

SCRUTINY PANEL

26 January 2021

Present: -

Councillor Barber, Councillor Bentley, Councillor Bourne, Councillor Dundas, Councillor Hayter, Councillor Hogg, Councillor McCarthy, Councillor Whitehead

Substitutions: -

None.

Also present: -

Councillor Cory, Councillor Fox, Councillor King.

289. Minutes of Previous Meeting

RESOLVED that the minutes of the meeting held on 18 August 2020 be confirmed as a correct record.

290. 2021/22 Budget and 2021/25 Medium-Term Financial Forecast

Councillor King, Portfolio Holder for Business and Resources, presented the Budget and Medium-Term Financial Forecast, noting that these had been produced following the budget updates which had been provided to the Scrutiny Panel over 2020-21. The macroeconomic background and local economic conditions had led to a 50% reduction in the Council's income, whilst driving up the number of calls on Council for support.

There was a focus on recovery, business support and a new capital programme, including a wider town deal, on which news from Whitehall was awaited.

The £2m loss to the budget had led to the loss of around 20 jobs, with voluntary redundancies sought where possible. A remaining budget gap of £1m, following savings and Government support, would need to be funded by use of reserves. A further net £0.3m loss was expected, mitigated down from £0.7m with expected additional Government support. Plans to reduce Council costs included work to make better use of the Council's headquarters.

An increase in Council tax will be recommended, in line with most other local authorities, but there was no consensus wish to go further than this. A long-term consultation and change process would then go ahead over coming years. It was not expected that services would need to be cut in 2021-22, but there was uncertainty after that. It was hoped that Government would continue to provide support to local authorities.

Paul Cook, Head of Finance and Section 151 Officer noted the drop in New Homes Bonus funding but highlighted moves by the Council to make it easier for necessary write-offs of unrecoverable debts to be decided, allowing officers to concentrate on recoverable debts.

The Panel praised the quality and clarity of the reports and thanked officers and the Portfolio Holder for Business and Resources for the information provided and the improvements made to its presentation. It was highlighted that a continuance of budget briefings and workshops would be very helpful and that it would help members to receive ongoing guidance as to how residents and local employers could access available support. The Portfolio Holder confirmed his commitment to ongoing openness and explanation of budgetary matters and their background.

The Portfolio Holder and officers were asked what they felt would be a reasonable timescale for the Council to obtain greater clarity and certainty regarding the Council's income and outgoings. The Portfolio Holder explained that current indicators expected at least a two-year recovery time, leading up to 2024. Local authorities remained dependant on government support and a continuation of this would be necessary for the coming two years at least. The Head of Finance gave an assurance that a cautious approach was taken to making estimates for the future (such as reduced council tax collection and an increase in uptake of support from the Council).

The Panel discussed and questioned expectations as to the likelihood that any changes to the percentage of business rate retention would be made, Government thinking on this and whether the Council had been hit by a reduction in New Homes Bonus money to the same extent as other local authorities. The Head of Finance directed attention to information given on the New Homes Bonus and Business Rates situation, shown at section 7.4 of the report. The Council had been harder hit than many others by the loss of New Homes Bonus money, which in 2019-20 had amounted to £1.28m

A Panel member asked for more detail about use of spare cash balances, how much money this entailed and how they were being used. The Head of Finance explained that section 3. of the Treasury Management Strategy Statement gave more information on this subject and that it was expected that the total value of these balances would be between £20m and £30m.

It was queried whether the £2.6m savings to be made should be given, in detail, when the Budget came to Full Council on 24 February 2021.

It was noted that the report expected around £3m to be gained from parking income and queried as to whether this projection was still realistic, given the effects of Covid restrictions. The Portfolio Holder for Business and Resources detailed the expectation that Covid restrictions would be in place until the Spring, followed by a gradual return to normal. Changes were expected through the year, including in use of town centre and retail facilities. The Head of Finance confirmed that income targets were set to be challenging but achievable.

A clarification was requested as to whether projects funded by New Homes Bonus cash would continue, with alternative funding. The Portfolio Holder for Business and Resources explained that many were one-off projects for 2020-21, and that the remaining projects would continue if alternative funding could be found.

The Panel discussed whether it would be better for the Council's finances if it were to move to an all-up election system. The Portfolio Holder for Business and Resources noted that there was a range of different views across the Council and that no change to elections was planned currently.

The Panel queried the proposed rise in Council Tax, what it would mean in practical terms, and whether it was being imposed on the Council by Government expectations. The Portfolio Holder for Business and Resources explained that central government looked at the resources available to each council and had committed to ensure all local authorities would maintain their core spending power. The Government assumption was for a rise of 2% in Council Tax, which is what the Budget proposes.

