

Confirmed

Minutes of a Meeting of **Shadow Scrutiny Committee** held in the **Deben Conference Room, East Suffolk House, Melton** on **Monday 17 December 2018 at 6:30pm**

Members present:

S Bird, S Burroughes, A Cackett (Vice Chairman), L Coulam, P Dunnett (Chairman), L Gooch, C Hedgley, G Lynch, S Mower, M Vigo di Gallidoro

Other Members present:

S Lawson, B Provan

Officers present:

K Abbott (Democratic Services Business Manager), S Taylor (Interim Chief Finance Officer), A Welham (Senior Accountant)

1. Apologies for Absence

Apologies for absence were received from Councillor Deacon, Councillor Gandy, Councillor Robinson and Councillor Webb.

2. Declarations of Interest

There were no Declarations of Interest.

3. Minutes

RESOLVED:

That the Minutes of the Meeting held on 15 November 2018 be confirmed as a correct record

The Chairman agreed that the agenda be re-ordered, as below.

6. Housing Revenue Account Budget

The Cabinet Member with responsibility for Resources (WDC) introduced report **REP 19(SH)** which outlined the Housing Revenue Account (HRA) Income and Expenditure Budgets for the financial years 2019/20 to 2022/23 as well as a summary of its reserves and balances. The HRA budgets were fully funded from existing HRA funds to the Council's HRA spending plans. This included the capital investment programme and reserve balances as detailed in the HRA financial business plan. The report also provided details of the effects of the Welfare Reform Act 2012, the 1% decrease on Affordable and Social Housing Rent from 2016/17 to 2019/20 and Government guidance on Affordable and Social Housing Rent increases from 2020/21 onwards.

The Interim Chief Finance Officer gave a presentation which provided background information on the HRA, including self-financing and Right to Buys, as well as challenges the HRA faced. The presentation

also provided details of the HRA budget requirement, external grants and contributions, capital reserves and direct revenue financing. With regard to self-financing, the presentation outlined the market value of the housing stock, its existing use value and the HRAs £8m of pre-self financing debt. This, combined with £68m from self-financing, amounted to total borrowing of £76m in comparison to the housing stock's market value of £525m.

The Chairman invited questions.

A member of the Committee, with reference to the Existing Use Value being used for balance sheet purposes only, asked why this was the practice. The Interim Chief Finance Officer replied that the Ministry of Housing, Communities and Local Government required this as the basis of the social housing discount factor.

Another member of the Committee noted that there had been no applications to the HRA Hardship Fund since 2012 and asked if it had been sufficiently highlighted as available. The Interim Chief Finance Officer referred to paragraph 9.2 of the report and added that tenants facing unexpected and/or exceptional difficulties as a result of the Welfare Reform Act 2012 were advised that the Hardship Fund was available. The Senior Accountant further explained that the HRA Hardship Fund acted as an extension and reserve to the Discretionary Housing Payment (DHP) in that, if the DHP fund was exhausted, the Hardship Fund could be used to top it up although, to do so, the consent of the Secretary of State was required. The Committee was advised that the DHP had not, to date, been used in its entirety and so use of the Hardship Fund as a reserve had not been needed; also, the DHP had been increased by central Government.

A member of the Committee asked if comparative figures with other Local Authorities were available. The Senior Accountant said they were not. Another member of the Committee considered the title 'Hardship Fund' to be misleading and suggested it would be identified as the reserve to the DHP.

Another member of the Committee asked about the criteria to qualify for funds from the DHP and asked if these were widely communicated and available, including through citizens' advice bureaux. The Interim Chief Finance Officer did not have these details with him; he undertook to seek the information from Anglia Revenues Partnership and to provide it outside of the meeting.

A member of the Committee enquired if, under Universal Credit, claimants could request the money for their rent to be sent direct to the landlord instead of to their bank account. The Interim Chief Finance Officer confirmed that this was possible and added that it was actively encouraged for tenants with a history of difficulty paying their rent.

