

# Unconfirmed

Minutes of a Meeting of **Shadow Scrutiny** held in the **Conference Room, Ground Floor, Riverside** on **Thursday 15 November 2018** at **6:30pm**

## **Members present:**

S Bird, S Burroughes, A Cackett, L Coulam, P Dunnett, T Gandy, L Gooch, C Hedgley, G Lynch, S Mower, K Robinson, M Vigo di Gallidoro, N Webb

## **Other Members present:**

B Provan

## **Officers present:**

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

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The Democratic Services Business Manager opened the Meeting.

### **1. Election of the Chairman of the East Suffolk Shadow Scrutiny Committee**

On the proposition of Councillor Cackett, seconded by Councillor Burroughes, it was

#### **RESOLVED:**

That Councillor Dunnett be elected as the Chairman of the East Suffolk Shadow Scrutiny Committee.

### **2. Election of the Vice Chairman of the East Suffolk Shadow Authority**

On the proposition of Councillor Dunnett, seconded by Councillor Robinson, it was

#### **RESOLVED:**

That Councillor Cackett be elected as Vice Chairman of the East Suffolk Shadow Scrutiny Committee.

### **3. Apologies for Absence**

Apologies for absence were received from Councillor M Deacon.

### **4. Declarations of Interest**

There were no Declarations of Interest.

## 5. Draft Medium Term Financial Strategy 2019/20

The Shadow Scrutiny Committee received report **REP 7(SH)** by the respective Cabinet Members with responsibility for Resources; the report set out the context and initial parameters of the Medium Term Financial strategy in order that the new East Suffolk Council was able, in due course, to approve a balanced budget for the following financial year and to set the Band D rate of Council Tax. The Cabinet Member for Resources (Waveney District Council) briefly introduced the report and invited the Interim Chief Finance Officer to provide the Committee with a presentation. In summary, the presentation provided information on the following:

- The opening position of East Suffolk Council – revenue, capital and reserves
- An update on the Medium Term Financial Strategy in terms of New Homes Bonus, Council Tax and Grant Funding
- An outline of East Suffolk (population, size of the new District, employment statistics, the number of properties and the 2018/19 Band D Council Tax rate, and the number of enterprises
- 2019/20 Local Government Finance Settlement’s technical consultation in July 2018: 2019/20 to be final year of multi-year settlement, potential significant reform in 2020/21, testing of the new system , for example, business rate retention pilot 2019/20, negative Revenue Support Grant, New Homes Bonus threshold. A decision on the Settlement was anticipated on 6 December 2018.
- New Homes Bonus: Technical consultation in July 2018 – current baseline 0.4% potential for change in 2019/20; 2020 onwards incentivising housing growth effectively e.g. housing delivery test results. The 0.4% baseline had the potential for change, subject to the technical consultation, and might impact the receipt of New Homes Bonus
- New Homes Bonus (October 2018 estimate): Outline of the fluctuation of New Homes Bonus , year on year, and future projections. Currently, the New Homes Bonus funds Waveney District Council’s budget gap and at Suffolk Coastal District Council, the NHB is used to support specific community related projects and initiatives. The number of empty properties had risen.
- New Homes Bonus 2019/20: Position as at October 2018, potential for change subject to the Settlement announcement on 6 December 2018. Based on current figures, 80% would be allocated to East Suffolk Council and the remaining 20% to the County Council
- East Suffolk Council budget summary (as at February 2018) including the budget gap for 2019/20, 2020/21 and 2021/22
- Net Budget Requirement (as at February 2018): Details of Fees and Charges and New Homes Bonus/Section 31 grant were also outlined
- Sources of Funding 2019/20: Council Tax £14.45m, Business Rates £6.79m, Other Grants £0.21m (total £21.45m)
- Council Tax 2019/20: Number of properties = 117,394 across all bands. Indicative figures for band and tax charges (subject to approval by Full Council) were provided
- Budget Gap: Update on additional income, savings and operational requirements, plus the requirement to make additional savings. The new Council’s Efficiency Plan would be considered in June 2019
- Budget Assumptions in the areas of inflation (goods and services, and utilities; fees and charges; staffing costs; in-year vacancy saving; investment income; interest payable
- Capital Programme Expenditure proposals
- General Fund Reserves projected to April 2020/2021 and 2022

The Chairman thanked the Interim Chief Finance Officer for his comprehensive presentation and invited questions from the Committee members.

A member of the Committee, with reference to the recent announcement of potential budget cuts by Suffolk County Council, asked if this was anticipated to have an impact on the Councils' existing or future costs. The Interim Chief Finance Officer said that high-level negotiations on the potential future of services would be undertaken as and when required.

