

SWT Scrutiny Committee - 30 September 2020

Present: Councillor

Councillors Sue Buller, Simon Coles, John Hassall and Loretta Whetlor

Officers: Andrew Randell and Marcus Prouse

Also Present: Councillors Dawn Adey, Emily Collacott, Alison North, Malcolm Riches, James Barrahan, James Hassett, Ross Henley, Marcus Kravis, Richard Lees, Mike Rigby, Francesca Smith, Federica Smith-Roberts, Ray Tully, Sarah Wakefield and Alan Wedderkopp

(The meeting commenced at 6.15 pm)

44. Apologies

Apologies were received from Councillors Buller, Aldridge, Hunt, D Wedderkopp,

The following substitutes attended:- Hassall (in vacant Lid Dem committee place), Whetlor, Buller and Coles,

45. Minutes of the previous meeting of the Scrutiny Committees held on 2 and 9 September 2020.

(Minutes of the meeting of the Scrutiny Committee held on 2 and 9 September circulated with the agenda)

Resolved that the minutes of the Scrutiny Committee held on 2 and 9 September be confirmed as a correct record.

46. Declarations of Interest

Members present at the meeting declared the following personal interests in their capacity as a Councillor or Clerk of a County, Town or Parish Council or any other Local Authority:-

Name	Minute No.	Description of Interest	Reason	Action Taken
Cllr N Cavill	All Items	West Monkton	Personal	Spoke and Voted
Cllr S Coles	All Items	SCC & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr L Lisgo	All Items	Taunton Charter Trustee	Personal	Spoke and Voted
Cllr D Mansell	All Items	Wiveliscombe	Personal	Spoke and Voted
Cllr D Perry	All Items	Taunton Charter Trustee	Personal	Spoke and Voted
Cllr L Whetlor	All Items	Watchet	Personal	Spoke and Voted

47. **Public Participation**

No members of the public had requested to speak on any item on the agenda.

48. **Financial Strategy 2020/21 to 2022/23 - Review and Update**

The Executive approved the 3 year Financial Strategy for the Council in September 2019. The Strategy outlined the Council's proposed approach to managing its financial position over the medium term, underpinned by the projected 5-year Medium Term Financial Plan.

It is a legal requirement that the Council set a balanced budget each year, and it was in the public interest that priority local services were both affordable and sustainable with the Council remaining financially resilient.

It was appropriate to undertake an annual review of the strategy, reflecting the up to date financial position and context for the Council. It was clear that the COVID-19 pandemic was not a known situation or risk when the strategy was approved last year, with significant impact on national and local financial environment as well as on service demands for the public sector. Equally, the organisation had continued to evolve during the past year with the agreement of a new Corporate Strategy, the appointment of a new Senior Management Team (SMT) and move to a new directorate organisational structure completed in April/May this year.

There continued to be a high degree of uncertainty regarding future funding, compounded with uncertainty regarding future service demands as the country and local area adapted to COVID-19 impacts. It was clear that local authority finances were under increasing pressure within this environment, with the challenge of meeting local need and at the same time preserving adequate financial resilience of the Council.

This report therefore set out an updated forecast of medium term funding, service costs and income, and updated proposals for the financial strategy in responding to the challenges ahead. The strategy included judicious allocations from reserves to provide funding towards council priorities – notably towards the climate change strategy – and to underpin some service costs for the next two years as the Council's modernisation and efficiency plans were progressed.

At the time of preparing this strategy the debate around the future structure of local government in Somerset had brought an added dynamic. The County Council had submitted a business case to the Secretary of State setting out SCC's preferred proposal to create a single unitary council for Somerset – replacing the County and four Districts. The Districts had also prepared an alternative business case proposing two smaller unitary authorities. Any decision by the Secretary of State on a preferred future for Somerset was not likely to be made before January 2021. At this stage the core forecasts within the medium term financial plan in terms of net expenditure and funding were based on the continuation of Somerset West and Taunton as a district authority. This will need to be reviewed if and when any decision for change is confirmed. The strategy set out showed the Council was financially resilient with strong reserves to withstand short term pressures, but with a challenging budget gap in the longer term albeit

with a high degree of uncertainty in the longer term forecasts. It was expected that structural change for local government would require significant up-front funding, and the business cases included projections for financial benefits, both of which would affect the MTFP if approved and delivered to plan.