Another member referred to section 3 of the report regarding rent arrears and noted the significant increase in these over the last two years. He asked how this had been allowed to happen, and what was being done to resolve or recover the arrears. The Senior Accountant advised that the increase strongly correlated with the introduction of Universal Credit and that a similar impact had been experienced by all local authorities. Many cases of arrears were the result of the 10-week delay in tenants receiving Universal Credit during the initial roll-out, also, the payments had moved from weekly to monthly which had caused budgeting difficulties for some tenants. She added that measures had been implemented to help manage the situation, including the appointment of a full time Universal Credit Officer to assist claimants and the existing part-time Tenants Arrears Officer's post was now full time. In addition, new analytical software had enabled arrears to be better predicted.

An additional recommendation was proposed to ensure a report on the rent arrears position and actions in response was considered within twelve months of the new Council; it was further proposed that the new Scrutiny Committee receive an update report at six monthly intervals thereafter.

A member of the Committee asked if advice was made available to claimants during the interim stage of moving to Universal Credit. The Senior Accountant replied that officers offered help and advice throughout the process, including on the establishment of payment plans.

Another member asked why arrears remained if the implementation of Universal Credit was now complete. The Senior Accountant said the roll-out had been phased and the final phase had only been completed in October; with the implementation now concluded she anticipated a full picture of the impact would be better determined.

A member asked if, after the ten week delay during implementation of Universal Credit, claimants had received their back payment. The Senior Accountant did not have this information with her but undertook to seek it from Anglia Revenue Partnerships and respond to the member outside of the meeting.

There being no further questions or matters raised for debate, the Chairman moved to the recommendations. These, together with the additional recommendation (recommendation 2 below) suggested during the Committee's discussion, were proposed, seconded and by unanimous vote

RESOLVED:

1. That, having reviewed and commented upon (a), (b), (c) and (d), below, each be recommended to Shadow Full Council for approval:
 - (a) The Housing Revenue Account Budget for 2019/20, and the indicative figures for 2020/21 to 2022/23;
 - (b) Movements in Reserves and Balances;
 - (c) Weekly housing rent decrease of 1% for 2019/20, giving an average weekly rent of £83.05 over a 50 week collection period; and
 - (d) Service Charges and associated fees for 2019/20.
2. That, within six months of the new East Suffolk Council, the Cabinet Member for Housing be asked to present a report to the new Scrutiny Committee on rent arrears and the action being taken, or proposed, to reduce or recover these. Thereafter, that a six monthly update report to the new Scrutiny Committee be received.
3. That changes affecting public and private sector housing and welfare be noted

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

The Cabinet Member with responsibility for Resources (SCDC) introduced the report, **REP 18(SH)**, which set out the Capital Programme for the financial years 2019/20 to 2022/23. The report included the main principles applied to set the Programme and provided details of the expenditure and financing for 2019/20 to 2022/23.

The Interim Chief Finance Officer provided a presentation. The presentation provided an overview of what the Capital Programme included, as a key component of the Medium Term Financial Strategy, and

the principles which had been taken into account during its compilation. The capital funding sources for the General Fund - borrowing, capital receipts, capital grants, capital reserves, and revenue contributions -and the Housing Revenue Account - borrowing, Right to Buy receipts, capital receipts, capital reserves and HRA contributions – were also outlined. The Interim Chief Finance Officer's presentation referred to the ability of local authorities to borrow for capital expenditure provided that such borrowing was affordable, prudent and sustainable over the medium term. The Council's external borrowing limit was set at £155m with a General Fund limit of £67.74m and actual borrowing of £11.6m. The HRAs borrowing limit was set at £87.26m with actual borrowing of £75.97m.

The Chairman invited questions.

A member of the Committee asked if the Lowestoft Beach Hut replacement project, still subject to a business case, included stabilisation of the cliff. It was confirmed that it did.

