

Unconfirmed

Minutes of a Meeting of the **Shadow Scrutiny Committee** held in the **Deben Conference Room, East Suffolk House, Melton** on **Monday 4 February 2019** at **6:30pm**

Members present: P Dunnett (Chairman), A Cackett (Vice Chairman), S Bird, S Burroughes, L Coulam, J Fisher, T Gandy, L Gooch, C Hedgley, G Lynch, S Mower, K Robinson, M Vigo di Gallidoro

Other Members present:

S Lawson

Officers present:

K Abbott (Democratic Services Business Manager), L Rogers (Finance Manager and Deputy S151 Officer), S Taylor (Chief Finance Officer)

1. Apologies for Absence

Apologies for absence were received from Councillor Deacon. Councillor Fisher acted as Substitute for Councillor Deacon.

2. Declarations of Interest

There were no Declarations of Interest.

3. Minutes

RESOLVED

That the Minutes of the Meeting held on 17 December 2018 be confirmed as a correct record

Before moving to the remainder of the agenda, the Chairman wished to record his and the Shadow Committee's congratulations to Mr Taylor on his recent appointment as Chief Finance Officer.

4. Draft General Fund Budget & Council Tax Report 2019/20

The Cabinet Member with responsibility for Resources (SCDC) introduced report **REP 30(SH)**. In summarising the detailed report before the Shadow Committee, the Cabinet Member stated that the Medium Term Financial Strategy (MTFS), which had been considered by the Shadow Scrutiny Committee on 15 November 2018 and Shadow Cabinet on 10 December 2018, provided a baseline forecast of income and expenditure, as well as a commentary on the overall financial climate. He added that the MTFS also provided a framework within which the Council's overall spending plans would be developed.

The Cabinet Member advised that the 2019/20 provisional Local Government Finance Settlement had been released on 13 December 2018 and, under the provisional settlement,

the Council was due to receive a Revenue Support Grant and a Rural Services Delivery Grant of £323,000 and £248,000, respectively. The Committee was informed that the Government had also announced the allocations for New Homes Bonus for 2019/20 and, for East Suffolk Council, this would be £2.408m. The updated MTFS within the report highlighted the difference between expenditure and sustainable resources.

The Chief Finance Officer provided a short presentation which included:

- The Final Local Government Finance Settlement 2019/20 had been received on 29 January 2019 and had confirmed the provisional figures released in December for the Revenue Support Grant, the Rural Services Delivery Grant, the New Homes Bonus and Council Tax referendum principles
- Revenue Support Grant (RSG) - £323,000 for 2019/20. SCDCs original negative RSG (£313,000) had been foregone. A budget assumption of no RSG from 2020/21 had been applied
- Rural Services Delivery Grant (RSDG) - £248,000 for 2019/20, an increase of £49,000. A budget assumption of funding for 2019/20 only had been applied.
- New Homes Bonus allocation 2019/20 – The provisional allocation of £541,311 plus an Affordable Homes Premium of £115,500 totalled £656,811 (an increase of £16,000 on the estimated figure). The baseline had remained at 0.4% and, from 2020 onwards, an incentivised housing growth model was anticipated.
- The presentation also provided details of New Homes Bonus legacy payments for the financial years 2019/20 to 2022/23 and of the New Homes Bonus Reserve for the same periods
- Up to 70% of the in-year New Homes Bonus was allocated to supporting the delivery of projects and initiatives in the community. These were detailed in section 4.41 of Appendix B of the report but included, for example, an Enabling Communities Budget of £7,500 per annum to each of the East Suffolk Councillors, £200,000 per annum to the Strategic Community Partnerships, and £200,000 to support free wi-fi projects in market towns. Up to 30% would be available to support the budget, if required, and any unused funds would be held in reserves.
- A 2.5% increase in Council Tax was proposed (£4.05 per household)
- The presentation provided the sources of the £21.79m in funding (Council Tax £14.43m; Business Rates £6.79m; Revenue support Grant £0.323m; Rural Services Delivery Grant £0.248m), the net budget requirement and the MTFS budget forecast
- The presentation provided an update on the budget gap (c £4m) and General Fund Reserves, including the funding of the Council's capital programme

The Chairman invited questions.

With reference to a question by a member of the Shadow Committee regarding the proposed Council Tax increase, the Chief Finance Officer referred to Appendix B2 to the report which provided the Council Tax base for 2019/20 for Band D equivalent properties compared to that of 2018/19; this information included any discounts, reliefs or premiums. In general, the Chief Finance Officer said the Council Tax base grew by approximately 1% per annum. The member also asked if an extension to an existing property resulted in an increase of Council Tax banding. The Chief Finance Officer replied that such a property would remain at its original banding until it was sold and that conditions might be applied to planning permission to clarify any potential change upon sale. The member asked how such an increase would be

implemented by the Council and the Chief Finance Officer undertook to provide this information outside of the meeting.

Another member of the Shadow Committee asked for some additional clarity on the impact on the Rural Services Delivery Grant once the 75% business rate retention system was introduced. He added that this was still being consulted upon and the criteria or worked examples were not yet available to be able to fully assess the impact.

A member of the Shadow Committee, with reference to Appendix B1 (page 36) of the report, sought additional information on the fiscal matters to be considered, namely "*the likely passporting of some Government departmental savings targets to Councils*". The Chief Finance Officer advised this was, at the moment, identified as a potential risk and did not reflect a current or specific issue.

