Minutes of the Meeting of the Corporate Overview and Scrutiny Committee held on 23 January 2020 at 7.00 pm

Present:	Councillors Oliver Gerrish (Chair), Colin Churchman and Garry Hague, and Elizabeth Rigby *(substitute)* (arrived 19.02)
Apologies:	Councillors Jack Duffin (Vice-Chair), and Gerard Rice
In attendance:	Sean Clark, Director of Finance, Governance and Property Lucy Tricker, Democratic Services Officer

Before the start of the Meeting, all present were advised that the meeting may be filmed and was being recorded, with the audio recording to be made available on the Council's website.

21. Items of Urgent Business

There were no items of urgent business.

22. Declaration of Interests

There were no interests declared.

Councillor Rigby arrived 19.02

23. Draft General Fund Budget and Medium Term Financial Strategy Update

The Director of Finance, Governance and Property introduced the report and stated that an updated version of Appendix 2 had been provided to Members, as the table had been realigned. He described how the report explained the Council's current financial position, and had been discussed by Cabinet last week. He then outlined that in the previous six month's there had been considerable pressures in some areas, and highlighted one area of pressure as children's social care, which had received additional funding and improved their OFSTD score at the last inspection. The Director of Finance, Governance and Property also highlighted that adult's social care was under financial pressure, which was common on a national scale, and pressure on the Housing General Fund, which was due to increased numbers of people presenting themselves as homeless.

The Director of Finance, Governance and Property then moved on to the forecasted financial position in 2020/21 and clarified that an indicative financial assessment had been carried out before Christmas, but the Council were still waiting on the final allocations of this due to purdah delays. He explained that preliminary findings from this appeared hopeful, and budget allocations had already increased, so he felt the Council were in a good financial position. He added that last year the Council had undertaken a Spending Review and Fair Funding Review, but due to only one-year spending agreements from central government, these were not at the forefront, although the Council could make an estimate for the next two to three years. He stated that additional funding received would go towards adult and children's social care, and increased homelessness grants.

The Director of Finance, Governance and Property then moved on to discussing council tax and the governance process for setting this. He explained that the Cabinet recommendation to increase council tax would go to the relevant scrutiny committee for comment, which would then feedback into Cabinet in February, and would be sent to Full Council for decision. He stated that the proposed budget would see an increase in 2% for the adult social care precept, which was the maximum it could be raised by, and an increase in general council tax by 1.49%, which was not the maximum of 1.99%. He commented that this would increase the Council's base going forwards, as tax was a more stable income compared to investments.

The Director of Finance, Governance and Property drew the Committee's attention to paragraph 4.4 on page 9 and clarified the figures outlined in the table, including the current council tax banding, total number of properties, and average net charge, which took into account discounts, tax schemes and support provided. He stated that council tax bands A-C made up 70.4% of all properties, and a 1% council tax rise would equate to an additional 19p per week. He then drew the Committee's attention to the Medium Term Financial Strategy (MTFS) on page 13 of the agenda, which outlined that the increase in council tax and adult social care precept would increase funding to the council by £1,337,000 working total, which would increase the surplus next year to £4million. He added that even with the proposed increase in council tax, the Council's surplus would only raise to £1.4million in year 2 and £45,000 in year 3. He clarified that without an increase in council tax, the council would be in deficit in the financial year 2020/21.

The Chair opened debate and stated that in total council tax would be rising by 3.49%. He queried the background to this, and asked what central government's policies were on local authorities increasing taxes, particularly special precepts. The Director of Finance, Governance and Property stated that the government had only proposed a one-year funding settlement, but central government had also struggled to fund adult social care. He stated that local authorities had ongoing powers to increase council tax and precepts, but local authorities were currently waiting on a White Paper for further clarification. The Chair then highlighted point 2.3 on page six of the agenda, and asked how the council were reducing staff expenditures. The Director of Finance, Governance and Property replied that this was a continuing aspect of the council's budget, and included reducing sickness related expenditure and overtime costs; and monitoring the amount of agency staff compared to permanent staff employed by the council. He mentioned that this was regularly considered at Directors Board, and in previous years, a target had been set to reduce staff expenditure, but that was not the case in this financial year. He summarised and commented that a reduction in staff expenditure would not be achieved through staff redundancies.

