

SCRUTINY COMMITTEE

Minutes of a meeting of the Scrutiny Committee of South Norfolk District Council held on Thursday 10 February 2022 at 9.30am.

Committee Members Present: Councillors: J Hornby (Chairman), Y Bendle, B Bernard, B Duffin, J Easter, J Halls, J Rowe and T Spruce

Apologies for Absence: Councillors: J Wilby

Substitute: Councillor: K Kiddie (for J Wilby)

Officers in Attendance: The Director of Resources (D Lorimer), the Assistant Director of Finance (R Fincham), the Senior Governance Officer (E Goddard) and the Committee Officers.

1299 MINUTES

The minutes of the meeting held on Wednesday 19 January 2022, were confirmed as a correct record.

1300 2022/23 BUDGET

a) Revenue Budget and Council Tax 2022/23

The Assistant Director of Finance introduced the report, which presented a summary of the Council's draft 2022/23 Revenue Budget and contained details of the proposed fees and charges for 2022/23.

The main area to highlight in the report was that the Council would raise its Council Tax for a Band D property by £5.00 to £165.00 for 2022/23, this equated to a 3.125% rise.

The report showed the draft revenue budget requirement for each directorate, which had been reviewed by CMLT and Portfolio Holders to ensure they were sufficient to deliver services.

In terms of staff pay, the proposed budget included provision for a cost-of-living rise of 2% in 2022/23 as well as £300,000 for performance related pay. Local pay bargaining arrangements and negotiations were currently ongoing. In response to a suggestion that the proposed 2% pay increase was not sufficient given the rises in inflation and the current economic environment. The Assistant Director of Finance reminded the Committee that the staffing budget had to be affordable and that it did include an additional element for performance related pay that would increase pay for staff rated 'good' or 'excellent'. He added that this additional element would be consolidated into staff pay until they reached the top of their grade, at which point it would become a one-off non-consolidated payment.

The Assistant Director of Finance advised members that no new additional Covid budgets had been included for 2022/23. However, he explained it was likely that some of the budgets allocated to support the Covid response in the current year would be carried forward as a number of support programmes would continue.

New domestic waste and recycling rounds had been included within the 2022/23 budget to aid the refuse services in coping with the increase in property numbers. As well as an allowance of £680,000 for Materials Recycling Facility (MRF) processing costs. Members noted that the actual costs for MRF would vary as the Council's agreement was now a variable gate fee.

With regard to the Leisure Service, members were reminded that last year Council agreed to financially support the Leisure Service in the short-term. The Assistant Director of Finance explained that despite Covid continuing to impact the service this year, there had been stronger recovery than anticipated and the draw on the reserve was less than expected.

The Provisional Local Government Finance Settlement for 2022/23 was announced in December 2021, with the final settlement due to be announced in the coming weeks. The provisional settlement was better than expected, however, again it only covered one year, which made longer term finances harder to predict.

The Council undertook a budget consultation via its website between 9 December 2021 and 17 January 2022. The consultation was promoted on the Council's website and via twitter and received 43 responses. 50% of respondents supported no increase in Council Tax for 2022/23, whilst 50% supported some form of increase between £1-£5.

Members raised their disappointment that only 43 responses to the consultation had been received and queried whether more could be done to promote resident's engagement. The Director of Resources advised the

Committee that the Council was establishing a Customer Panel to seek to provide more understanding of residents' opinions and needs. It was expected that the budget consultation would be considered by the Panel in the future. Members noted that the budget consultation had been publicised through the Council's website and social media, it was felt that given the district's older population, who often did not use social media or the internet, other methods of publicising the consultation would need to be utilised to reach a broader demographic. After further discussion the following methods of communication were suggested:

- Radio
- Newspapers/Printed Press
- The Council's 'Link' Magazine

The Assistant Director of Finance explained that it was proposed to increase most discretionary fees and charges this year in line with inflation. This year fees will be increased by between 3% and 4.9%, with 4.9% being the September RPI figure. Garden waste fees would be amended to £53.00 for direct debit customers.

The Medium-Term Financial Plan showed a funding gap developing in 2023/24 of approximately £1M. The primary reason for this was the expected reduction in New Homes Bonus grant after this year and the cessation of one-off Government grants.

The figures in the plan were based on the 2022/23 Local Government Financial Provisional Settlement. Future year funding figures were uncertain due to Governments ongoing funding review, which was expected to be consulted on in 2022/23 and introduced for 2023/24.

The Council had benefitted from growth in Business Rates income, but changes to the Business Rates Retention Scheme was expected in 2023/24. As yet, the impact these would have on the Council remained uncertain.

The Assistant Director of Finance informed the Committee that the Council currently had a healthy level of reserves, some of which would be used to fund the Capital Programme moving forward.

The advice of the S151 Officer in determining the Council's budget and Council Tax, as required by the Local Government Act 2003, was:

- Overall, in my opinion the budget had been based on a reasonable set of assumption with due regard to the risks and is therefore robust.
- Assuming Cabinet and Council agree the revenue budget as set out in this report, then in my opinion the level of reserves is adequate for known and potential risks at this time.

After further discussion, it was unanimously,

RESOLVED

1) To Recommend to Council

- a) The approval of the 2022/23 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) That Council's demand on the Collection Fund for 2022/23 for General Expenditure shall be £8,485,950 and for Special Expenditure shall be £7,366.
 - c) That the Band D level of Council Tax be £165.00 for General Expenditure and £0.14 for Special Expenditure.
- 2) To recommend that officers consider how the budget consultation could be better publicised in order to reach a broader demographic, in light of the district's older population.

b) Capital Strategy and Capital Programme 2022/23 to 2026/27

The Assistant Director of Finance introduced the report, which presented the Capital Strategy and proposed Capital Programme for 2022/23 to 2026/27.

