



Scrutiny Committee

16:30 to 18:50

2 February 2023

Present: Councillors Wright (chair), Carlo, Driver, Fulton-McAlister (M), Galvin, Huntley, Osborn, Sands (M) (substitute for Thomas (Va)) and Stutely

Apologies: Councillors Brociek-Coulton, Padda, Thomas (Va), Thomas (Vi) and Young

(Also present Councillors Harris, deputy leader and cabinet member for social housing, Kendrick, cabinet member for resources and Waters, leader of the council).

1. Declarations of interest

Councillor Stutely declared an other interest in relation to item 3 (below) in that he was a director of Norwich Regeneration Ltd.

2. Minutes

RESOLVED to agree the accuracy of the minutes of the meeting held on 8 December.

3. The council's 2023-24 budget and medium-term financial strategy

(Councillor Stutely had declared an other interest in this item.)

The interim chief finance officer introduced the item and then took member questions. He advised that the provisional local government settlement was released at the end of last year and that no changes were expected. He noted highlights from the provisional settlement, the referendum threshold for council tax was set at above 3% and there were changes to the grant funding that local government received. The increase in core spending for Norwich was 4.7% which was below the average for district councils and represented a challenging settlement for the council.

The interim chief finance officer advised that the 2023/24 budget was balanced without the use of financial reserves. Similarly, the medium-term financial strategy for the period 2023-2027 was balanced. There were in year savings proposed to achieve the balancing of the budget however, there was a risk associated with this. The report did not refer to the council's base budget but focussed on changes to it such as investment growth and grant changes. Finally he noted that section 7 of the report, Chief Finance Officer's Statement highlighted the robustness of the budget and the adequateness of the council's reserves.

The chair advised that committee would take each section of the report in turn, considering any recommendations at the end of each section.

Section 1: Local Government Finance Settlement

The leader of the council highlighted that the government used data from 2014/15 to calculate the local government settlement and that this needed updating to take account of the changing economic situation and population demographics.

A member noted that the new homes bonus payment to the council had fallen by approximately £0.5m and asked how the number of new homes was calculated. The interim chief finance officer advised that it was the number of new homes which came into occupation. There was a 0.4% disregard and it was the net figure for new properties meaning that demolitions and redevelopments came off the total. He advised the council had failed to meet the threshold to be awarded the new homes bonus by a small margin. The member asked if the intensification of properties counted such as the change of use of a house to a House in Multiple Occupation. In response the interim chief finance officer said it was new properties as based on the council tax register.

In response to a member question the interim chief finance officer agreed planning for the budget with uncertainty in relation to government funding was difficult. He noted that 2024/25 was an election year and depending on the outcome, local government financing could change. In terms of managing the budget in a time of uncertainty he emphasised prudent assumptions were made especially in relation to income levels with reserves held to mitigate the uncertainty.

(Councillor Fulton-McAlister (M) joined the meeting at this point).

Section 2: General Fund – MTFS and 2023-24 Budget

A member noted that there was uncertainty over the cost implications of delivering the council's net zero carbon objective and asked what assessments had been undertaken to identify the cost implications. The member questioned whether reserves should be used to undertake works such as retrofitting. In response the interim chief finance officer advised work was underway to establish the baseline the council was starting from not just in relation to the council's carbon output but from providers whom services were procured from. He emphasised that achieving the objective would take significant amounts of external funding.

The member asked if alternative sources of funding such as blended finances and municipal bonds had been explored. The chief executive officer emphasised that the council was actively looking for funds and had a good track record of bidding for funding to achieve its objectives. The head of strategy, engagement and culture advised that a report would be considered at the Climate and Environment Emergency Executive Panel (CEEPP) on 14 February 2023 which would present the council's overall programme for carbon neutrality. The leader of the council emphasised that the council was looking at a wide range of funding options to achieve its carbon neutrality ambitions.

In response to a member question on how financial reserves had been maintained in the face of economic challenges the chief executive officer advised that there had been a change in the management of budgets. An emergency review of budgets was conducted in 2020 due to the pandemic and the need to achieve £3m in year savings. This had embedded financial control and discipline. Budget managers had undertaken training to ensure forecasting was accurate and the process was owned by the senior management team. If a budget was at risk of being overspent in year then decisions such as freezing recruitment to certain posts was taken. The interim chief finance officer emphasised that the council's strong budgetary position was a reflection of robust financial management.

