NORWICH
City Council

MINUTES

Scrutiny Committee

17:05 to 19:20 **1 February 2024**

Present:	Councillors Ackroyd (chair), Thomas (Va) (vice-chair), Carrington, Champion, Driver, Fox, Galvin, Oliver (substitute for Davis), Osborn, Padda, Prinsley and (Thomas (Vi).
Apologies:	Councillor Davis
Also Present:	Councillors Kendrick and Stonard

1. Declarations of interest

There were no declarations of interest.

2. The council's provisional 2024/25 budget and medium-term financial strategy

(The chair took this item early.)

Councillor Kendrick, cabinet member for resources introduced the report. He emphasised the difficult financial position facing local government, with a number of councils issuing S114 notices. He was pleased to be able to present a budget which was balanced without significant cuts to services or the use of the council's reserves. He thanked the finance team for their excellent work and advised he was happy to take committee's questions.

The Interim Chief Finance Officer provided a presentation, available here, on the council's provisional 2024/25 budget and the medium-term financial strategy (MTFS). He highlighted that the MTFS had been extended from 2026/27 to 2028/29. He advised that the MTFS still included a budget gap that still had to be closed for the later years of the plan, this was due to the fact that there were no Spending Review figures available to guide what government support for councils would be going forward. Therefore, coming up with robust figures was extremely difficult.

He considered that it was not appropriate to make assumptions on figures until it was known what would be allocated to local authorities. There was a spending review scheduled for 2024 and when it was understood what was available the figures would be reviewed.

The Interim Chief Finance Officer introduced each section of the report in turn and took member questions at the end of each section.

Section 1: Local Government Finance – Economic & Statutory Context

The presentation had provided the context, he emphasised that the council were operating in a high inflation environment with little certainty about future funding. The funding which had been provided was expressed as a percentage of the council's Core Spending Power and represented a 4.7% increase which was below the average of all local authorities at 9%. As an authority this was a challenging settlement.

In response to a member question regarding uncertainty in relation to robust financial planning in the medium term the Interim Chief Finance Officer (CFO) advised that local authority funding was allocated by government via formula which had not been reviewed since 2013 and following the setting of resource through the spending review. This was a rolling three year process, and the last year where there was clarity of funding figures was 2024/25 and this therefore impacted on MTFS planning.

Section 2: General Fund – MTFS and 2024/25 Budget

There was no basis to use to provide a projection for financial planning after 2024/25, added to this there will be a general election and it was unclear what the future position of local authority funding would be under a 'new' government. It was recognised that the current funding formula used by government was unfair and irrational and needed overhauling. There was an expectation that this would be addressed and would change availability of resources too. There could also be a change to the business rate retention scheme. All these factors impacted on the ability to provide robust financial projections.

Members expressed concern in relation to the lack of clarity over government funding for local authorities and asked if it was possible to make an educated guess in relation to funding scenarios and questioned what other local authorities were doing. Should they be worried about the robustness of the budget after 2025/26.

The CFO advised that once the comprehensive spending review figures were available in 2024 it would provide an indication of what the overall spending plans would be and whilst it would not say what the share for local government would be it would provide enough information to enable estimates to be made. The figures from the last government allocation could be rolled forward and used to project the budget post 2025/26 but it was clear that the allocation going forward would be different. Whilst it was a bleak picture the CFO did not consider that it indicated that the country was on the cliff edge of financial disaster. There would be a clearer picture of government priorities post the 2024 general election.

A member expressed concern that the council might be penalised for holding healthy reserves and that those councils who had spent their reserves would receive a greater allocation of funding from government. The CFO reassured committee that this would not be the case, those councils that had issued S114 notices would borrow money to finance their expenditure but it would have to be repaid. This was mainly achieved through the sale of council assets and government capitalisation directions simply provided breathing space to enable this to happen.

Councillor Stonard, the leader of the council referred to government criticism of councils that held significant reserves and government suggestion that these should be used to meet budget shortfalls. He asked if government could force councils to spend their reserves. The CFO responded no, only in the case that the government put in commissioners at a council taking its decision making powers away.

The CFO advised that he was not concerned that the council were holding unnecessary level of reserves. The council's earmarked reserves which were allocated for specific purposes. In terms of the general fund and housing revenue account balances, every year the CFO conducted an assessment of what the prudent minimum level of reserves should be. In response to a member question on non earmarked reserves, the CFO advised that the general fund reserve was £8.2m and the prudent minimum level was assessed at £5.4m.

In response to a member question in relation to Future Shape Norwich (FSN), the CFO advised that the FSN programme was introduced a couple of years ago to deliver a large raft of savings. It was a programme supporting delivery of the MTFS savings that members had agreed. The purpose of FSN was to monitor the delivery of savings and to provide challenge and take action if slippage was observed.

