



**SCRUTINY COMMITTEE**

**16:30-18:15**

**6 February 2020**

Present: Councillors Wright (chair), Ryan (vice chair), Carlo, Giles, McCartney-Gray, Oliver, Osborn, Peek (substitute for Cllr Manning), Sands (M) (substitute for Sands (S)), Sarmezey, Schmierer (substitute for Cllr Grahame), Stutely (substitute for Cllr Fulton-McAlister (M)) and Thomas (Vi)

Apologies: Councillors, Fulton-McAlister (M), Grahame, Manning and Sands (S)

**1. Declarations of interest**

There were no declarations of interest.

**2. Public questions/petitions**

There were no public questions or petitions.

**3. Minutes**

**RESOLVED** to approve the accuracy of the minutes of the meeting held on 16 January 2020.

**4. Update of the representative on the Norfolk Health Overview and Scrutiny Committee**

As the representative had sent apologies, it was:

**RESOLVED** to defer the update of the representative on the Norfolk Health Overview and Scrutiny Committee to the next meeting of the scrutiny committee.

**5. Scrutiny committee work programme 2019-20**

The chair reminded committee members that there would be an extraordinary meeting of the scrutiny committee on Tuesday 11 February and the meeting would be held in the crypt at St Andrew's Hall.

Members agreed that the meeting of the scrutiny committee due to be held on Thursday 19 March would be moved to Wednesday 25 March to accommodate the

chair of the LEP and the meeting would be convened at 15:30. Members would also take items on the findings of the two select committees and would consider the annual scrutiny review.

**RESOLVED** to ask the scrutiny liaison officer to:

- (1) Move the scrutiny meeting on 19 March 2020 and to Wednesday 25 March at 15.30 to question the New Anglia Local Enterprise Partnership (LEP) and to receive select committee reports for short term lettings and antisocial behaviour (including fly tipping and local council processes) and also the annual review of the scrutiny committee; and
- (2) ask the LEP to be prepared to answer questions on their carbon reduction action plan.

## **6. Pre-scrutiny of the budget 2020-21**

(Councillor Kendrick, cabinet member for resources and Councillor Waters, leader of the council joined the meeting for this item).

The chief finance and section 151 officer presented the report. The budget papers included the capital strategy, the investment strategy and the treasury management strategy and also set out the financial risks faced by the council.

The budget consultation had shown that 58% of respondents supported an increase in council tax. There was a huge degree of uncertainty around funding in the future with an increasing demand on council services. There was a need to save £2.5 million each year for the next four years which would be challenging.

She said that the budget was, in her opinion, a robust one with a prudent level of reserves.

Councillor Kendrick said that the budget was robust and responsible. The council had resisted making cuts to frontline services due to the work of the council's finance team and especially with the acquisition of commercial properties. The council was also one of the few local authorities maintaining 100% council tax reduction.

Councillor Water said that within the Corporate Plan, the budget allowed the council to pursue improvement policies for local residents and the council was working hard to make sure that services were maintained. There was a high degree of uncertainty around funding after this financial year but efforts were being made to work with partners to keep vital services.

A member referred to page 88 of the agenda and asked why there was an increase of £70,000 for the Environmental Protection Act mobile clean up team and whether fines for fly tipping could be used to fund the increase. The director of people and neighbourhoods said that this was the team dealing with hotspot work around the city and the increase was a rebalance of costs. He said that suggestions around using fines to fund this could be included as part of the work of the antisocial behaviour select committee.

A member asked what mitigation there was to protect the council against changes in business rates. The chief finance and section 151 officer said that it was a very complicated system. The percentage of business rates kept by the council was decided by central government through a tariff system but the council was guaranteed a certain amount of retained rates.

In response to a members question on what a sustainable local government finance settlement would look like, the leader of the council said that there should be a needs based assessment. The chief finance and section 151 officer added that some certainty over the medium term for funding would be helpful as currently, the council had only been given funding settlement figures for one year.

A member asked whether risks around climate change including the risk of flooding and hot weather, had been factored in to the budget. The chief finance and section 151 officer said that although there was nothing specifically in the budget, there was money in reserves and specifics would be looked at as necessary. The leader of the council said that it was a strong budget which allowed for delivery of the Corporate Plan. There was a consultation being undertaken on the council's Environmental Strategy and retro fitting of boilers to council housing stock. These were all elements adding to a broader picture of meeting the climate challenge.

A member referred to page 129, table 6.1 of the agenda papers and asked, in relation to money market funds, what were the criteria for investing in terms of success and ethics. The chief finance and section 51 officer said that money market funds were used as a flexible way of holding cash and were all AAA rated. She acknowledged that ethical criteria could only be applied to direct investments and there could not be monitored once the investment went to a money market fund. This would only be possible if the council was limited to direct investments.

