NORWICH City Council

MINUTES

SCRUTINY COMMITTEE

4.30pm to 6.30pm **30 January 2014**

Present: Councillors Stephenson (chair), Maxwell (vice chair), Barker (substitute for Councillor Grenville), Boswell (substitute for Councillor Carlo), Bradford, Brimblecombe, Button (substitute for Councillor Brociek-Coulton), Galvin, Howard, Lubbock, Manning, Sands (S) and Storie

Also present: Councillor Waters (deputy leader of the council, and cabinet member for resources)

Apologies: Councillor Brociek-Coulton, Carlo and Grenville

1. DECLARATION OF INTERESTS

There were no declarations of interest.

2. MINUTES

RESOLVED to approve the minutes of the meeting held on 19 December 2013, subject to the following amendments:

(1) item 3, Work programme, second paragraph, final sentence, deleting the word "and" and replacing it with "any" so that the sentence reads as follows:

"This would enable members to make an informed decision with regard to if or how they might carry out any future scrutiny of the topic."

(2) item 5, Overview of the Corporate plan 2012-2015, the following amendments:

(a) second paragraph, first sentence, inserting "which had been lowered from 4% to 2%" after the word "emissions" and starting a new sentence after "2%" by inserting "It was noted that" so that the sentence reads as follows:

"A member expressed concerns that with regards to the target for reduction of carbon emissions which had been lowered from 4% to 2%. It was noted that the definition of operations was very narrow and only included council buildings and not housing stock."

(b) second paragraph, third sentence, correcting the punctuation at the end of the sentence;

(c) second paragraph, final sentence, inserting "in the Eastern region" after the word "performing" so that the sentence reads as follows:

"However, this council remained as one of the best performing "in the Eastern region in this regard."

3. PRE-SCRUTINY OF THE PROPOSED POLICY AND BUDGET FRAMEWORK

Councillor Waters introduced the reports and explained that the budget framework was fundamentally linked to the cabinet's objectives contained in the Corporate plan. The administration had produced a stable budget with flexibility to take account of potential risk, with minor changes to reflect shifts in policy and factual changes.

General fund revenue budget and non-housing capital programme 2014-15

(A supplementary report, General fund revenue budget and non-housing capital programme 2014-15, which amended diagram 5.1, was circulated at the meeting.)

The chief finance officer presented the report.

During discussion the chief finance officer, executive head of strategy, people and democracy and the finance control manager, answered members' questions. The committee sought clarification and commented on a number of issues as follows:

- The revenues and benefits improvement project – members were advised that the project was underway. It had been risk assessed and the council had just missed achieving the standard for the grant by a couple of thousand in 2012-2013. Projections in the transformation programme were for the council to reach the top quartile by 2015-16.
- That the calculation of council tax was based on an increase of 1.95% and what would the impact of a lower percentage increase. Councillor Waters said that cutting the percentage would have a significant impact on the council tax base and council's reserves. The council tax reduction scheme had been approved at council on 28 January 2014. There was still a need to consider other options and final government settlement had not yet been announced. If the level of increase was only 1% to qualify for the government's Council tax freeze grant, the council would only receive £60,000. The government had not announced the level of increase in council tax that would trigger a referendum.
- Members were advised that the prudent minimum level of reserves, set out in the table contained in paragraph 8.11 of the report had a 20% safety margin which allowed the council to meet unexpected calls on its budget. The

fluctuation in the reserves each year made provision for the smoothing of savings over the period of the medium term financial strategy. If the council were to take out £500,000 out of reserves it would negate the need for permanent savings for that year in question.

- Clarification was sought on disposal of assets rather than using reserves to meet the council's budgetary requirements. The explanation was that the council would consider the disposal of assets where the council did not receive sufficient return for its investment.
- A member welcomed the government's announcement that business rates will be capped at 2% and that it has given assurances that councils will be reimbursed for resulting losses through the S31 grant.
- Members were advised that the council had received government funding of £70,000 and would receive further grants to implement individual electoral registration (IER) and that the elections team was expanding. The half post deleted under the transformation programme was a vacant post. Members were also advised that the funding was ring fenced.
- Transformation programme – members noted that there was further information on the programme contained in the report and in the appendix 4 and the management structure in appendix 3.
- The council proposed to charge commercial properties for the late payment of rent. Other commercial landlords did charge for this. The council would retain its discretion to implement the charge in certain circumstances.
- Members were advised that it was not proposed to introduce the charging of replacement wheelie bins (appendix 4, item 14) and that whilst this might be considered in future years it should have been deleted from the report and did not affect the budget proposals. The version of the report to cabinet next week had been amended accordingly.
- Members noted that the issue of the New homes bonus had been discussed at the Local Enterprise Partnership and that there was some uncertainty whether it would be discontinued outside London. It would be a significant loss to the council.
- Clarification was given on the work of the head of citywide services around income generation on memorial benches, trees and shops. The target was modest to reflect what could be achieved. There were other opportunities to generate more income in sports, such as pitch and putt, but it would need some marketing to achieve this.
- The committee was advised that empty shop fronts could be used as a marketing tool and that NPS Norwich considered that it could achieve the target of £10,000.
- The committee was reassured that pensions to individual employees were not affected by the changes to the NPS Norwich pension contribution rate. The revenue savings of £223,706 reflected a re-evaluation of the pension funds and the council's liability for future pension contributions was lower than previously expected.
- Members queried whether £15,000 was sufficient to fund the electronic tablets for the roll out of "paperless meetings". Members were advised that this was a modest projection as the council spent around £30,000 on printing agendas for meetings. The software for the committee management system had been purchased out of this year's budget. It was suggested that paper used before and after the introduction of this project could be compared to evaluate the savings in paper and printing costs.