The Chairman referred the Shadow Committee to the proposed 2.5% increase in Council Tax which represented a reduction of 90p per household compared to budget assumptions of 3.1% increase and would result in a reduced funding source to the Council of £78,000. He sought the Committee's views on the proposal.

A member of the Shadow Committee welcomed the saving to households. The member asked if the Council's assets offered opportunities which might help to mitigate the reduced funding source. The Chief Finance Officer said a detailed review of existing assets had been undertaken and a new draft Asset Management Strategy was being developed. He added that the new Council's Cabinet would be asked to consider the optimal asset base for the efficient delivery of the Council's objectives.

Another member of the Shadow Committee asked what the County Council proposed for Council Tax; another member of the Committee, also a County Councillor, advised it had proposed the maximum allowable at 2.99% plus 1% over three years. The Chief Finance Officer said this would equate to just under £50 for the County and an increase for Suffolk Constabulary of £24.

Several members of the Shadow Committee welcomed the proposed 2.5% increase and indicated that they would not wish to see this further increased.

There being no further questions or matters for debate, the Chairman moved to the recommendations which were proposed, seconded and by majority vote

RESOLVED

That, having reviewed the contents of report REP 30(SH), the Shadow Cabinet and the Shadow Council, on behalf of East Suffolk Council, be recommended to:

1. Approve the General Fund Revenue Budget as set out in this report and summarised in **Appendix B4**, and to note the budget forecast for 2020/21 and beyond;
2. Approve the Reserves and Balances movements as presented in **Appendix B5**;
3. Approve no changes be made to the Local Council Tax Reduction Scheme;

4. Adopt the existing Local Council Tax Reduction Scheme for East Suffolk;
5. Note the Council Tax Base of 86,755.14 for 2019/20; and
6. Approve a Band D Council Tax for 2019/20 of £166.32.

5. Capital Programme Strategy 2019/20 to 2022//23

The Cabinet Member with responsibility for Resources (SCDC) introduced the report, **REP 31(SH)**. The Cabinet Member stated that the Capital Strategy (**Appendix A**) was a new report for 2019/20, which gave a high-level overview of how capital expenditure, capital financing and treasury management activity contributed to the provision of local public services in East Suffolk, together with an overview of how associated risk was managed and the implications for future financial sustainability.

The Chief Finance Officer summarised the key aspects of the report. With regard to Treasury Management, the Committee was updated on borrowing and investment and the Chief Finance Officer assured members that it remained the policy of the current and future Councils to focus on in-District investment and maintaining borrowing levels within pre-set limits. The Committee was also asked to note Service investments, including joint commitments with the Norse Group, and the current development of a new Asset Management Strategy (as at February 2019) which would take a long-term view of the use of the Council's capital assets. It was suggested that, some six months after the Asset Management Strategy was implemented, a review of its policies for the purchase and construction of new assets, investment in existing assets, the transferring of assets to other organisations, and the disposal of surplus assets, be considered for review by the new Scrutiny Committee for East Suffolk. The Committee was also updated on the current financial liabilities, including the Pension Fund Deficit, and to note the Chief Finance Officer's statement, in accordance with the Prudence Code, that the Capital Programme Strategy was affordable, that risks had been identified and were being managed.

A member of the Committee asked about the investment in the Lake Lothing Third Crossing in Lowestoft. The Chief Finance Officer clarified that the Council's investment in the project would be the provision of the land rather than finance.

Another member of the Committee, with reference to the asset disposal of the former Suffolk Coastal District Council headquarters, asked about the risk of receiving less than the asking price. The Chief Finance Officer said that, at the present time, the site had been sold, subject to contract and planning permission. He added that as no capital receipts were anticipated the final funds realised by this asset disposal would not impact on the capital programme.

A member of the Committee referred, in particular, to two main General Fund capital projects scheduled for 2019/20, namely the East Point Pavilion development of a new restaurant/café and the Lowestoft beach hut replacement; she asked how 'fixed' these projects were or if there was a degree of flexibility. The Chief Finance Officer said these were within the Capital Programme for the new Council but would be subject to the approval of business cases; he added that the feasibility of the projects was still being assessed. The member asked about the estimated costs; the Chief Finance Officer said maximum estimates had been indicated within the Capital Programme.

Another member of the Committee asked about the potential use of the Housing Revenue Account to build new social housing for rent. The Chief Finance Officer said that, currently, the

majority of social housing was provided by housing associations; he added that, potentially, land could be decontaminated to enable residential construction through the use of grant funds.

There being no further questions or matters raised for debate, the Chairman moved to the recommendations which were proposed, seconded and by unanimous vote

RESOLVED

1. That, having reviewed and commented upon the Capital Strategy 2019/20 to 2022/23, the Shadow Scrutiny Committee recommended to Shadow Cabinet and Shadow Council that it be approved;
2. That the comments on the on-going development of the Asset Management Strategy (Section 3 of Appendix A) and the Commercial Investment Strategy (Section 6 of Appendix A) be noted

6. Consideration of the East Suffolk Shadow Cabinet's Forward Plan

In accordance with Rule 13.1(d) of the Shadow Scrutiny Committee's Rules of Procedure, the Shadow Cabinet's Forward Plan of key and exempt decisions scheduled between December 2018 and March 2019 was received.