During the discussion the following points and questions were raised:-

- The Financial Strategy vision, funding shrinkages in respect of bus rates and Hinkley and NHB were considered along with measures of how to compensate for the impact of the financial outlook.
- Future plans were anticipated around sharing services, modernisation and making efficiencies. 10-15% savings were expected.
- Maximising fees and charges further were also predicted along with ensuring value for money from contracts and income generation
- Inflation increases in procurement and leisure services were considered.
- No increases were anticipated in Commercial investment income.
- Staffing costs had increased with a similar pay award anticipated next year.
- CPI and RPI increased in contracts only applied to specific areas where there were contractual requirements to increase these.
- Financial expectations from leisure and waste services were a recognised risk.
- Concerns were expressed that the budget gap could not be bridged quickly along with additional risks around long term impact of the pandemic.
- The potential for an 80% mandatory business rate relief by NHS foundation trust was considered. It was anticipated that this would be at a significant cost and could be backdated. The Burden would not all fall entirely to one council.
- The volatility reserve was held to cover high value changes in business rates at short notice to protect the council's financial position. The outcome of the NHS foundation but was not anticipated before the end of the financial year.
- CIL payments were considered. The policy would be checked to ensure the longstanding list of CIL to pay for the infrastructure needed in SWT, the payments would be prioritised to address the impact where it's most felt.
- The Business rates safety net was reflected in the Medium Term financial plan.
- Concerns were expressed that the commercial investment strategy was doubtful or outdated in the current climate, A Councillor lead review and rethink of the feasibility of the commercial investment strategy was requested.
- Investment and refocus on climate change and green investments was encouraged to work alongside the rethink and consider the use of the innovation centre and the renewable industries.
- The Scrutiny Committee expressed concern at the risks going forward in terms of Council finances due to the current economic and social circumstances and recommends the Executive maintains a robust and regular risk assessment on the budget gap and the investment strategy be given consideration and aligned with anticipated targets.

The Scrutiny Committee supported the report and the following proposed recommendations to the Executive and Full Council:

- 1.1 The Executive approves the updated Financial Strategy for 2020/21 to 2022/23, including agreement of the principle of using general reserves to reduce the Budget Gap in 2021/22 and 2022/23.
- 1.2 The Executive recommends that Full Council approves the amended CIL

Allocation Principles as set out in paragraph 21.15 of this report.

- 1.3 The Executive recommends that Full Council approves the reallocation of reserves to provide increased resilience and flexibility to mitigate COVID related financial pressures, and to support the Revenue Budget in the medium term, as follows:

- (a) To transfer £3.949m of New Homes Bonus reserve to General Reserves, noting alternative financing for relevant capital schemes through Community Infrastructure Levy and borrowing as set out in para 21.7.
- (b) To transfer £1.0m from the Business Rates Volatility Reserve to General Reserves as set out in para 14.6.

The Committee voted in favour of the recommendations with one abstention.

49. **2020/21 Financial Monitoring as at Month 4, ended 31 July 2020, and In Year COVID Budget Changes**

The report provided an update on the projected outturn financial position of the Council for the financial year 2020/21 (as at 31 July 2020).

Reporting is undertaken monthly to the Senior Leadership Team, with quarterly reporting to Scrutiny and the Executive Committee. Reporting is primarily 'by exception' and focusses on the forecast position for the year as a whole compared to the Annual Budget. Forecasts were compiled by budget holders, with support and advice as appropriate from finance specialists (accountants) and case officers. Forecasts will take into account known / committed items as well as assumptions about future performance and demand.