Another member of the Committee asked about the impact as a result of the long-term use of reserves. The Interim Chief Finance Officer said that reserves would be used if there was a budget gap, particularly at this point in the transition to the new Council.

With reference to the future approval of the budget by the Shadow Cabinet, a member of the Committee asked about the potential for this to be subsequently changed by the new Council. The member also referred to the 20% of New Homes Bonus which was given to the County Council and asked if this was likely to fluctuate and what control the County Council over the percentage it received. The member also asked about the entrepreneurial aspirations of the new Council and what plans there were to explore, for example, invest to save opportunities. The Interim Chief Finance Officer replied that the budget would be approved by the Shadow Council at its meeting on 28 February and confirmed that, should the new Council so resolve to change it after May 2019, it could be revised. He added that the Shadow Cabinet had the scope to recommended increased budgets, including to the General Revenue Budget, up to £500,000, but only Full Council could approve any such proposed change. The Interim Chief Finance Officer said the percentage of New Homes Bonus given to the County Council might be amended as a result of the technical consultation on the Local Government Finance Settlement. The Interim Chief Finance Officer added that both Councils had considered a number of potential entrepreneurial proposals and he outlined a number of such schemes. The member also referred to Waveney District Council's practice of holding small business units for rent; asked if the new Council would undertake more of this type of activity to maximise income with minimal risk. The Interim Chief Finance Officer said this was one of many options which the new Council would be able to consider and determine.

With regard to the scope for the Shadow Cabinet to increase a budget by £500,000, subject to Shadow Council's approval, a member of the Committee asked if this was potentially applicable to all or some budget areas. The Interim Chief Finance Officer said that, under the existing Financial Procedure Rules, the respective Cabinets of Suffolk Coastal and Waveney District Councils could increase each of their budgets by £500,000, cumulatively over the financial year.

Another member of the Committee referred to the slight difference in the percentage of employer contributions to the pensions of Officers of the Council and asked about the impact the formation of the new Council would have in this regard. The Interim Chief Finance Officer outlined the current, small percentage difference between Suffolk Coastal and Waveney District Councils and added that no significant impact on pensions was anticipated beyond the alignment of the percentage figure.

Another member of the Committee said she was disappointed by the service cost savings currently indicated within the report and asked about the scope for further savings to be identified. The member also asked if the Local Government Financial Settlement would be delivered on time. The Interim Chief Finance Officer said the Financial Settlement was expected to be delivered on 6 December and that an undertaking to that effect, by central Government, had been received. With regard to service cost savings, the Interim Chief Finance Officer advised that, since 2008, some £26m in savings had been achieved by both Councils. In response to the question about the possibility of further savings being

identified, the Interim Chief Finance Officer said he was confident that the Corporate Management Team would identify further savings of circa £800,000 to £1m.

A member of the Committee referred to the costs associated with planning appeals and asked for an indication of the total financial cost to the Council. The Interim Chief Finance Officer said he did not have the total figure to hand, but, potentially, costs to Council to defend appeals could be significant.

Another member of the Committee queried if it might be preferable to repay existing loans from the Council's reserves because of current low interest rates. The Interim Chief Finance Officer replied that the monitoring of the Councils' existing loans was within the remit of its Treasury Advisers and they identified opportunities to repay early, where possible, and subject to an assessment of any related premium payments.

The Interim Chief Finance Officer was also asked to outline the progress of the rationalisation of the current two sets of accounts. The Interim Chief Finance Officer said that, initially the Councils' bank accounts would be altered to reflect the name of the new Council and then a process of rationalisation would be undertaken. He added that all existing investments would transfer to the name of the new Council and Community Infrastructure Levy funds would be combined. The only funding areas which would remain 'ring-fenced', he said, would be Port Health and the Housing Revenue Account.

In response to a question by a member related to the calculation of staff cost savings and any potential impact on recruitment, the Finance Manager said these were based on historic data and estimates of general turnover of staff. She added that the staffing budget was set for a full establishment of staff and the trend of previous years indicated vacancy savings of c£200,000 per annum.

The member also asked about the potential to share facilities and resources with other local authorities and beyond the new Council's immediate boundaries. The Interim Chief Finance Officer replied that areas such as waste management already sat within a Suffolk-wide contract. He also referred to other services which were already shared across several local authorities, such as internal audit and the Anglia Revenues Partnership.

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

**RESOLVED:**

1. That the draft Medium Term Financial strategy, attached at Appendix B to report REP 7(SH), be received and commented upon
2. That the principal assumptions and actions surrounding the baseline Medium Term Financial Strategy be received and commented upon

**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 Committee received the current Shadow Cabinet's Forward Plan of Key and Exempt Decisions. The contents of the Forward Plan were noted.

The Meeting concluded at 7.40pm