Members' attention was drawn to the Capital Programme at Appendix B, which totalled £25.2M for 2022/23. The overall Capital Investment Programme over the five year period to 2026/27 was £85.5M.

Schemes within the Capital Programme included:

- Supporting Individuals – Housing
- Supporting Individuals – Health and Leisure
- Improvements in the Public Realm
- Protecting the Environment
- Investment in the Economy
- Our Own Needs (including IT, Waste Vehicles, Officer Enhancement Works)

Financing for the programme was through a mix of Revenue, Revenue Reserves, Capital Receipts, Government Grants, Tax Increment Financing (TIF), Private Finance Initiative/Public Private Partnership, Community Infrastructure Levy (CIL) and borrowing.

With regard to borrowing, one member queried the source of the borrowing. The Assistant Director of Finance outlined the sources of borrowing available to the Council and explained that external guidance would be sought to determine the timing and type of borrowing undertaken. He further added that the Council was not required to secure loans against its assets as, as a Local Government Authority it held a strong credit rating.

The Assistant Director of Finance outlined the schedule of Non-Treasury Investments and explained that with regard to the Council's loans to Big Sky, these were not expected to increase as Big Sky had reached its peak of borrowing. He added that the Council's previous loans to Big Sky had been inline with the desire to provide new quality homes within the district.

The discussion turned to the need for additional infrastructure/services, such as schools, doctor's surgeries, and the police across the district alongside the new housing. The Director of Resources informed the Committee that the Greater Norwich Local Plan (GNLP) included schemes for the improvement of infrastructure across the district and county. Additionally, CIL money funded a wide range of infrastructure, including education which received approximately £24M a year.

One member felt that more funding was needed for commercial developments to encourage business growth within the district. The Director of Resources informed the Committee of the new business developments built in the district, which included the Norwich Research Park and the Ella May Barnes Building. In response to a question, the Director of Resources explained that the Ella May Barnes Building was jointly funded by the Council and the Local Enterprise Partnership (LEP). With regard to the Norwich Research Park, there was no match funding for the development itself. However, businesses within the Research Park had received funding, including from the Biotechnology and Biological Science Research Council (BBSRC).

A number of members raised a concern over the level of risks associated with the Capital Programme. The Assistant Director of Finance recognised that the Capital Programme was significantly larger than previous years, which represented an increase in ambition and risk. He further advised the Committee that the Capital Programme was proportionate to the size of the Authority.

it was then,

RESOLVED

To Recommend that Council approves the Capital Strategy (Appendix A) and the Capital Programme for 2022/23-2026/27.

c) Treasury Management Strategy Statement 2022/23

The Assistant Director of Finance introduced the report, which set out the Treasury Management Strategy Statement 2022/23 and associated policies.

The Council had three key treasury management principles:

1. **Security** – To ensure monies were not placed at undue risk, by ensuring all monies were invested in appropriate counterparties or instruments commensurate with the organisation's risk appetite.
2. **Liquidity** – To ensure that cash flow was adequately planned, with cash being available when it was needed, and that sufficient funding was available to finance the organisation's capital investment plans.
3. **Yield** – To maximise investment returns (commensurate with risk) and minimise borrowing costs to minimise the costs to the organisation.

As at the end of December 2021, the Council had treasury investments of £40.8M, and £33.5M in loans to wholly owned Council companies. However, the application of resources (capital receipts, reserves etc) to finance capital expenditure was expected to reduce the level of investments over time.

The Bank Rate rose from 0.10% to 0.25% in December 2021. However, the Council's treasury advisors, anticipated no higher rate than 0.75% by March 2023. On that basis the expected investment return for 2022/23 had been calculated as £50,000.

South Norfolk Council was currently debt free. However, the capital expenditure plans showed a need to borrow over the medium term. The sources of borrowing considered were:

- Public Works Loan Board (PWLB)
- Bank Overdraft
- Other Local Authorities
- Financial Institutions
- Municipal Bonds Agency

The Assistant Director of Finance assured members that the Authority would not borrow more than, or in advance of, its needs purely to profit from the investment of the extra sums borrowed.

In response to a question, the Assistant Director of Finance explained that Government issued guidance to the PWLB which disallowed the PWLB to lend to an Authority who sought to invest in commercial properties for solely

financial gain. He further added that this Government directive had not yet been tested in court.

After further discussion, it was unanimously,

RESOLVED

To Recommend to Council:

- 1) The Treasury Management Strategy Statement 2022/23
- 2) The Treasury Management Policy Statement 2022/23 (*Appendix 1*)
- 3) The Annual Investment Strategy 2022/23 (*Appendix 2*)
- 4) The Treasury Management Practice (TMP1) (*Appendix 3*)
- 5) The Treasury Management Scheme of Delegation (*Appendix 4*)
- 6) The Prudential Indicators (*Appendix 5*)
- 7) The Minimum Revenue Provision (MRP) Statement (*Appendix 6*)

1301 SCRUTINY WORK PROGRAMME, TRACKER AND CABINET CORE AGENDA

The Committee noted the Work Programme, Tracker and Cabinet Core Agenda.

(The meeting concluded at 10.53am)

Chairman