The primary focus for the first 4 months had been around the impact of COVID-19 on the Council's costs, and the mitigation available through the receipt of emergency grant funding from Government towards additional costs and loss of income. The report also summarised the position on 'pass through' funding where the Council had provided significant financial assistance to local businesses and council tax payers funded by Government.

The current revenue forecast outturn for the financial year 2020/21 was summarised as follows. These were the best estimates at month 4 of the financial year based on information currently available:

- a) General Fund (GF) Revenue Budget = forecast net overspend of £1,012k
 - (1) £657k relates to COVID and it is recommended that a supplementary budget is approved to fund this from General Reserves. The full extent of COVID is still being monitored and therefore these figures could change and will be updated in future reports.
 - (2) The remaining £355k is due to other pressures which will continue to be monitored throughout the year.
- b) Housing Revenue Account (HRA) Revenue Budget = forecast net overspend of £180k.

There was £30.6m of budget rolled forward with the GF capital programme from 2019/20 to 2020/20 and it was proposed to reduce the 2020/21 programme by £1.370m for budgets no longer required, bringing the total proposed budget for 2020/21 to £95.4m. There were currently no forecast variances to report at this

early stage in the financial year.

There is £15.8m of budget rolled forward within the HRA Capital Programme from 2019/20 to 2020/21 bringing the total budget for 2020/21 to £31.7m. There are currently no variances to report for the HRA capital programme.

During the discussion the following comments and questions were made:-

- Concerns were expressed in relation to the carry forward of the Disabled facilities grant. Further information was requested on the proposed budget of £3.5 million.
- It was questioned if recent commercial loans made by the council were irrecoverable if the company went into administration. A response would be provided following the meeting.
- Many budget holders were consulted across the organisation, making assumptions and plans around financial planning for the rest of the year.
- The Budget was set on reasonable estimates in good faith with a balance between caution and optimism, services and chances of budgets being 100% accurate.
- Any Growth in income would be offset by valuation reductions and appeals in respect of business rates, not all business rates income was retained.
- Government had deferred the introduction of 75% business rates retention to an unspecified time.
- The view was provided that creating more employment in the district was where finance needed to be directed. Further support was needed for businesses to address the Covid-19 impact.
- Covid-19 funding from central government was discussed, it was anticipated that all costs and loss of income incurred by Councils would not be covered by central government.
- The situation remained volatile but the Covid-19 expenditure would be monitored.
- Coal Orchard construction costs were considered, this financial assessment was entailed in the business case. A combination of rental income and capital receipts were planned to cover the investment over a period of time.
- Further information was requested from costs variances around Economic development, parking income, major contracts, climate change, and public health.
- Internal operations and the IT Server refresh was questioned? Contingency if there is a breakdown in the server? Further detail requested if this was part of maintenance of IT infrastructure, it was determined that this was an Increase in budget from previous years on the server refresh. An overview would be provided to the Committee following the meeting

Scrutiny Committee reviewed the report and supported the following proposed recommendations to the Executive and Full Council:

- 1.1 The Executive reviews the Council's forecast financial performance and projected reserves position for 2020/21 financial year as at 31 July 2020.
- 1.2 The Executive recommends that Full Council approve a supplementary estimate of £657k from General Reserves to fund the estimated overspend related to COVID.
- 1.3 The Executive recommends that Full Council approves the realignment of budgets for COVID related income and expenditure to offset the reported variances that net off to zero when including the £657k in 2.2 above.
- 1.4 The Executive recommends that Full Council approve changes to the General Fund Capital Programme by a total of -£1.370m for the following headings as referred in para 11.3:

- a) £295,000 reduction to Major Transport Schemes budget
 - b) £375,000 reduction to remove budget for Creech Castle Road Improvements contribution
 - c) £200,000 reduction to Employment Site Enabling schemes budget
 - d) £1,000,000 reduction to Public Transport Improvements budget as Housing Infrastructure Fund bid not successful
 - e) £500,000 increase to Education Provision budget funded by Community Infrastructure Levy.
- 1.5 The Executive recommends that Full Council approve the revised Budget Total for the Growth Programme of £3.56m to be funded by New Homes Bonus as set out in para 11.7 Table 8, and CIL-funded Infrastructure Capital Programme totalling £16.262m as set out in para 11.10 Table 9.
- 1.6 In the light of the recent adoption by Council of policy on an Affordable Employment Land Local Development Order, the Scrutiny Committee recommend to the Executive a new fund of £575,000 is allocated towards Employment Site enabling schemes to support that policy.

50. **Financial Monitoring - Outturn Position 2019/20**

The report set out information relating to SWT's financial performance for the 2019/20 financial year. The outturn figures included were provisional subject to the completion of the external audit of the statutory financial statements. The audit was due to be completed between July and October with the findings to be reported to the Audit, Governance and Standards Committee on 2nd November this year.

2019/20 was the first financial year for the new Council, which was created on the 1 April 2019 and replaced the predecessor Councils – Taunton Deane Borough Council and West Somerset Council. The budget was set by the Shadow Council in February 2019, and created to a large extent by mapping the two historic budgets of the old Councils into a single budget structure.

The past financial year was significant in terms of change in leadership, both senior management and political, and an ongoing period of organisational change and disruption. The year started with budgets reflecting the operating model designed through the transformation project. Changes through the year meant that this did not reflect the organisation structure as it is now. The organisational changes during the year had also led to changes in budget holders and budget responsibilities, and changes within the finance officer team too, with a loss of background knowledge of the previous Councils / budgets where experienced staff left during the year. All of these changes presented some challenges within the budget monitoring process, meaning some variances now reported were not predicted or not identified sooner. The risk of budgets and costs/income not aligning was higher than normal due to the scale of continuous change through the year.

The budget for 2020/21 had been re-shaped to reflect the directorate structure. This should provide a solid foundation for financial management and reporting in the current year.

COVID-19 impact started to effect service expenditure and income in March, therefore the financial consequences were not significant in the last financial

year. However, it was evident that there were significant impacts in 2020/21 that were not expected or anticipated when the budget for 2020/21 was approved in February. This was covered within the separate financial strategy and financial monitoring reports.

The leadership team and S151 Officer had prudently considered the financial risks as part of their year-end analysis and prioritised strengthening the Council's reserves. A robust review of earmarked reserves had been completed with £1.2m proposed to be released to general balances. Equally, SMT considered requests from services to carry forward £0.7m of budget underspend into the next financial year, however SMT took the prudent view that it was better to return the full reported underspend to increase General Reserves due to these financial risks. On this basis the full reported £1.8m underspend had been added to the general reserves balance to provide greater flexibility and resilience where the COVID impact was expected to be at its greatest. Overall, General Reserves had been boosted by £3m as a result of this action.

The revenue outturn position for the financial year 2019/20 was set out:

The General Fund (GF) Revenue Outturn position for 2019/20 was a net underspend of £1.836m (8.2% of Net Budget), after reserve transfers. This is a relatively large underspend, and is as a result of several factors including general variances to budget, accounting provisions not fully required and thus released to the revenue account, and a decision not to approve carry forwards of underspends/surpluses into next year which would have reduced the reported net underspend.

The HRA is a ring-fenced 'Self-Financing' account used to manage the Council's Housing Landlord function, which is budgeted to 'break even' (net of approved transfers to/from HRA Reserves). The HRA Revenue Outturn position for 2019/20 is a net underspend of £8k (0.03% of gross income).