He emphasised that of the £5.5m savings target identified as needed this year (2023/24) 93% had been delivered. Councillor Stonard, leader of the council noted that this was an exceptional achievement and in response to committee's request for more information advised that a member briefing on FSN could be provided.

A member asked how the budget process linked to the corporate plan process and what linked the corporate plan consultation process and that of the budget and what external companies were used to assist in the process. The CFO advised that the budget and corporate plan were two sides of the same coin. Inner Circle and Collaborate were the companies used, they worked as one organisation on the corporate plan and conducted the engagement work.

In terms of the budget consultation, this was on the high level numbers contained in the budget report. Rather than dividing the savings across the council an approach of identifying five themes to address was used and consultees asked if this was the right approach. The corporate plan once agreed and applied would influence the budget going forward. The CFO noted that it was counterintuitive to ask for savings from a team which was then identified as a priority within the corporate plan. Significant capital programme schemes would also support the investment in priorities once known.

In response to a member question regarding how much had been spent on external companies as part of the consultation process the CFO advised he did not have these figures to hand but could provide outside of the meeting.

The CFO took members through the budget recommendations in relation to the general fund. In reference to the recommendation to increase council tax by 2.99% he noted that 60% of Norwich's residents lived in band A and B properties.In terms of the earlier introduction of the long term empty council tax rate the recommendation was to charge this after a property had been empty for one year rather than two.

In response to a member question the CFO advised that the change in council tax regulations in relation to the second homes had been expected. It was for an authority to decide whether to implement the change and following a council resolution a one year notice period was required to be given meaning this could not be introduced prior to 2025. He considered that most authorities would chose to introduce the change, the leader of the council advised he had been at a meeting of Norfolk's Leaders and Chief Executives and that North Norfolk, Great Yarmouth and Breckland district councils were all planning to implement the change but South Norfolk had chosen not to.

In response to a member question the CFO advised the aim of introducing the long term empty council tax rate was to provide an incentive to bring empty properties back into use.

In response to a member question on the budget consultation the CFO advised the aim was to seek the views of residents which was good practice. The regulations merely stipulated that the council had to consult with business rates payers. The member asked if respondents agreed with the approach the council were taking and if they considered the council tax increase reasonable. The CFO commented that whilst it would be expected that people would vote against a tax increase, it was clear that if the rationale was explained people responded to that.

A member asked what the effect of new housing in the city would have on the council tax base. The CFO advised that growth was projected in the figures and whilst nutrient neutrality had significantly impacted upon new building, a 0.8% growth in the tax base was assumed. It was hoped that it would be more but the nature of the demographic profile of the city had to be considered for example its large student population.

Members explored how the council conducted consultations, asking how consultations were designed, what was done with the data and how much they costed to undertake. Members expressed disappointment at the low response rate the budget consultation had garnered, with 281 responses it represented 0.2% of city residents and there were no responses from individuals identifying as BAME. A member commented that it was incumbent upon members to take account of consultation responses and asked how the low response rate would impact upon the weight given to the responses. The member asked the leader of the council what he had picked out of the responses and how cabinet would use the consultation responses.

Councillor Stonard, the leader of the council reminded committee that the budget was agreed by all members of the council and urged all members to note the consultation responses. He agreed that the response rate was disappointing and advised that cabinet would welcome the scrutiny committee looking at the council's consultation process. The Chief Executive Officer advised that the organisation would be reviewing its approach to how it conversed with residents and a start had been made with the corporate plan consultation. She advised that she welcomed the committee considering consultations as part of its work programme in the new civic year.

Section 3: Housing Revenue Account 2024/25 Budget

The CFO referred to the recommendation to increase rents in line with the government's rent setting standard. He noted that the Housing Revenue Account

(HRA) was funded from rents and had been detrimentally affected by the rent reduction regulations from previous years. It was necessary to increase rents to fund the HRA which paid for stock condition improvements, new builds and retrofitting.

A member referred to agenda page 70, paragraph 27 which noted that investment of £321m was estimated as required to reach Energy Performance Certification (EPC) level C by 2030 and net zero carbon emissions by 2050. He asked if this was the expected cost of the works or the amount available to spend. The Senior Finance Business Partner advised that the figure was an update on the previous estimate of £290m and it was an estimate of what the work was expected to cost and not what was available.

In relation to agenda page 70, paragraph 31 which noted £53m had been assigned to improve energy efficiency and carbon reduction measures the Chief Executive Officer confirmed that this figured was allocated in the 5 year investment programme and was expected to be spent by 2029.

Members discussed service charges, as detailed in the table on agenda page 80 the Senior Finance Business Partner explained that the sums for what was expected to be achieved from service charges did not indicate what the increase to tenants would be. The charge was considered and determined for each site. In relation to the figures for Special Services which showed a decrease from the year 2023/24 to 2024/25 this was a service provided to a section of tenants and income was expected to reduce due to an increase in fuel costs.