The proposed use of Council reserves was discussed, with assurances given that the Council's reserves had not been drawn upon to the extent expected, and that they were being employed prudently. The Head of Finance elucidated the situation, informing the Panel that significant funds had been held in Right-to-Buy reserves, which could be used to address the need for funds elsewhere, such as to pay off deficit payments. The current situation was described as being serious but not yet critical.

A Panel member queried why the Council was bearing 25% of the lost revenue from Council Tax, and whether there was any way for the Council to retain a higher percentage of Council Tax collected. The Portfolio Holder for Business and Resources confirmed that this could not be changed by the Council, and that the share of responsibilities and principles for allocation of Council Tax had been set down in law for many years. The Head of Finance informed the Panel that the Ministry of Housing, Communities and Local Government [MHCLG] had extended the Income Loss Scheme to cover 2020-21 losses, including irrecoverable losses and debts. The Council continued to work with Essex County Council to maximise Council Tax collection rates, which were being maintained at higher rates than expected, but were being continually monitored.

Questions were asked regarding the recycling of waste collected, the options which had been investigated and where savings could potentially be made. Regarding resident engagement on this subject, questions were asked as to how this was being carried out and whether news outlets and social media would be employed.

The Portfolio Holder for Business and Resources detailed the challenges facing recycling services in the UK and the engagement work being carried out. 184 members of the public had responded to the online survey and further options would be explored, with members' views being sought on the best ways to conduct engagement. Dan Gascoyne, Chief Operating Officer, gave his assurance that a written response would be provided to give a full answer to the questions raised concerning the recycling service. Challenging work had been carried out to get a fair price for recyclable materials collected, with retendering carried out where necessary. The Chairman asked for the written response to be provided to the full Panel for their information.

It was asked whether the interest payable noted at 9.6 of the report was high and, if so, why this was the case. The Head of Finance was asked to give more detail regarding the borrowing from the Public Works Loan Board. The Portfolio Holder for Business and Resources explained that, relative to the scale of the Capital Programme, the amounts of interest charged are low. More detail on this was within the Treasury Management Strategy report. The loans market continued to be monitored and borrowing adjusted where appropriate. The Head of Finance pointed attention to 2.10 in the Strategy report for more detail on capital financing costs.

A Panel member queried how budget, which had been previously allocated to work on the Garden Communities Project, would be used and what provisions had been put in place for future work on the Local Plan, if Part One of the Plan were not to be approved. The Portfolio Holder confirmed that the size of investments in the Garden Community had decreased to match the smaller scheme now expected. Regarding questions regarding the Local Plan, the Portfolio Holder agreed to bring a response to the Panel in the event that Part One was not approved.

It was asked whether further budgetary detail could be given regarding the Queen Street/Alumno development. The Portfolio Holder for Business and Resources explained the Council's approach, looking for friendly agreement with First Site and neighbours, with statutory compensation payable if necessary. The sums involved were relatively small.

A member of the Panel welcomed the imminent meeting of the Revolving Investment Fund [RIF] Committee and requested further information on the £100k cost pressure regarding climate change, and more detail on locality budgets, new expenditure, investments made and Covid Marshals. The Portfolio Holder clarified that the RIF Committee only met when meaningful decisions needed to be made, to minimise the draw upon officer resources. Regarding reporting of expenditure and investments, a balance was sought between detail and brevity. The Portfolio Holder offered to look at what additional details could be given. The use of Covid Marshals involved some funding from Government. The two Marshals employed had wide duties, coordinating advice and enforcement actions, taking walkabouts, providing advice on compliance and prevention of breaches, working to support the Environmental Health Team in ensuring business and public compliance. The Panel suggested that it would help if all members were briefed on Covid Marshals, so they could then inform their residents.

The Panel praised the work of the Waste Collection Team, working to provide a service even when levels of sickness had been high, addressing missed collections swiftly and coping with workloads. The Chairman noted that increased homeworking was likely to increase the amount of waste and recycling to collect and asked whether provisions were being put in place to increase the service to cope, and to distribute more clear recycling sacks. The Chief Operating Officer gave assurance that officers were working to ensure the service balanced its budget after a challenging year and were looking at how to do this. The recent Task and Finish Group had looked at options for recycling and how to ensure residents received the receptacles they needed. Options continued to be sought and assessed as to how best to do this.

A Panel member sought assurances that the Council was not being pulled into 'fashionable' spending and kept focus on its Strategic Plan 'Better Colchester 2020-23', going on to recommend that the report be amended to focus on specific consideration of ways to reduce inequality within the Borough, especially where this had been brought into relief by the pandemic.

RESOLVED that the Scrutiny Panel has reviewed and commented upon the 2021/22 Revenue Budget, Medium-Term Financial Forecast, Treasury Management and Capital Programme reports and thanks Cabinet for the opportunity to scrutinise the Budget and Medium-Term Financial Forecast, and officers and Portfolio Holders for their work and openness on these items.