In response to a member question the interim chief finance officer advised that until 2024/25 there was a reasonable amount of confidence in the income figures the council would receive from government but after that figures were speculative. The council had to achieve £5.6m in savings over the period 2023-2027 and there was currently £6m available to flex the budget but these figures would change. The medium term financial strategy was normally a five year rolling programme but it was now a four year programme as figures were speculative after two years.

A member noted that the Bank of England had declared there to be a recession and asked how this was factored into the budget. The interim chief finance officer advised this was an area which relied on advice from the Treasury Management advisor to the council. They provided a forecast which included optimistic, pessimistic and most likely position of where interest rates would be and the pessimistic rate was the one taken. He noted that inflation had an impact of the council's finances especially in relation to pay inflation with every 1% increase in pay equating to £230,000. There was a £400,000 contingency fund in the budget to manage risk and there were various short-term measures which could be used to reduce spend such as vacancy management panels.

A member asked what proportion of savings was assisted by interest rates going up. The interim chief finance officer commented that of £5.5m of savings in 2023/24 £3.5m could be attributable to additional investment interest, reduced loan repayments and discounts following the prepayment of secondary pension contributions. In response to the member's subsequent question he advised that cash reserves would not be held on the basis of making income and even when the interest rate was negligible they were still held. Cash was borrowed when interest rates were low and this resulted in surplus cash at various points. The leader of the council commended the Treasury Management team and noted that the council had long experience in managing budget gaps from the first financial crash in 2008-9.

In response to a member question on the reduction of ear marked reserves, the interim chief finance officer responded that there had been a programme of draw downs for scheduled works. £400,000 had come from the commercial property reserve to fund mechanical and electrical works on the council's commercial investment properties and the strategic asset management review had been funded. The reserve was expected to be replenished after the asset management work was completed. As regards Norwich Regeneration Ltd, accounting rules had changed regarding providing loans to third parties, specific funds had been allocated to meet the minimum revenue repayment to adhere to the new regulations.

In response to a member question asking what the £170,000 spend in the 2023/24 capital programme for Riverside Leisure was, the head of strategy, engagement and culture responded this was plant maintenance. She advised that there was a project looking at how to reduce carbon but that this was not costed yet.

A member referred to the recent increase in car parking charges and asked what alternative sources of finances had been considered to replace this funding noting that there had been a commitment to reducing car parking spaces in the city. The chief executive officer advised work had been ongoing to improve data on car park usage to establish which were being used and which over time might be used differently. He emphasised that pedestrianisation of the city would be increased and the council supported the development of sustainable transport solutions and the use of less polluting vehicles. However, there would always be a need for car parks. The leader of the council noted that car parking income would be increasingly important in future.

A member referred to the estate aesthetics budget and asked for examples of investments and what these had meant for communities on the ground. The deputy leader and cabinet member for social housing commented that enhancements ranged from a new bench on a sheltered housing scheme to new drying areas provided. She emphasised that every councillor was able to put forward ideas and was pleased to note that the budget looked like it would all be used this year.

A member expressed concern that electronic advertising hoardings would be placed on vacant council land to generate income. The interim chief finance officer advised that the advertising budget referred to an income generating opportunity to be explored later in the MTFS. There was further work to be undertaken in relation to potential sites and income revenue but he noted the member's concern.

In response to a member question asking how confident the council could be that its in year savings would be met the chief executive officer advised that there was a risk attached. However, to mitigate this every saving was evidenced via a business case, stress tested internally and the delivery of savings was monitored by the senior management team. This monitoring enabled early intervention to be taken where savings might not be met and reserves could absorb in year shocks.

In terms of what measures were in place to safeguard the organisation's position against financial shocks the chief executive officer continued that budgets were actively managed. The interim chief finance officer commented that insurance was a useful tool to manage financial risk. He referred to the council's commercial property portfolio, the earmarked reserve covered risks such as voids and the deterioration of the asset.

A member asked if there was the resource for the council to continue with a full Council Tax Reduction Scheme (CTRS) and how many citizens benefitted from the scheme. The cabinet member for resources confirmed that the 100% CTRS would continue and the interim chief finance officer advised the scheme was fully budgeted for at a cost of £1.9m. He noted that 61% of respondents to the budget consultation had strongly supported the continuation of the scheme.