The Chair then queried the increase in budget allocation and asked how much revenue was included in this. The Director of Finance, Governance and Property replied and highlighted page 13 of the agenda, which stated that in 2020/21 an increase in tax would increase revenue by £3.1million, as well as an increase in business rates. He stated that almost £2.5million would be received from central government. The Chair asked if the working total surplus could be achieved in 2020/21 without increasing council tax, to which the Director of Finance, Governance and Property replied that a net £2.6million could be achieved, but the surplus could not be carried forward.

The Chair moved onto discussing the position of investment and highlighted page 13 of the agenda. The Director of Finance, Governance and Property stated that borrowing was not just investment, but related to the amount of capital expenditure. He added that temporary revenue from borrowing could be used for investment and Thurrock Regeneration Limited (TRL), and that the base amount of investment related income was £1.7million, with the rest going to TRL. He clarified that the majority of information relating to investment was discussed in the next item, but the headline figure was £30million net income from investment. The Chair then asked about the CIPFA guidance, outlined at point 4.31 on page 8 of the agenda, and queried how much confidence officers had in this investment income, and whether CIPFA would change the guidelines relating to investment for Councils. The Director of Finance, Governance and Property responded that CIPFA only produced guidelines, and explained that the Council's investments were capital backed, compared to CIPFA guidance that mainly discussed non-capital backed investments. He stated that CIPFA were mainly worried about councils investing in property outside of the borough, particularly in areas such as housing and shopping centres. He commented that Thurrock were investing bond issues in the energy sector, and no property investment had been purchased. He clarified that he had spoken with the Ministry of Housing, Communities and Local Government (MHCLG) and the National Audit Office, who had never said to not undertake investments, and were moving towards local government self-financing. He summarised and stated that he did not know if CIPFA or government regulations might change in the future, but if they did then the Council would revisit their investment approach. The Chair commented that if the rules were to change then that revenue stream would be at risk and issues would arise with investments, which would lead to a loss of funding. He asked if the investments revenue could be made-up from other streams if it were lost. The Director of Finance, Governance and Property replied that if central government did change the rules regarding investments then a transition period would be put into place, and many other local authorities used investment in the same way as Thurrock. He stated that Thurrock had built into the budget increased interest payable which helped to stabilise long-term investments.

Councillor Fletcher asked three questions, the first being if officers were concerned that council tax was not being increased to its full amount, as officers had been concerned last financial year that it would have an impact.

He then asked about potential population increases, as 32,000 new homes were being proposed across the borough, and if this would have an effect on council tax income and had been factored into the budget. Finally, Councillor Fletcher asked about potential problems that were associated with capital projects, such as overspend and delays, and if these were included in the budget. The Director of Finance, Governance and Property replied to each question in turn and stated that in answer to the first question, officers felt worried when council tax was not increased to its maximum, as even a 1.49% increase reduced the Council’s income by £4-500,000 per year. He stated that if council tax were increased by the maximum amount of 1.99%, the budget would be in surplus of £1.2million or £1.3million in year 3, compared to the current outlook of £45,000. He clarified that council tax was the most sustainable form of income for the council, as it was not affected by national changes, and because of this, he felt that council tax should increase by 3.99%. The Director of Finance, Governance and Property then answered Councillor Fletchers second question and stated that some modelling work had been undertaken relating to the increased population and increased costs. He stated that expenditure would change if the population increased, for example, more would be spent on adult and children’s social care, as well as the potential for a new waste collection round. He described how the finance team had been working with the planning team to discuss the increased amount of council tax that would be collected through population growth, as well as the increased expenditure. He summarised and stated that new houses, even with the increase in council tax associated with this, would increase the pressure on services for the Council. The Director of Finance, Governance and Property then answered Councillor Fletcher’s third question and stated that the capital programme would be discussed as part of Item 6, but if a project overspent then funding would have to be found. He stated that the funding options were ranked, so external funding bids were the best way to fund projects, then through capital receipts, and finally through borrowing as there was costs associated with this such as interest and MRP, also known as depreciation. He commented that recently there had been lots of discussion regarding the funding of the A13 project, which had been through the audit process, but this would not affect the Council’s funding until next year or the year after. He summarised and stated that when the funding results of this project were finalised, they would be built into the budget.