RECOMMENDED to CABINET that the following paragraph be added to section 14 of the 'Budget 2021/22 and Medium-Term Financial Forecast' report which they will consider, and that Cabinet approves its content:

- 14.2 All budget measures will be assessed for their likely impact on inequality, reflecting the Council's commitment to addressing the inequality existing within our Borough, as highlighted by the effects of the Covid-19 pandemic.

291. 2021/22 Housing Revenue Account Estimates and Housing Investment Programme

Councillor Adam Fox, Portfolio Holder for Housing, introduced the report and set out the Council's plans for investment in new and existing housing stock. Rents would be raised by 1.5%, in line with the guidelines under which local authorities were currently operating. This would help to fund substantial investment in the maintenance programme for existing Council housing stock, the buying back of former Council stock and new builds planned for the Borough. These measures would all act to lower inequality by improving people's housing standards and reduce costs from energy usage. Work would be overseen by Colchester Borough Homes and would provide work to local firms and contractors.

The Portfolio Holder was asked to explain why investment was being pushed so hard and whether there was a prospect of more Government support to expand this still further. The Portfolio Holder explained the background, including the past four years of Government-enforced cumulative reductions in social housing rents of 1% per annum, and the serious effect this had on the Housing Revenue Account [HRA], diminishing the ability of the Council to invest, borrow and improve stock. The removal of the debt cap has also now helped. It was noted that borrowing from the Public Works Loan Board used to be encouraged to fund investment, but that such investment funding could now be problematic, with lockdowns reducing local authority incomes. Borrowing rates were currently very reasonable, but if this changed then borrowing would be reviewed.

The Panel was informed that the new Local Plan would increase the target for percentage of affordable housing created from 20% to 30%. The Council's focus would first be on those households on low incomes which were in need of affordable rental properties, especially those in emergency accommodation.

A question was asked, comparing the HRA summary of 2019-20 with that of 2020-21, as to why an impairment and depreciation charge of £17m was being reduced down to £6m and whether this was due to the end of a depreciation within this time period.

Regarding modelling based, in part, on expected inflation, a Panel member noted that many nations were producing additional currency at this time and that this could act to increase inflation. It was asked whether modelling had or could be carried out to show the effects of future increases in inflation rates.

Darren Brown, Finance Manager, explained the modelling and expectations regarding inflation, and that the way these are calculated, a reasonable variation in inflation is unlikely to affect this and that a number of variables could act upon the 30-year outturn position. Inflation could be beneficial for the business plan, as a number of costs borne by the Council were fixed, whereas inflation could act to increase rental income.

Regarding the annual impairment reviews, the net cost effect on the HRA was £6m, but it was necessary to show the full gross figure of £16.8m in the budget, and a credit from the Asset Management account of around £10.7m. A £17m loan had recently been refinanced when it had matured, originally taken out 25 years previously at an interest rate of around 9%. This was now converted to a loan maturing in 50 years, with a fixed interest rate of 1%.

Praise was given to the plans detailed, including the new housing units proposed. A member of the Panel noted the intention of the Council to focus on providing better homes over providing a greater number of minimalist properties. The refurbishment of Elfreda House was noted, as described at 7.4 of the Housing Investment Programme report. The review and improvement of sheltered accommodation was a long-term Council project, not universally popular but felt to be necessary. A possible trade-off between environmental aims and aims for providing enough socially affordable housing was raised by the Panel member, who argued that the decision-making regarding this trade-off should be explained in the discussion of these matters. The Portfolio Holder for Housing praised the Elfreda House Project to provide one of the best sheltered schemes in the UK. Every new development was made to the highest environmental standards possible, within the Council's budget. Trade-offs may need to be considered in the future, but decision making would be made in cooperation with Colchester Borough Homes and Amphora Housing. Public engagement would also be key in this decision making, informing Cabinet in their deliberations.

An explanation was asked for regarding the policy being pursued to collect housing rent, especially where residents' incomes had been negatively affected. The Portfolio Holder detailed the proactive approach of the Council and Colchester Borough Homes to engage with tenants to provide compassionate advice and support to be able to manage their rental payments. Data collected showed the success of this approach. The additional £20 increase of Universal Credit had been very helpful to many.

RESOLVED that the Scrutiny Panel had reviewed the 2021/22 Housing Revenue Account Estimates and the Housing Investment Programme Reports and thanked Portfolio Holders and officers for the information provided to the Panel, and their help in detailing the content.

292. Work Programme 2020-21

The Chairman noted that the Panel would sit as the Crime and Disorder Committee on 16 February and that the Police, Fire and Crime Commissioner would be in attendance. It was clarified that the Committee would not be there to scrutinise the Commissioner, but that the Commissioner was to attend in order to participate in discussions of issues and provide information, if appropriate.

RESOLVED that the Work Programme for 2020-21 be noted and approved.