Consultation

A member commented that this year the consultation was a more interactive process and garnered a large amount of responses. The member asked how these responses were shared with officers and how they impacted the formulation of the budget. The head of strategy, engagement and culture advised that the responses were shared with the corporate and senior leadership teams and work was ongoing to consider how to communicate more widely with staff. There was also a citizen participation strategy in progress which would take account of what communities wanted to speak to the council about rather than the other way around.

Section 3: Housing Revenue Account 2023-24 Budget

A member noted that a key theme from the consultation was concern with the cost of living crisis and asked how this was reflected in the decision to raise council housing rents by 7%. The deputy leader and cabinet member for social housing emphasised that the income for the Housing Revenue Account (HRA) was rent which funded new homes and upgrades to current stock. She did not underestimate the impact the increase would have on tenants but referred to the impact of the cap on social housing rents which resulted in a 1% reduction on rents every year for a four year period. The chief executive officer noted that the budget was not agreed until the meeting of full council on 21 February which gave members time to consider the responses.

The cabinet member for resources stressed that the most financially vulnerable tenants would be protected by housing benefit. A member considered those in private rented accommodation the most vulnerable as they were limited by the amount of housing benefit they could claim which very often did not cover the full rent. A member asked about the impact of right to buy on the council's housing stock. The deputy leader and cabinet member for social housing advised that 752 homes were lost in the last five years and it was estimated that 140 would be lost every year for the next five years. She also emphasised the limitations on the use of right to buy receipts and how this affected the ability to deliver new affordable housing.

A member asked how targets for making council homes more energy efficient and retrofitting were tracked. The interim chief finance officer advised the HRA's 30 year business plan had assumptions about the cost of retrofitting built in but it was unclear how much the council would receive in government funding. The executive director of community services advised that a full stock condition survey would be conducted in 2023/24 which would build the detail behind the assumptions in the HRA business plan and feed into the five year plan.

In response to a member question the executive director for community services advised that the council was moving to deliver bathroom and kitchen upgrades when they had come to the end of their useful life rather than at a set time. The savings from this more efficient approach would be used to fund retrofitting and to make homes more energy efficient. In reference to a whole house approach to retrofitting, stock condition and thermography surveys would be conducted to help identify properties. Members discussed a recommendation in relation to a whole house approach to the decarbonisation of housing stock and its cost implications. The

Executive Director of Communities noted the HRA 30 year business plan report had recently been presented at cabinet and wanted to refer to that to ensure this was not already taken account of. Members agreed that she would work outside of the meeting with Councillor Galvin on a recommendation as detailed above.

Section 4: Capital and Commercial Strategy including Capital Programme

A member referred to the table at 4.1, agenda page 78 and asked if there should be a strand to demonstrate how the council would reduce its carbon emissions over the next 30 years and improve biodiversity. The interim chief finance officer advised it was indicative of some projects the council were working on but agreed that it could be improved. A member asked for detail on the regulatory services digitalisation project as listed in the table. The chief interim finance officer advised that this referred to the service review of regulatory services such as planning and environmental health services and the introduction of digitalisation to drive efficiencies.

In response to a member question relating to the Asset Management Strategy the chief finance officer noted that the Strategy included a review of the council's commercial and property assets to derive as much income as effectively as possible.

Section 5: Treasury Management Strategy

A member raised a concern regarding the council's bank and its lack of ethical credentials. The interim chief finance officer advised there was not a lot of choice in the market but an open and vigorous tender process would be conducted when the current contract ended. The leader of the council agreed this could be considered when retendering was conducted and the ethical credentials of possible banks could be considered.

Section 6: Summary of Key Financial indicators, Section 7: Chief Finance Officer's Statement, Section 8: Financial Glossary, Section 9: Equality Impact Assessment

Members noted these sections.

RESOLVED to ask the executive director of community services to work with Councillor Galvin, to formulate a recommendation to cabinet around a whole house approach to decarbonisation.¹

4. Update from the NHOSC representative

The chair noted that the council's NHOSC representative had sent apologies for the meeting and the update would be taken at a later meeting.

¹ The following recommendation was submitted to cabinet on 8 February 2023 and agreed: pilot a whole house approach to decarbonisation of our council homes. Use data, information and practice gathered from the pilot, alongside stock condition data and thermography surveys to support the development of the Housing Revenue Account Decarbonisation Plan.

5. Scrutiny Committee work programme 2022-23

RESOLVED to note the Scrutiny Committee work programme 2022-23.

CHAIR