Councillor Hague commented that he felt lots of work had been put into this budget by officers and Members from all parties. He felt that the Council’s finances seemed stable, but asked if the increase in council tax was as low as possible, as although there was pressure on services, an increase in council tax could put additional pressure on residents. He was supportive of the increase in council tax, as it had not been increased by the maximum level, which would help residents who had their own financial priorities. He felt this would lead to growth for the council, whilst not over-burdening residents. The Chair also asked if residents in financial difficulty had been considered when writing the budget, as inflation and the cost of living had also risen. He highlighted that further mitigation to help some residents may be necessary, as some would experience a rise in rents, service charges, and council tax. The Director of Finance, Governance and Property replied that an equality assessment had been carried out and was attached as an appendix to the report and table 4.4 showed the real impact the council tax increase would have on residents. He added that the additional money raised through council tax could be used to support the borough’s most vulnerable residents. The Director of Finance, Governance and Property then highlighted that only 50% of HRA tenants paid any rent, so the most vulnerable in society received the support they needed, but he appreciated that some people would be caught in the middle.

The Chair stated he felt the situation for some residents was already difficult as the economic situation could be tough. He outlined appendix 2 of the report and felt that although £900,000 of savings was being made, this could be increased through effective spending and finding further efficiencies. The Director of Finance, Governance and Property replied all directorates were searching for savings and efficiencies, but the MTFS proposed a modest figure, as if the figure was larger, directorates would be forced to make top-down cuts. He added that although the MTFS identified almost £1million in savings, officers would not just stop once this figure was met, and would continue to try to increase income, reduce expenditure and focus on efficiencies. He highlighted the work the procurement and commercial teams had done in finding savings, in collaboration with the transformation team.

The Chair then asked about a recent motion that had been brought to Full Council regarding climate change, and asked what actions had been considered in the budget to mitigate climate change and the impact this would have on residents. The Director of Finance, Governance and Property replied that amounts from the budget surplus had been set aside specifically to look at air quality around the borough. He added that following the motion, Governance Group, which included the Leader, Monitoring Officer, and Leaders from all parties, had agreed to set up a Task Force to consider climate change, and its members would include elected Members, residents and external partners. He stated that this would fall under the remit of the Director of Place, and an update would be provided to Full Council next week.

The Chair then asked what obligations the Council had to fulfil in balancing the budget, as he understood that the budget had to be balanced for one year, not the full span of the 5 year MTFS. The Director of Finance, Governance and Property replied that a balanced budget meant one that Thurrock could afford, so the Council could run at a loss if reserves could be used to fund this. He stated that Thurrock Council did not use this definition though and for Thurrock, a balanced budget meant one where income was equivalent to expenditure. He mentioned that the Council’s Section 151 Officer he had to consider a three-year budget, and although it did not have to balance, he had to feel confident that the council could afford it. He clarified that he did not have to consider years four and five of the MTFS.

Councillor Rigby commented on the table at 4.4, and asked which residents could receive discounts on their council tax bill. The Director of Finance, Governance and Property replied that the most common council tax discount was the single person discount, which included people such as one-parent families, even if they had adult children that attended university, and widowers, who all received a 25% discount. Councillor Churchman then highlighted the residents who fell in the middle and were not overtly vulnerable, but not secure either, such as residents who were privately renting but were waiting for council housing, and had seen an increase in their service charges.