The capital outturn position for 2019/20 was detailed:

The total General Fund Capital Programme budget in place in 2019/20, including schemes brought forward from previous years, was £65.832m. This related to a combination of schemes to be delivered in the year and some that will span over more than one year. £20.073m has been spent during 2019/20. Of the remaining £45.759m, £30.567m will be carried forward for ongoing schemes, £11.567m has been included in the 2020/21 approved capital budget and is therefore not carried forward (to avoid duplication), and a £3.625m net underspend is reported overall.

The HRA approved Capital Programme at the end of 2019/20 was £32.356m. This relates to planned schemes and works during the year and some costs that are expected to span across financial years also. The actual expenditure on the Capital Programme during 2019/20 was £16.069m, with £15.857m of planned investment to implement approved schemes in future.

During the discussion the following points and questions were raised:-

- It was considered What percentage of revenue is the underspend? The reasons for the underspend was requested.
- Gross expenditure around £80 million. Around 2% of gross budget. Agreed large variances were not welcomed.
- Final redundancy costs were provided for, not all costs were incurred so provisions set aside for this was not needed. Treasury management position was better than was budgeted for such as insurance costs.
- Delivering services was an important principle.
- Transformation savings envisaged has not delivered, budget gap was still being experienced, extra pressures from government funding and Covid-19 impact.
- Projections not easy due to the increased amount of uncertainty
- Loss of funding through bus rates and NHB, further information was awaiting form the spending review and settlement for the next financial year, a one year settlement was expected, this was not supportive in long term financial planning.
- The Outturn was unaudited.
- Capital bids for a lift facility in a leisure complex was requested to be completed shortly due to the inconvenience it has caused.
- East Quay Loan to the Onion Collective was considered and the costs around this explored. There were two separate loans, one had not been determined as needed, grant funding from the Lottery has been received to the Onion Collective, SWT are the accountable body.
- Does SCC hold any finances on behalf of SWT? – no
- Investment income, value of assets and the return from income on these requested. An update was due in December in respect of commercial investment.
- Project management was questioned and concerns expressed that some projects not completed within the financial year.
- Underspend provided positives such as reserves and resilience for future years.
- Recs – all agreed
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The Scrutiny Committee reviewed and supported the following proposed recommendations to the Executive:

- Note the reported General Fund Revenue Budget underspend of £1.836m in 2019/20 and the General Reserves Balance of £4.522m as at 31 March 2020 which provided financial resilience and flexibility to meet increased financial pressures in 2020/21 and subsequent years.
- Note the reported Housing Revenue Account Budget underspend of £8k in 2019/20 and the HRA General Reserves Balance of £2.701m as at 31 March 2020.
- Approve the transfer of £1.2m of General Fund Earmarked Reserves back into General Fund General Reserves, as set out in Appendix B.
- Note the Capital Outturn position and approve the proposed carry forward of £29.996m approved budget to 2020/21 General Fund Capital Programme (as per Appendix C) and £15.822m to the 2020/21 Housing Revenue Account Capital Programme (as per Appendix D).

51. **Corporate Performance Report, Month 4, 2020/21**

The report was introduced by the Business Intelligence and Performance Manager and the Customer Services Manager.

This report provided the performance information for a range of key indicators for the first 4 months (April – July) of the 2020/21 financial year. In addition to the usual report on key performance indicators, due to the ongoing Covid-19 pandemic and the impact of this on the council, this report also contained some data to provide an overview of some of the additional work the council had undertaken.

The impact of the Covid-19 pandemic started during March 2020, and has been ongoing throughout recent months and has had a significant impact on the work of the Council during the period covered by this performance report (April, May, June and July).

There have been separate briefings to provide detailed updates on the additional work of the council, and this report does not aim to cover the entirety of the tasks undertaken. The information included below provides some facts and figures to give an overview of some of the ways in which the council has supported residents, especially those who are most vulnerable.

