

**MINUTES OF THE JOINT SCRUTINY COMMITTEE
HELD AT 6.00PM ON
5 JULY 2022
COUNCIL CHAMBER, TOWN HALL**

Committee Members Present: Councillors S Barkham (Chair), C Burbage, G Casey, M Farooq, S Farooq, C Fenner, JA Fox, JR Fox, M Haseeb, S Hemraj, M Jamil, K Knight, S Lane, N Moyo, S Nawaz (Sub), D Over, M Perkins, M Rangzeb, R Ray, L Robinson, M Sabir, N Sandford, H Skibsted, B Rush, B Tyler and C Wiggin

Also present: Councillor Hogg, Group Leader of the Liberal Democrats

Officers Present: Fiona McMillan, Director of Law and Governance
Dr Joyti Atri, Director for Public Health
Charlotte Black, Executive Director People and Communities
Adrian Chapman, Executive Director Place & Economy
Cecilie Booth, Corporate Director of Resources
Julian Patmore, Head of Operational Services – Customer and Digital Services
Paulina Ford, Senior Democratic Services Officer
Charlotte Cameron, Democratic Services Officer

Also Present: Councillor Fitzgerald, Leader of the Council
Councillor Allen, Deputy Leader and Cabinet Member for Communication, Culture and Communities
Councillor Ayres, Cabinet Member for Children’s Services and Education, Skills and University
Councillor Marco Cereste, Cabinet Member for Climate Change, Planning, Housing and Transport
Councillor Coles, Cabinet Member for Finance and Corporate Governance
Councillor John Howard, Cabinet Member for Adult Social Care, Health and Public Health
Councillor Simons, Cabinet Member for Waste, Street Scene and the Environment

Councillor Ishfaq Hussain, Cabinet Advisor to the Cabinet Member for Communication, Culture and Communities
Councillor Gul Nawaz, Cabinet Advisor for Community Cohesion
Councillor Jackie Allen, Cabinet Advisor to the Cabinet Member for Climate Change, Planning, Housing and Transport
Councillor Oliver Sainsbury, Cabinet Advisor to the Leader

The Senior Democratic Services Officer opened the meeting by welcoming everyone present and those members of the public and press who were watching the livestream of the meeting through the Council's YouTube page.

1. NOMINATION OF CHAIR

The Senior Democratic Services Officer advised the Committee that in accordance with *Part 4, Section 8 – Scrutiny Committee Procedure Rules, section 13, Joint Meetings of Scrutiny Committees* a Chair would be required to be appointed from among the Chairs of the Committees who were holding the meeting. Nominations were sought from those present who were Councillor Barkham, Chair of the Adults and Health Scrutiny Committee and Councillor Robinson, Chair of the Children and Education Scrutiny Committee. Councillor Barkham was nominated by Councillor Robinson and seconded by Councillor Jamil. There being no further nominations, Councillor Barkham was appointed Chair of this committee.

The Chair welcomed everyone present and explained that the purpose of the meeting was to provide an opportunity for all members of each Scrutiny Committee to scrutinise the Medium-Term Financial Strategy Quarter One update document as part of the formal consultation process before being presented to Cabinet on 11 July 2022.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Ansar Ali, Noreen Bi, Nicola Day, Alan Dowson, Gavin Eley, Chris Harper, Shabina Qayyum, Asif Shaheed and Ikra Yasin.

The following Children and Education co-opted members also submitted their apologies: Peter Cantley and Flavio Vettese.

3. DECLARATIONS OF INTEREST AND WHIPPING DECLARATIONS

No declarations of interest or whipping declarations were received.

4. MEDIUM-TERM FINANCIAL STRATEGY 2023-2026 QUARTER ONE UPDATE

The Cabinet Member for Finance and Corporate Governance introduced the report and highlighted the following:

- The Cabinet Member noted that this was a brief report and that the purpose of the report was to begin the development of the MTFS and 3-year financial strategy.
- It was noted that the key figures included the amount of money that the Council had and the budget gap it faced.
- Members were made aware that the Council would need to save £9.5 million, which has increased since the previously thought £5 million.
- Several assumptions were made to reach the shortfall figure which included the public sector pay award believed to be in the region of 3% per annum, the continued impact of the war in Ukraine, the cost of living and the acknowledgement that there would be some unknowns around interest rates.
- The Cabinet Member referred to the Census and noted that the population had increased more than expected. This would be a potential source of income for the Council through Council Tax but would increase the expenditure on statutory services.
- The Council would review the possibility of an increase in business rates but noted that there would be no further revenue support grants.
- It had been predicted that council tax would be increased by 2.99% per annum and it was recognised that this would be necessary going forward.

- The city had benefitted from the New Homes bonus but that would be reduced and there were no suggestions that there would be any additional funding.
- It was also noted that it was not expected that there would be any further support in the business rates pool funding, the improved better care fund, the social care grant and the services grant.
- The aim moving forward would be to develop the plans for a future sustainable council focused on 5 key areas of budget: vision and priorities, organisational resilience and capacity, governance and culture and economic growth.

