Bendle and L Hornby

Officers in Attendance: The Director of Growth and Business Development (D Lorimer), the Director of Communities and Well-Being (J Sutterby), the Assistant Director of Resources (P Catchpole), the Accountancy Manager (M Fernandez-Graham), the Group Accountant (J Brown) and the Senior Governance Officer (E Goddard)

1218 2018/19 BUDGET REVENUE BUDGET, CAPITAL PROGRAMME AND COUNCIL TAX 2018/19

In the absence of Cllr Stone, Cllr L Hornby introduced the report, which detailed the Revenue Budget from which Council Tax levels would be determined by Full Council, and proposed a Capital Programme for the financial years 2018/19 to 2022/23 which set out the Council's capital investments in line with the Capital Strategy approved by Cabinet on 24 October 2016.

The Assistant Director of Resources advised the Committee that the general strategy and direction for the Council's resources, as detailed in the report, remained similar to that of the previous year but that any financial changes which might arise from the Council's future collaborative working with Broadland District Council had not been taken into account.

The Accountancy Manager provided members with a presentation and summarised the salient points in the report, advising of the changes affecting the Council's financial position, such as the reforms to New Homes Bonus resulting in a reduction of £551,000 compared to 2017/18, and the anticipated higher pay award of 2% for 2018/19. It was noted that some estimations had been made in the Medium Term Financial Strategy due to the yet unknown impact of the Government's announcement to increase business rates retention from 50% to 75% from 2020/21. Officers advised that once more information was available, they would be in a position to provide a more accurate assessment of the impact that these changes might have on the Council's finances but anticipated that the fairer funding consultation would ultimately lead to changes in baselines which would likely reduce the benefits of retaining a larger share of the business rates.

The Committee noted that, since the Capital Program had been drafted, a Housing Infrastructure Fund grant of £5.5 million had been awarded to the Council. In response to a member's query, the Director of Growth and Business Development advised that, although no detailed information was yet available, it was anticipated that this grant funding would be received in tranches and transferred to Big Sky Developments to deliver infrastructure up-front for the development at Cringleford. She further added that the intention was for this land to be split into smaller packages to attract smaller building companies to advance and accelerate growth, with some plots set aside for self-build projects. Members were advised that, as detailed in the bid for grant funding, once the land had been developed and profits were being realised, these monies would be continually re-invested by Big Sky into infrastructure and developments throughout the District in future schemes. In response to a member's question regarding the financial relationship between the Council and Big Sky Developments, officers clarified that Big Sky were currently paying interest to the Council for borrowing, and were also being charged management fees in respect of the support provided by SNC for HR, IT and marketing. The Director of Growth and Business Development added that the commercial interest rates charged to Big Sky together with the profits received from the sale of the two plots of land and from the future sale of properties would result in significantly higher profits to the Council than those which would have been achieved from alternative forms of investment.

In response to a member's question regarding the level of income achieved from the 3G pitch in Long Stratton, it was noted that this was included within the figures for leisure services but would not be detailed further at this stage. Cllr Bendle reminded members that leisure services would be considered at a future meeting of the Scrutiny Committee when more specific details would be available.

Members considered the Council's policy for increasing charges to reflect the Retail Price Index (RPI) and it was suggested that this be changed to instead reflect the Consumer Price Index (CPI). In response, the Director of Growth and Business Development advised that members had adopted the policy to use RPI in 2016 and cautioned the Committee that, as RPI was higher than CPI, if this was changed then the Council would need to find more funding to reduce the deficit.

The Committee discussed the Council's borrowing, as detailed in the report and officers clarified that the rates and types of borrowing used was determined on a case-by-case basis and varied in order to smooth out the risks and interest rates over different periods. The Assistant Director of Resources reassured members that a significant percentage of the Council's borrowing was supported by assets such as retained houses in Big Sky Property Management Ltd and other resources which would generate income, and develop further property assets. The Accountancy Manager added that the Council's future borrowing would be secured on fixed rates to protect it against steep rises in interest rates which could, conversely, be favourable to the Council by way of increasing its return from cash investments. In response to a query regarding the borrowing levels for the Norwich Research Park Enterprise Zone, members were reminded that these were not yet known but it was intended they would be repaid through the receipt of business rates, and that this strategy had already been approved by the Council. The Assistant Director of Resources clarified that the Council had zero total borrowing at the present time.

Members questioned whether the proposed increase of £5 in Council Tax for 2018/19 to assist SNC in meeting its financial challenges over the next five years would be linked to inflation. Officers clarified that £5 for a Band D property was the maximum increase which the Council was permitted to apply to Council Tax without triggering a referendum.

The Committee considered the deficit of £2.2 million, as forecasted in the report, and discussed how this could be mitigated through increasing revenue streams and making leisure centres and services such as street-lighting and dog bin provision more cost effective. The Assistant Director of Resources reiterated that any financial changes which might arise from the Council's future collaborative working with Broadland District Council had not yet been taken into account.

The general consensus of the meeting was to endorse the recommendations of Cabinet however; Cllrs Lewis and Bernard reserved their positions on this matter until the meeting of Council on 19 February 2017.

RESOLVED:

To endorse the recommendations of Cabinet for the Revenue Budget, Capital Programme and Council Tax 2018/19.

**1219 2018/19 BUDGET;
TREASURY MANAGEMENT STRATEGY 1 APRIL 2018 TO 31 MARCH 2021**

The Accountancy Manager summarised the salient points in his report, which sought to outline the proposed Treasury Management Strategy from 1 April 2018 to 31 March 2021, incorporating the Council's Capital Strategy in accordance with the revised Treasury Code of Practice issued by CIPFA in December 2017.

In response to a member's query regarding the effect of current volatility in the Stock Market, officers reassured the Committee that the Strategy was very 'prudent' and reiterated that some of the Council's income was generated from rental properties and that any steep increases in interest rates might have a favourable effect on the return from the Council's cash investments.

After officers provided a brief explanation of the balance sheet summary analysis, as detailed in the report, it was:

RESOLVED:

To endorse the recommendations of Cabinet for the Treasury Management Strategy 1 April 2017 to 31 March 2020.

1220 BROADLAND AND SOUTH NORFOLK COLLABORATIVE WORKING OPPORTUNITIES – UPDATE

The Chairman advised that, since the last meeting of the Scrutiny Committee, there were no further updates but reminded members that they were invited to attend a briefing later in February.

1221 SCRUTINY WORK PROGRAMME, TRACKER AND CABINET CORE AGENDA

The Committee noted the Work Programme, Tracker and Cabinet Core Agenda. The Senior Governance Officer advised the Committee that a review of the Commercialisation Strategy Priority Opportunities had been added to the Committee's Work Programme for their consideration at the meeting to be held on 26 September 2018.

(The meeting concluded at 10:37am)

Chairman

SE/Scrutiny