- 1) A total of 1,384 calls were routed to SWT from the countywide Coronavirus Helpline (April = 484, May = 415, June = 286, July = 199).
- 2) A letter was sent to all households where someone was shielding, and these were followed up by telephone calls to the most vulnerable (in excess of 500 homes where up to 3 phone calls were made, and, where no response was received there were 300 home visits required).
- 3) Food pack distribution was supported by local hubs and the SWT depot provided over 160 food parcels.
- 4) Rough sleepers were supported in new accommodation and 42 were housed at Canonsgrove, and 20 at the Beech Hotel (with ARC and YMCA support).
- 5) A new web based process was designed and implemented for Business Grants. SWT have processed over 3,500 applications & have paid out over £41m to eligible businesses.
- 6) A new web based process was also designed and implemented for Discretionary Business Grants from 1st June. SWT have processed over 340 applications & have paid out over £2m.
- 7) Over £27m additional business rate reliefs were applied to 1,300 accounts and removed liability to pay rates for this year. This was completed with 2 weeks and involved processing over 3,000 accounts manually to assess eligibility.
- 8) Applied one-off £150 awards to 7,017 working age Council Tax Support claims, exceeding £1m in total.
- 9) Reviewed and extended the awards for 285 Discretionary Housing Payment claims to provide ongoing help to people to pay their rent.

10) Recalculated 1,693 Housing Benefit claims following the Government's announcement to increase both the additional earnings disregard in Working Tax Credit cases and Local Housing Allowance rates, providing additional support for people to help pay their rent.

11) The Councils terms for paying suppliers were changed to enable much quicker payments. During April and May, £6.4m was paid with an average turnaround time for processing invoices of 4.8 days.

The table in Appendix 1 included the councils Key Performance Indicators and set out how the council had performed for the first 4 months of the 2020/21 financial year.

For the majority of indicators the target has either been met or in many cases, has been exceeded. For the 2 indicators where performance is significantly below target, and the indicator is rated "Red", commentary is provided below:

Number of complaints responded to in 10 working days:-

The figures shown in the summary cover the first four months of this financial year (i.e. to 1 Aug 2020). During this period we received a total of 449 complaints, which equated to a 19% increase when compared against the same period in the previous year. Our response rate within ten working days was 41% against a target of 90%.

Number of FOI requests responded to in 20 working days:-

To help improve performance a dedicated case manager was recruited last autumn to manage the FOI process, and a new process for submitting FOI requests has been implemented. This had led to significant improvements in performance and for January, 81% of FOIs were responded to on time.

During the discussion the following points and comments were raised:-

- It was questioned if issues that could lead to complaints were tracked to encompass a bigger picture of prevention of issues leading to the formal complaints process.
- Preventative action over complaints was recognised as important in not repeating similar complaints. Similarly with FOI requests and similar requests being received.
- It was recognised officers had done a great job to ensure funding from government is received by individuals. Cases of fraud were questioned and investigating these where needed was requested. Audit were being worked with on to investigate these.
- The committee thanked all staff and SMT for the combined Covid-19 response and keeping services going throughout the pandemic.
- Overturned planning applications did not have a target, this was provided as contextual information and no target was required.

The Scrutiny Committee noted the Corporate Performance Report.

52. **Scrutiny Committee Forward Plan**

(Copy of the Scrutiny Committee Forward Plan, circulated with the agenda).

Councillors were reminded that if they had an item they wanted to add to the agenda, that they should send their requests to the Governance Team.

Resolved that the Scrutiny Committee Forward Plan be noted.

53. **Full Council Forward Plan**

(Copy of the Full Council Forward Plan, circulated with the agenda).

Councillors were reminded that if they had an item they wanted to add to the agenda, that they should send their requests to the Governance Team.

Resolved that the Full Council Forward Plan be considered at the meeting scheduled on 7th October 2020.

54. **Executive Forward Plan**

(Copy of the Executive Forward Plan, circulated with the agenda).

Councillors were reminded that if they had an item they wanted to add to the agenda, that they should send their requests to the Governance Team.

Resolved that the Executive Forward Plan be considered at the meeting scheduled on 7th October 2020.

(The Meeting ended at 9.24 pm)