In reference to the line in the figures on General Management this denoted all other costs not listed, such as staff costs and cleaning, this had increased and was not due to inflationary pressures alone. A member advised that it was still listed in service charges that tenants paid £1 a month to have their windows cleaned but that this was a service that was no longer provided. He asked why this was still being paid, the Chief Executive Officer advised that she was look into the matter and respond outside of the meeting.

A member asked in reference to the Growth Proposals contained in the budget how these had been selected. The CFO advised that when the finance team were putting the budget together a number of pressures were identified. For example postage was included as a growth proposal, there had been several price increases to postage over the last year. Whilst the organisation was always looking to reduce its use of postage there remained the need to post out some correspondence. Health and Safety had been included as a growth proposal upon recommendation from the council's Health and Safety Board as a range of issues were required to be addressed urgently.

The growth proposals were selected to avoid budget failures and to address identified issues. East Norwich a further growth proposal was included as the council were keen to engage in the development of the site. It was a significant scheme with a number of partners onboard and was at the stage where investment was required. The Chief Executive Officer advised the growth proposals were made in areas where pressures were known to exist. Once the corporate plan was applied, it was proposed to look across the organisation to reshape and realign the budget and resources as agreed in the corporate plan.

Section 4: Capital and Commercial Strategy including Capital Programme

The CFO advised that very little capital funding had been added to the budget, for the year 2024/25 and that which had related to S106, Town's Fund and Levelling Up payments. He referred to the table on agenda page detailing the capital programme and noted that it was still significant programme and referred to proposed funding as detailed on agenda pages 94 and 95.

In reference to the HRA, capital expenditure paid for new builds and or the capital enhancement of the council's housing stock such as retrofitting and kitchen and bathroom upgrades. In terms of the General Fund capital programme the council were at the back end of the Town's Fund investment, there was significant investment in parks and open spaces, the replacement of the waste collection fleet was scheduled for later in the programme and there was substantial investment in digitalisation planned.

In response to a member question on funding streams and working with partners the CFO advised that the council received S106, Community Infrastructure Levy (CIL), Towns Fund and Levelling Up funding. There was £7.5m initial grant funding from the Levelling Up fund included in the programme.

A member asked why the budget contained no reference to NCSL whilst Lion Homes was referenced. The CFO advised agenda page 85, paragraph 4.20 referred to the outstanding capital loans owed by the company to the council. The Interim Head of Finance advised that Lion Homes was included in this section of the budget because it was a significant driver of capital loans. Members expressed a desire to see a section on NCSL included in the budget papers.

Section 5: Treasury Management Strategy 2024/25

The CFO explained that it was a statutory requirement to have a Treasury Management Strategy which detailed how the council's day to day cash flow was managed. He referred to the Treasury Management Committee which focussed on treasury management performance and the operation of the strategy. He noted that there were a number of synergies between this and the previous section of the budget in that the Treasury Management Strategy guided the council's borrowing to fund its capital programme.

Section 6: Chief Finance Officer's Statement

The CFO advised that the CFO's Statement was a statutory statement as required by S25 of the Local Government Act. The statement required the CFO to report on the robustness of the budget estimates and whether there were adequate reserves proposed to cover the prudent minimum. A member commented that the statement set the overall context of the budget and should be placed earlier in the report.

There were no comments or questions made on Sections 7 and 8.

Following discussion it was:

RESOLVED to ask cabinet to:

1) Remove the requirement to register to access Get Talking Norwich and add the demographic profiling questions into the main questions;

2) Ensure consultations include a clear statement of intent, which explains how the results and data collected will be used;

3) Ensure that consultees are responded to once the consultation has closed and summarise the changes which have been made as a result of consultation responses;

4) Include consultations in the Equality, Diversity and Inclusion Strategy to ensure that the sample response is representative of the population of the city;

5) Provide a clear logic map which links the budget and corporate plan consultations;

6) Avoid the use of leading questions in consultations;

7) Ensure consultations are mindful of and mitigate against digital exclusion and literacy rates;

8) Consider the use of a more deliberative process to inform the decision making process;

9) Communicate how the council is spending its money to the public;

10) Provide a briefing to members of the council on the Future Shape Norwich project;

11) Include a section on NCSL in the budget papers.

3. Corporate Plan 2024-2029

The chair advised that the corporate plan would be considered at an extraordinary meeting of scrutiny committee which would be scheduled prior to cabinet on 6 March 2024 in order that the committee's recommendations could go forward for consideration.

Members discussed the late presentation of reports and commented that reports should include outcome metrics, how could performance be measured if there were no metrics included within reports. The Chief Executive Officer reassured committee that the comments they had raised at their last meeting in reference to reports had been feedback to her and considered by the Senior Leadership Team.

RESOLVED to note the update on the Corporate Plan.

CHAIR