The Joint Scrutiny Committee debated the report and in summary, key points raised and responses to questions included:

Section Of MTFS Phase One Proposals	Questions / Comment from Members	Response from Relevant Cabinet Member / Executive Director
Introduction of the Medium-Term Financial Strategy Quarter 1 Update	Members referred to the increase in the city's population and the positive and negative impacts that it would have on the Council's budget. Members asked whether Officers had taken those figures into account when writing the report.	The Cabinet Member noted that those impacts would be difficult to determine but that a review on cash limits in each department would be taking place.
The Joint Scrutiny Committee RESOLVED to note this section of the budget.		
Appendix A Page 7 to 8 Sections 1. Executive Summary and 2. Future Sustainable Council.	There were no questions received.	
The Joint Scrutiny Committee RESOLVED to note this section of the budget.		
Appendix A Page 8 to 12 Section 3. Detailed Assumptions	Members noted the pay award expenditure assumption of 3% and asked if there were any contingency plans in place if this were to change.	Members were made aware that every percentage point raised in inflation would increase a gap in the budget. This would require a constant monitoring process to review where funds would go. It was noted that if there were to be an increase on the bottom line, that would mean savings would need to be found.
	Members referred to page 9 and the savings which amounted to 4.4 million and sought clarification on what the underlining	The Cabinet Member advised the Committee that the factors were the provisions for adults social care where savings could be made but would be difficult to deliver.

	factors used to identify high-risk savings were.	It was also noted that there were some high-risk savings noted around procurement as contracts would need to be honoured.
	Members noted that the New Homes Bonus would be coming to an end and queried when the bonus would end and if there would be a new fund after a government review.	Members were advised that this would be the expectation, but no new fund had been confirmed.
	Members referred to page 11 and the bad debt non-collection loss of 1.2% of gross rates and queried what the underlining reasons were for this amount.	It was noted that the fundamental concerns were around adult social care payments where it had proved difficult to get the money back.
	Members noted that rural areas would be disproportionately impacted by proposed adult social care reforms and asked Officers what the effect would be if the reforms were to go ahead.	The Executive Director People and Communities responded and noted the implications on the eligibility for statutory support and the fair cost of care. It was also noted that the workforce element of the reforms would be small in comparison to other areas. However, an increase in social workers would be needed to cope with the increased demand of eligibility assessments.
	Members referred to page 9 and the reduction in the tree maintenance budget. Members sought clarification on whether there had been any budgetary pressures due to the decision to fell the oak tree in Bretton.	Members were reminded that police costs did not come at a cost for the council. The Executive Director Place and Economy followed up by noting that the core tree budget was unaffected by the felling of the oak and advised that the cost of the 100 trees that would be planted would not come from the core tree budget either.
	Members acknowledged the inflation risk reserve as a sensible move, but further clarification was sought on whether that had been set by the	The Corporate Director Resources and Section 151 Officer advised members that the budget assumptions had been made using the May Office for Budget Responsibility (OBR) forecast but due to

	<p>assumption in the inflation figures of 8.73%.</p> <p>A follow up question was asked regarding the likelihood that the council would use up that reserve given the councils financial situation.</p>	<p>inflation the forecast would be a little light to cover all increases.</p> <p>It was advised that the inflation risk reserve was there to curb the increases instead of over-inflating the budget and that the reserve would be there to help if necessary.</p>
	<p>Members referred to the previous question regarding Bretton Oak Tree and asked Officers what the total cost of the operation was to the Council.</p>	<p>The Executive Director Place and Economy reassured Members that police costs were not met by the Council.</p> <p>The Director advised that the total figure for the operation had not been determined but it would be shared with Members when it had.</p> <p>It was noted that a recommendation would be made to the Climate Change and Environment Scrutiny Committee to add to their programme work on an agreed tree policy framework.</p>
	<p>Members referred to the rise in inflation and asked if the Council would receive additional funding from national government to support statutory services.</p>	<p>Members were advised that it would be likely that the Council would have to manage with what it had.</p> <p>It was noted that additional demand would equal between 5 and 80 million pound over the next financial year.</p>
	<p>Members followed up and asked if Officers had done research into how councils have coped with high levels of inflation in the past.</p>	<p>The Cabinet Member noted that very few people who serving in Councils would have experienced levels of inflation at this rate and any data collected would likely be out of date.</p>
	<p>Members noted that the cost of debt finance equals 16% of net revenue expenditure and sought clarification on whether that had been assumed on a constant figure or on one that considered an increase in interest rates.</p> <p>A member followed up and asked whether the council had any loans maturing in the next 3-4 years.</p>	<p>The Corporate Director of Resources and Section 151 Officer advised that the Council borrowed at fixed rates and that the debt portfolio would not change.</p> <p>It was noted that the refinancing risk concerned the matured loans and highlighted the importance obtaining replacement loans at a lower rate. The aim would be to reduce the overall cost of the</p>