The Chair asked what the level of democratic oversight and accountability there was for corporate projects was, such as the proposed Civic Offices development. He proposed an additional recommendation which read as follows: "The Corporate Overview and Scrutiny Committee recommends to Cabinet and Council that the budget should include the following points:

1. A triple freeze be agreed for rents, service charges and council tax
2. Cabinet to scrap the Civic Offices project
3. Cabinet to agree to net zero emissions by 2030"

The additional recommendation was put to a vote, the outcome of which was as follows:

Votes for: Councillors Fletcher and Gerrish *(2)*
Votes against: Councillors Churchman, Hague and Rigby *(3)*

RESOLVED: That:

1. The Committee commented on the proposed council tax level with mind to the comments set out in the report.

2. The Committee commented on the draft budget as set out within this report to inform final budget proposals at Cabinet on 12 February 2020.

24. Capital Strategy 2020/21

The Director of Finance, Governance and Property outlined the report, and stated that the Capital Strategy was a new requirement for 2019/20 and incorporated the Treasury Management Strategy. He stated that the main purpose was set out on page 27 and provided a high-level overview of capital expenditure levels, capital financing and treasury management activity. He highlighted a number of tables to the committee which set out the summary figures including capital expenditure, capital financing, the Capital Financing Requirement, borrowing, and a summary of the overall treasury position. He described the significant press interest since Cabinet had considered the six-month position last week, and he addressed some of the comments that had been published, so the Council's position was clear. The Director of Finance, Governance and Property explained that although Thurrock were quoted as having the highest level of short-term borrowing, Thurrock were by no means the highest borrower. He outlined the reasons for short-term borrowing, which explained that Thurrock had taken the approach since August 2010. He clarified that the Local Authority and related Treasury Market had between £20billion and £30billion of cash available that had to be lent or deposited somewhere, and estimated that had all of the Council's borrowing been through the Public Works Loan Board, Thurrock would be paying on average additional £15million per annum. He highlighted that the Local Authorities money markets were not linked to the bank base rate, and so were not as open to interest rate fluctuations, and was simply about the amounts of surplus cash available, and how much others needed.

The Director of Finance, Governance and Property then described some facts and figures from 2018/19 and described how the Council had taken out loans from a number of different Local Authorities, the duration of which were between one month and one year, with rates ranging from 0.4% to 1.15% depending on the duration. He then outlined what the Council used the funds for, mainly being capital expenditure on buildings, infrastructure and IT; and investments that were made relating to assets that Thurrock had security over and were repayable, which were mainly bonds on renewable energy assets that raised additional income that the Council could reinvest in frontline services. He described how three-quarters of the Council's borrowing was repayable on maturity, which was currently between three and eight years, but the bond issuer had the right to make early repayments. He stated that based on this, even if long-term borrowing had attractive rates, it would not be prudent to borrow for longer terms when the need was for a shorter period.

The Director of Finance, Governance and Property then drew the Committee's attention to Table 1 on page 27 of the agenda which set out projected capital and investment expenditure, and clarified that these were not always uniform as opportunities did not arise in that fashion. He clarified that over two years investments were forecasted as an average, and the prudential indicators had been adjusted in the budget report in February 2019. He then drew the Committee's attention to Table 7 on page 31 of the agenda, and mentioned that these figures were published every year and agreed by Members in February and whenever else was necessary. He clarified that actuals against these were then reported at least twice a year to Cabinet, and were part of the Council's accounts. He stated that the upper limit for 2019/20 was set at £1.453billion and the Council were set to be within that limit. He summarised and highlighted the table at 2.32 on page 41, which showed that the Council were projecting an annual surplus in the region of £30million, between interest payable and interest received that had been invested in frontline services, namely the environment and social care, as part of the approach to becoming financially self-sustaining.