Further discussion then ensued on the revenues and benefits improvement programme which had previously been scrutinised by the committee. The executive head of strategy, people and democracy said that the subsidy was based on the error rate and the council wanted to receive as much subsidy as it could. The committee discussed whether this could be achieved by additional resources and whether this was the responsibility of the council's partner, LGSS. The chief finance officer explained how the error rate was caused and pointed out that most of the errors were caused by delays in taken action on changes of circumstances which shows up as an error in the payments. The executive head of strategy, people and democracy said that the council could invest in more resources to ensure that the error rate was brought down but there was a point where further investment was not effective and it would need to be supported by a business case.

RESOLVED to recommend to cabinet that it reviews the revenue and housing benefit improvement programme to ensure that the council is on target to improve performance and reduce error rates to qualify for the government subsidy.

Housing rents and budgets 2014-15

The chief finance officer presented the report, together with the cabinet member for resources, and pointed out that the housing revenue account budget was ring-fenced for costs incurred on the council's housing stock. Members were advised that the slides in appendix 3 had been used in the tenant consultation and showed the impact of different rent increases. If the lower rent increases were implemented the council would need to adjust its capital works programme and some of its services.

During discussion the chief finance officer, executive head of strategy, people and democracy and the finance control manager, answered members' questions. The committee sought clarification and commented on a number of issues as follows:

- Members expressed concern about the proposal to increase rents by 5.75%, particularly on households on benefits which were under-occupied and would therefore be affected by the removal of the under-occupancy subsidy, and low income households which were just above the benefit level. The council had increased rents by 5.1% last year and increasing rents on a year on year basis would exacerbate the impact on household budgets. The committee would have liked to see comments from the council's financial inclusion officers on the impact that it would have on individuals. The committee was advised that the corporate leadership team and senior officers were consulted on the draft budget. The council did not hold information on the financial circumstances of the tenants who had been involved in the budget consultation.
- The committee was advised that the council's social housing rents were considerably lower than private rented accommodation. The council set the level of rents for its council housing stock.
- Clarification was sought on the composition of the tenants who were consulted on housing rents and budgets as members considered that those on housing benefit would not be affected by a rent increase and therefore would not oppose a higher percentage increase. Members were advised that 62% of tenants were in receipt of some form of housing benefit.
- Members also considered the impact of lower rent increases on the housing capital programme. NPS Norwich had put forward proposals for the

programme in consultation with the tenant involvement panels and the council and since the introduction of self-financing there was more choice available. Lower rent increases would mean that some projects would be deferred, requiring further consultation on the housing capital programme to prioritise.

- Members were advised that it would be illegal to set a budget that broke the debt cap.

Discussion ensued on the proposed rent increase to 5.75% and members considered that it would be useful to see the impact that rent increases at increments between 3% and 5.75% would have on the housing investment programme and the services. The chief finance officer undertook to provide this information before the council made a decision at budget council. A member pointed out that when considering the budget it was necessary to consider whether it was an adequate budget for what the council intended to do and therefore the rents needed to be appropriate. The budget needed to be inclusive and balance the needs of the people on low incomes against the objectives in providing homes of a decent standard and build new homes. Members expressed concern that they needed to be informed to make a decision to increase rents when there was a cost of living crisis. Members specifically considered that rent increases would have an adverse financial impact on those just above benefit entitlement threshold, either forcing them on to benefits or impacting on their disposable income and for tenants already affected by the government's changes to benefits for non-dependants and under-occupation the position would be worsened.

RESOLVED to:

(1) recommend that cabinet takes into consideration that a rent increase will:

(a) impact on the financial situation of tenants who are just above the benefit entitlement threshold; which could impact on their disposable income and/or force them into benefit;

(b) exacerbate the financial situation of tenants already affected by the government's changes to benefits for non-dependants and under-occupation;

(2) note that evidence of the proposed rent increase, in terms of financial inclusion and equality, should have been included in the report for members to take into consideration;

(3) ask the chief finance officer to provide an exemplification of possible rent increases between the published option 1 (5.57%) and option 2 (3.00% flat rate).

CHAIR