

SWT Corporate Scrutiny Committee - 7 July 2021

Present: Councillor Gwil Wren (Chair)
Councillors Nick Thwaites, Ian Aldridge, Sue Buller, Norman Cavill,
Simon Coles, Ed Firmin, John Hassall, Libby Lisgo and Loretta Whetlor

Officers: Paul Fitzgerald, Emily Collacott and Malcolm Riches

Also Present: Councillors

(The meeting commenced at 6.15 pm)

21. Apologies

Apologies were received from Cllrs Barr, D Wedderkopp and Farbahi

22. Minutes of the previous Corporate Scrutiny Committee held on 2 June 2021

The minutes of the meeting held on 2 June 2021 were approved as an accurate record.

23. Declarations of Interest

No additional declarations were made.

24. Public Participation

There was no public participation.

25. Corporate Scrutiny Request/Recommendation Trackers

The Corporate Scrutiny Committee noted the Request and Recommendation tracker update.

26. Corporate Scrutiny Committee Forward Plan

The Corporate Scrutiny Committee noted the forward plan.

27. Executive and Full Council Forward Plan

The Corporate Scrutiny Committee noted the Executive and Full Council Forward Plan.

28. Financial Monitoring - Outturn Position 2020/21

This report set out information related to Somerset West and Taunton Council's (SWT) financial performance for the 2020/21 financial year. The outturn figures

included are provisional subject to the completion of the external audit of the statutory financial statements. The audit is due to be completed between July and September with the findings due to be reported to the Audit and Governance Committee on 27 September this year.

The COVID pandemic had significantly impacted upon the Council's services, costs and income during the past financial year. The situation has been extremely dynamic throughout the year both in terms of various announcement of additional funding arrangements from Government and the local impact on demand for and delivery of services. Budgets were revised at Quarter 3 taking into account changes agreed by Council including allocations from reserves, plus further changes made under delegated powers such as to reflect more recent COVID grant funding allocations made. Measures were implemented early in the year by leadership to mitigate risk and uncertainty.

By the end of the financial year, COVID has resulted in additional cost pressures and loss of income to the General Fund totalling £7.270m. This has been partly offset by additional government funding of £5.718m but has required £1.552m of Council funds to meet the shortfall.

COVID has also impacted on the expenditure for 'business as usual' services. Management have prioritised significant intervention and support in response to COVID and in some cases activity has been delayed or deferred e.g. due to supply chain limitations. This has contributed to a carry forward of planned spend into 2021/22 of £2.079m. Despite the financial pressures and ongoing delivery of key services the Council has contained spend and reports a net underspend against final General Fund revised budget of £1.245m.

The revenue outturn position for the financial year 2020/21 is as follows:

The General Fund (GF) Revenue Outturn position for 2020/21 is a net underspend of £1.250m (5.9% of net budget). This is net of £2.079m of budget carried forward to 2021/22.

The HRA Revenue Outturn position for 2020/21 is a net overspend of £15k (0.1% of gross income).

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). As the HRA Net Budget is net £nil with costs wholly offset by income and reserves, performance is reported against gross income for monitoring purposes.

The capital outturn position for 2020/21 was set out:

The total approved General Fund Capital Programme budget in place in 2020/21, including schemes brought forward from previous years, was £112.5m (Appendix C). This relates to a combination of schemes to be delivered in the year and some that will span over more than one year. £63.3m has been spent during 2020/21. Of the remaining £49.2m, £0.1m is reported as net underspend on projects completed during the year, £7.5m is removed from the budget as it is no longer required, and £41.6m will be carried forward for ongoing schemes.

The actual spend on the HRA Capital Programme during 2020/21 was £9.1m with £231k budget underspend being returned as no longer required (Appendix D). The

major areas of capital spend during the year related to the capital maintenance for the existing housing stock and the development and acquisition of new stock. Capital budget totalling £125.3m is planned to be spent over the MTFP, which includes housing development projects that will be delivered over several years (Appendix E).