The Chair opened debate and sought two areas of assurance, the first being that the Council were operating within agreed levels of risk and exposure, and the second being that there was a level of democratic oversight regarding investments. He asked how much Members saw of potential investments, and felt that even though those documents were commercially sensitive, strong levels of accountability were needed. He felt that an additional recommendation would be useful to ensure democratic accountability, and proposed an Investment Review Committee who could oversee the process. The Director of Finance, Governance and Property replied that there was a level of risk associated with investments, but the biggest risk factor was a change in central government policy, which currently appeared to be minimal. He felt that the majority of government bodies were concerned with investments in areas such as shopping centres, where economic fluctuations could affect income. He stated that Thurrock had not undertaken any investments such as these, and had invested in the renewable energy sector. He felt there was no real risk associated with this sector as there had never been any major disasters in a wind farm or solar park, and their investments were spread over 40 sites. He clarified that the Council were signed up to the assets and not the companies; were insured against loss; and had good maintenance contracts. He mentioned that the Council only invested when the assets were already up and running, and had been so for a year or more to ensure that they were working correctly and to see real yield figures. The Director of Finance, Governance and Property then discussed the level of democratic oversight, as it was difficult to differentiate between everyday levels of treasury management and bigger investments. He commented that any new venture over £10million and over one year had to go to the Council Spending Review, which was made up of Leaders from all groups. He mentioned that he had done some research into the levels of democratic accountability across a variety of Local Authorities, and some provided more freedom, whilst others provided less. He summarised and stated that he was already considering an informal Treasury Management Committee, or increased reporting through Key Performance Indicators.

A debate then ensued regarding the wording of the proposed additional recommendation and the following was agreed: “the Corporate Overview and Scrutiny Committee recommend to Cabinet that it considers the best way to increase democratic oversight of investment.”

RESOLVED: That:

1. The Committee commented on the 2020/21 Capital Strategy for consideration by Cabinet at their meeting on 12 February 2020.

2. The Committee recommended to Cabinet that it consider the best way to increase democratic oversight of investment.

Councillor Churchman left 20.22

25. Draft Capital Programme

The Director of Finance, Governance and Property introduced the report and stated that an updated Appendix 3 had been provided to Members, which removed the summer carriageway drainage works, and replaced it with the Ship Lane redevelopment programme.

Councillor Churchman returned 20.24

He outlined the capital programme and stated it was made up of a variety of areas of expenditure including IT, housing stock, and projects. He described how there had been a need to invest in housing stock and the Council's approach had now changed to being a corporate landlord. He outlined that there were three 'pots' which were digital, property, and service review, all of which received numerous bids. The Director of Finance, Governance and Property described the variance between how much people thought they needed for a project, and how much was actually needed, and described how a separate budget had been set up for feasibility studies and business cases to reduce this variance. He then highlighted Appendix 1 of the report that outlined the existing capital programme, and Appendix 2 that outlined that future and aspirational projects. He clarified that the Committee were not agreeing the individual projects listed as these were only examples, but just the overall amount of spending. He then highlighted Appendix 3 which were actual projects not included in 'pots', but allocated funding in their own right.

The Chair opened debate and highlighted page 58 of the agenda and the proposed project relating to the Integrated Medical Centre in Tilbury, and asked what the phasing for the project was, and if this was certain to go ahead. The Director of Finance, Governance and IT replied that it had been double-counted as its funding had been agreed, but was still going through the process of business case and feasibility. He explained that this project was complicated as it involved a number of external partners who all had different accounts processes, and factors such as rent charges and spacing was still being negotiated. Councillor Fletcher asked why only the Tilbury IMC was considered in the report, and the Director of Finance, Governance and Property replied that it was because it was the only IMC that the Council were responsible for delivering. He clarified that the other IMCs were being run by external partners, and the Purfleet IMC was included as part of the Purfleet regeneration project.

RESOLVED: That:

1. The Committee commented on the specific proposals set out within this report.

The meeting finished at 8.32 pm

Approved as a true and correct record

CHAIR

DATE

Any queries regarding these Minutes, please contact Democratic Services at Direct.Democracy@thurrock.gov.uk