		<p>debt portfolio and limit borrowing to only the replacement of mature loans.</p> <p>The Officer advised that there were maturing loan that would be reviewed in line with asset disposal plans.</p> <p>Members were also advised that balancing the debt portfolio would be significant as it has influence on the revenue budget.</p>
	<p>Members referred to the cost-of-living crisis and energy usage over winter and asked if there had been work around what implications that would have on council tax receipts.</p> <p>A supplementary question was raised whether the decrease in self-employed individuals would affect the council's business rates pool.</p>	<p>Members were advised that there had not been any significant defaults in council tax payments.</p> <p>The Cabinet Member noted that the council is one of the best in the country for business rates and acknowledged that the council had been nominated for an award for collection rates.</p>
	<p>Members welcomed the commitment to limit excess borrowing and sought clarification on how capital spending would be controlled and how the council would limit capital spending related to other local authority organisations.</p>	<p>Members were advised that match funding would make sense and that business cases for revenue in the future would work best.</p> <p>The Cabinet Member noted that any excess borrowing would be unlikely unless there were substantial business cases where the benefit would bring in more money over time.</p>
	<p>Members referred to the intention to reduce the debt ratio and sought clarification on how much it would be reduced by over the next 3-5 years and where the funds would be coming from.</p>	<p>The Corporate Director of Resources and Section 151 Officer advised that repayment of some loans would come through capital receipts and the disposal of assets.</p> <p>Members were advised that loans can only be repaid as they mature otherwise there would be a premium to pay.</p>

		If there were any capital receipts left after the capital programme had been delivered; they would be utilised to pay back what would be left of the maturing loans.
	Members referred to the maturing loans due to expire and asked if the intention would be to repay them and what the figures for those loans were.	<p>The Corporate Director of Resources and Section 151 Office advised that there were 15 million in loans maturing in the following 18 months.</p> <p>It was noted that those loans would be replaced unless there were excessive capital receipts.</p> <p>The Director also noted that the Committee would be advised on the exact cost of the loans and their maturities when the numbers were available.</p>
<p>The Joint Scrutiny Committee RESOLVED to note this section of the budget and requested the following:</p> <ul style="list-style-type: none"> • That the Executive Director Place and Economy provide the committee with the total cost of the Bretton Oak Tree felling operation. • That the Corporate Director of Resources and Section 151 Officer provide the committee with the exact cost of the Council's maturing loans and their maturities. 		
<p>Appendix A</p> <p>Page 12 to 14</p> <p>Section</p> <p>4. The Financial Challenge</p>	There were no questions received.	
<p>The Joint Scrutiny Committee RESOLVED to note this section of the budget.</p>		
<p>Appendix A</p> <p>Page 14 to 15</p> <p>Section</p> <p>5. Strategic Direction and Proposals for 2023/24 - 2025/26</p>	Members noted that on page 15 the risks were selective and did not refer to the impact of Brexit and climate change. Members asked if they would be included in the MTFS going forward.	The Cabinet Member acknowledged the suggestion and agreed that they would be added into the strategy.

	<p>Members referred to page 14 and the Council's reserve policy.</p> <p>Members sought clarification on where the reserves policy was at and if there was an intention to increase reserves by the end of 2024.</p>	<p>The Corporate Director of Resources and Section 151 Officer responded and noted that the reserve policy was in draft form and would be presented to the Committee at a later date.</p> <p>It was advised that general reserves stood at 7.3 million which was 4% of the net revenue budget. It was noted that the reserves policy would aim to increase this to 5% of the net revenue budget by 2025/2026.</p>
	<p>Members referred to the proposed child safeguarding reforms on page 15 and asked what would happen if the reforms were to go through.</p>	<p>The Executive Director People and Communities noted that there had been 3 reports published relating to children's social care and protection.</p> <p>Members were advised that Officers were waiting to see what reforms turned into legislation before recommendations were made.</p>
	<p>Members referred to the shorter-term plan being called 'survive and save' and asked whether the statement 'suffice' meant the council's financial position was weaker than expected.</p>	<p>The Cabinet Member said that suffice was just a term and did not reflect weakness in the council's finances.</p>
<p>The Joint Scrutiny Committee RESOLVED to note this section of the budget and requested the following:</p> <ul style="list-style-type: none"> That the Cabinet Member for Finance and Corporate Governance include within the National Context and Risks section of the MTFS 2023-2026 Quarter 1 Update the impacts of Brexit and Climate Change. 		
<p>Appendix A Page 15 to 16 Section</p> <p>6. National Context and Risks</p>	<p>There were no questions received.</p>	
<p>The Joint Scrutiny Committee RESOLVED to note this section of the budget.</p>		

CHAIR

The meeting began at 6.00pm and ended at 6:45pm.

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