(Councillor Carlo joined the meeting at this point).

A member asked with the lift of the borrowing cap, how far the council could go with building new homes. The chief finance and section 151 officer said that although the borrowing cap had been lifted, any borrowing would need to be proportionate and affordable to the housing revenue account. The director of neighbourhoods and people said that the ambition would be to increase building of new homes where possible and as sites came forward, they would be investigated but would be subject to a business case.

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A member referred to the income from car parks and questioned how this income would be replaced if the council looked to reduce car usage in the city. Councillor Kendrick said that the income was vital to protect services but in the long term this would have to change through an ongoing process.

A member asked what additional revenue could be raised from having some higher council tax bandings and asked whether the council had considered a greater than 2% rise in council tax. Councillor Kendrick said that in order to raise the council tax by more than 2%, a referendum would need to be held and the associated costs of this would have to be met by the council. He referred to changes made to council tax

bandings across Wales whereby income made from higher bandings was distributed across the country. The chief finance and section 151 officer added that a 1% increase in council tax rates equated to about £100,000 of additional income to the council.

A member referred to page 71 of the agenda paper and questioned the savings around the licensing and enforcement restructure. The director of neighbourhoods and people said that in order to reduce costs, the council looked to group similar teams together. The savings had been made not from the public protection licensing team but by bringing the private sector licensing teams together to make savings.

Members discussed pension liabilities and the impact on the budget. The chief finance and section 151 officer said that pension costs were increasing. The insourcing of services may improve the funding position, but there would remain an overall deficit on the fund. The funding position was also dependent on the investment returns from the pension fund.

In response to a member's question on convening a cross party budget working group, the leader of the council said that although there was the framework for such a working group, there were mechanisms for feeding into the budget through audit and scrutiny committees and through opposition parties proposing amendments to the budget a budget council. The Medium Term Financial Strategy (MTFS) looked to project budgets for the next 3 to 5 years so members should read this carefully.

A member said that in previous years, the MTFS had given a budget for two years and wondered if there were any plans to go back to a similar system. The chief finance and section 151 officer said that while it would be helpful to do that, but it was challenging to find the requisite amount of savings each year which made that system difficult. The corporate leadership team would be working on budgets for 2021-22 once the budgets for 2020-21 had been agreed.

A member referred to page 98 of the agenda papers asked why the line for transforming services and delivering new incomes and saving was set at £0 after 2020-21. The chief finance and section 151 officer said that the decision had been taken that the final tranche of commercial property acquisitions would be made in 2020-21 which would give a proportionate portfolio for the council.

A member questioned why the budget for citywide waste publicity was decreasing. The director of neighbourhoods and people said that a lot of publicity work was being undertaken through the Norfolk Waste Partnership which meant that a saving could be made in the council's budget.

A member asked if the council could legally go below the prudent minimum level of reserves and if so, whether maintaining 100% council tax reduction would be a reason to do so. The chief finance and section 151 officer said although it was not illegal to dip below the prudent minimum level of reserves, the level was set by the section 151 officer to give the council flexibility to respond to emerging issues. The leader of the council said that part of the cost of the scheme gave flexibility to mitigate such costs. If budgets showed that reserves were getting to the prudent minimum, there would need to be a more detailed piece of work to look at priorities.

In response to a question from the chair, the chief finance officer said that a baseline reset for business rates was being discussed. This would mean that all retained growth from business rates would be redistributed across the country. This would not be as big a risk for Norwich City Council as some other councils that had seen much higher growth in their business rates.

## **7. Exclusion of the Public**

**RESOLVED**, with ten voting in favour and two against, to exclude the public from the meeting during consideration of the remainder of item 6 on the grounds of commercial sensitivity as contained in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended)

## **\*8. Pre-scrutiny of the budget 2020-21**

Members discussed Norwich Regeneration Limited and its budgetary implications. A member referred to page 124 of the agenda papers and questioned the forecast maximum lending. The chief finance and section 151 officer said that it showed the forecast of what Norwich Regeneration Limited might ask the council for in terms of lending to support its business plan. The budget papers were not setting any cap on the loan amount and any further lending would require council approval.

**RESOLVED** to

(1) ask cabinet to:

- a) further understand where money market funds are invested and if this investment is ethical,
- b) investigate the use of Housing Revenue Account money towards carbon future proofing,
- c) investigate sources of income to replace that from reduced use of car parks;  
and

(2) recommend that cabinet convenes the cross party budget working group.

CHAIR