During the debate the following comments and questions were raised:-

- The update was welcomed by the committee and considered positive given the impact of the pandemic although emphasis on accurate budget provision was encouraged in future years.
- Expediting work around phosphates was encouraged.
- Future expenditure in the context of the formation of the Unitary Council was a concern, increased financial justification was requested going forward.
- Risks and response to uncertainty had been positive, future demands on funds with the change coming with the New Council was a recognised risk.
- Section 9 of the report was considered and criteria used in the process of its decision making. Members of the Executive came forward with different ideas to use the funding, members were encouraged and could still bring ideas and alternatives to use the funding, the committee were reassured that these ideas were not set in stone.
- Questions were asked in relation to the process around this was requested to address concerns ensure fairness and transparency. It was questioned if there were other ideas put forward and not included on the list.
- The process was outlined for Executive members to give consideration of how underspends could be used to fund projects within the districts. Further concerns were expressed over the fairness of the process and the opportunity for Councillors outside the Executive to have an opportunity to have an input.
- The year-end position identified and underspend, as a result the Executive and Senior Management team had set out the proposals in the report to go through the Scrutiny process.
- Prudent expenditure going forward was encouraged to be tested to ensure its appropriately spent approaching the end of the Council in 2023 and ensure future liabilities and minimised.
- The items individually were within the Executive authority to approve.
- Accuracy of budgets was a concern even with the considerations of uncertainty that the pandemic brought. Concerns were expressed that some areas that had underspends could have been budgeted for in advance.
- Commercial property shortfalls was a further concern in future years, with accuracy of figures needing to reflect the previous budget setting.
- The funding for phosphates were welcomed with this impacting delayed with planning cases significantly.
- It was questioned how social housing debt in this financial year compared to the previous year. A written answer would be provided to the committee following the meeting.
- Reference was made to the explanation on page 44 in relation to revenue contribution to capital. It was questioned if this was used to repay capital to the PWLB debts. Depreciation was paid in the capital repairs reserve, using it to finance spend repay debts was a decision made, more detail could be provided following the meeting.
- More clarity for the intended use of revenue contribution to capital was requested in future reports.

The Corporate Scrutiny Committee Recommended that:-

The Executive:

1. Note the impact of COVID on the Council's cost and income during 2020/21 financial year.
- 2 Note the reported General Fund Revenue Budget underspend of £1.25m in 2020/21 and the General Reserves Balance of £7.915m as at 31 March 2021.
3. Note the S151 has approved General Fund Revenue Budget carry forwards totalling £1,139,360 as detailed in Appendix A.
4. Approve an additional General Fund Revenue Budget carry forward of £939,940 for items greater than £150,000 as detailed in Section 7.
5. Note the inclusion of the items included in in 2.15 the supplementary budget of £806,000 for the 2021/22 General Fund, but requests further clarity from the Executive over the compiling of the list, whether it is definitive or not, and how other items can be considered.
Revenue budget funded from general reserves as detailed in Section 8.
6. Note the reported Housing Revenue Account Budget overspend of £15k in 2020/21 and the HRA General Reserves Balance of £2.8m as at 31 March 2021.
7. Note the Capital Outturn position.
8. Approve the proposed carry forward of £41.6m approved budget to 2021/22 General Fund Capital Programme (as per Appendix C) and the £125.3m HRA Capital Programme for the MTFP period (as per Appendix E).
9. Approve the retrospective inclusion of £3,789,053 Budget in the 2020/21 Capital Programme funded with matching grant income for the Watchet East Quay Development, as SWTC is the accountable body for the Coastal Communities Fund grant allocated to this scheme which commenced in previous years, noting there is no net cost to the Council.
10. Note the Capital Programme schedule identifying the schemes and overview profile providing the basis for future performance monitoring (as per Appendix E).

29. **Financial Strategy 2021/22 to 2022/23**

The Financial Strategy is presented for approval by the Executive. This sets out the approach and plans for ensuring the Council continues to operate in a financially sustainable way and allocates its resources in accordance with agreed priorities. The Strategy if agreed with underpin the ongoing management of the current year 2021/22 budget as well as the approach to developing the 2022/23 budget for approval by Council in February 2022.

The Council's services, costs and income last financial year were significantly impacted by the COVID pandemic, with major uncertainty and a frequently changing financial position. In such a dynamic and uncertain environment, financial forecasting and planning is extremely difficult, and the approach during the year necessarily adapted as the year progressed. The refresh of the financial strategy last year focused very much on managing the financial impact of COVID as well as supporting intervention and economic recovery.

Financial planning uncertainty remains, and this is reflected within the 2021/22 budget and reserves plan. The ongoing impact on services, costs and income will be carefully monitored during this year to assess reliability of current year baselines and budget forecast assumptions.