Another member of the Committee referred to Disabled Facilities Grants (DFG) for Council housing and asked if properties converted via a DFG were then used for other disabled people in perpetuity. The Interim Chief Finance Officer said that, once a property had been adapted, priority occupancy would be given to people with similar needs. The member asked if a private household was entitled to a Disabled Facilities Grant, undertook a conversion and then left the property, would the Grant need to be repaid. The Interim Chief Finance Officer said he would clarify the requirements and provide an answer outside of the meeting.

A member, with reference to the East Suffolk Commercial Investment Strategy, asked if this would include opportunities to purchase land for development and rent, sale or retail and suggested that diversification of the Council's property portfolio would be more cost effective. The Interim Chief Finance Officer referred to £10m which had been set-aside for strategic land acquisition and commercial activity within the District, all of which would be subject to the approval of a full business case. He added that the Council's Property Fund was currently earning 4.27%.

With reference to the Lowestoft flood defences project within the Capital Programme, another member asked if discussions had been held with Yarmouth regarding use of their harbour during such works. The Interim Chief Finance Officer said he was not aware that discussions to that effect had taken place; he added that the costs of such an arrangement were unknown but likely to be significant and that such an arrangement was unlikely to be agreeable to those using the harbour such as Scottish Renewable Power. It was hoped that central government would allocate funding and, if not, the proposed project would not proceed. The Interim Chief Finance Officer said the proposed project was important to Lowestoft, its businesses and residents and added that the temporary barrier cost £90,000 each time it was deployed although those costs were recoverable. With regard to the potential for central government funding, a member asked at what stage the request for such funding was at and also asked if the county council was assisting with the costs. The Interim Chief Finance Officer referred to regular discussions with the Environment Agency and DEFRA.

Another member referred to extensive media coverage regarding an energy efficiency scheme in central Lowestoft and asked if there was any financial contingency for cleaner energy; the Interim Chief Finance Officer undertook to provide an answer on behalf of the relevant service area outside of the meeting.

The Chairman moved to the recommendation which was proposed, seconded and by unanimous vote

RESOLVED

That the Capital Programme for 2019/20 to 2022/23 be recommended for approval by the Shadow Full Council

4. Treasury Management Strategy Statement for 2019/20 and Treasury Management Investment Strategy for 2019/20

The Cabinet Member with responsibility for Resources (SCDC) introduced the report, **REP 17(SH)**, which set out the Council's Treasury Management Strategy for 2019/20 and the Treasury Management Investment Strategy for 2019/20 as well as the current treasury position, treasury indicators which limited the treasury risk and activities of the Council, prospects for interest rates, the borrowing strategy and the investment strategy. In particular, the Cabinet Member highlighted the Treasury Management Indicators and the underlying assumptions to the economic and interest rate forecast (as at October 2018).

The Chairman invited questions.

A member of the Committee referred to the credit outlook information as detailed on pages 9 and 10 of the report. He asked about the potential impact on the Council's investments as a result of the four biggest UK banks dividing their retail and investment banking divisions into separate legal entities. The Interim Chief Finance Officer said the retail banks were "safer" but payment on investments was poorer and the Council would be at greater risk in the event of a bail-out. The commercial banks provided both a higher return on investment and less exposure to bail-in risk, but were involved in high risk investments. The Interim Chief Finance Officer said the Council wished to move towards investment in other local authorities, through the "Ideal Trade" initiative, and so reduce its investment in banks.

Another member asked about the potential impact on the Council's property market as a result of Brexit. The Interim Chief Finance Officer said the Council currently had £5m invested in housing and that, while the capital element might reduce in the short term, the income element would remain unchanged over the next 12 to 24 months. He added that central Government proposed a statutory over-ride for the next five years and, on that basis, a relatively quick recovery was anticipated.

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

RESOLVED

That the Treasury Management Strategy Statement for 2019/2 and the Treasury Management Investment Strategy for 2019/20 be recommended for approval to Shadow Full Council

7. 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 and March was received.

The Meeting concluded at 7.59pm