A further factor considered in the Financial Strategy is the prospect of a move to a new (one or two) unitary authority structure within Somerset from April 2023. The Secretary of State is expected to decide on the preferred option in the summer. This added uncertainty leads to a shorter-term focus in budget planning within this Strategy, with future corporate and service priorities, structural design, and related financial plans beyond 2022/23 likely to be undertaken through shadow/transitional governance arrangements.

The other major uncertainty reflected in the Strategy is future funding arrangements for local government. The previous Spending Review in 2020 only covered one year, and it is uncertain at this stage whether the 2021 Spending Review will cover a longer period, and how future funding of local government will be affected by the ongoing impact of COVID in the economy and local demand for services. Changes in funding mechanisms, such as the fair funding review and redesign of business rates retention and new homes bonus are also 'known unknowns' at this stage.

Given the level of uncertainty and likely structural change, this Strategy and updated MTFP focus on 2021/22 and 2022/23 with an indicative forecast for 2023/24 based on continuation of existing district services.

During the debate the following comments and questions were raised:-

- Ensuring funds were available to manage the transition to the New Council and manage existing budgets effectively was a priority. Clarity on the Future of Local Government reform in Somerset was welcomed towards the end of the month.
- Concerns around investments held by the Council and future risk around the commercial property sector was expressed. Reassurance was requested around commercial investments.
- The portfolio of assets were being built along with any asset management requirements. It was questioned when commercial investments would be reviewed. This was managed by the officer team and reported to the Commercial Investment Board.
- It was questioned what advice Arlingclose had provided in respect of inflation and interest rates. Alerts in changing in the market happened regularly alongside quarterly meetings, their advice could be addressed at short notice if required. Increases in interest rates could change but were not expected to increase significantly in the next two to three years.
- The Chair requested that the committee review the strategy over the coming months.

The Corporate Scrutiny Committee recommended that:-

1. The Executive approves the Financial Strategy 2021/21 to 2022/23.
2. The Executive recommends Council approves the revisions to the Budget and planned reserve transfers in 2021/22 as set out in Table 1 and Appendix A.

30. **Corporate Performance Report, Quarter 4 and Outturn, 2020/21**

The report provided an update on the council's performance for the 2020/21 financial year. The report includes information for a range of key performance indicators and also provides an update on progress against the council's annual plan commitments for the year. This year, the council has also played a significant role in the response to the

pandemic and this report includes a summary of the additional work undertaken. Finally, the report also includes the key business risks for the council.

As part of the Councils commitment to transparency and accountability the report provided an update on performance for a number of key indicators across a range of council services and also provides progress monitoring for the implementation of the Corporate Strategy, and the delivery of the commitments made in the 2020/21 Annual Plan. The past year has been exceptional and the pandemic has resulted in unprecedented circumstances. The council's response to the pandemic has been significant, and this has been achieved in addition to the regular day-to-day responsibilities.

During the debate the following comments and questions were raised:-

- The numbers of complaints were questioned, it was considered if there had been an increase in complaints and issues experienced in the Licensing department and staffing issues. Performance in Licensing had improved and was back on track in the current year.
- Requirements for variations to licenses were considered and how this impacted the variations to the backlog. More information would be provided following the meeting.
- There had been a small increase in a number of complaints.
- Performance in the year overall had been impacted at the start of the year although it remained at 90% for complaint responses.
- Determination of Planning applications and delays around this were discussed. There were 93 cases held up as a result of phosphates. Delays in applications due to phosphates had been experienced which had impacted social housing applications which had adversely impacted communities.
- It was requested further dialogue was required with Natural England to improve the situation with applications which had been delayed.
- The national indicator was followed as an indicator which included extensions to planning permissions. Broader reasons for time extensions were being worked through with the Assistant Director.
- Length of time and time extensions in relation to Planning was requested as a true picture to resolve issues.
- The number of complaints responded to within 10 working days was considered and Communications of questions by phone and email.
- Complaints due to lack of response or information was requested to be tracked. It was acknowledged that responses were not always as timely received as could be due to pressures in certain departments.
- Officer resource had been targeted to address complaints along with addressing customer responses around waste collections. Missed waste collections had been a recent recognised issue.
- Progress in Watchet in relation to the Wall repair was commended along with the draft Local Plan.
- The Senior Management Team and Portfolio Holder were congratulated for all their hard work and progress.

The Corporate Scrutiny Committee noted the report

31. **Executive Cllr PFH Session - Leader of the Council & Communications**

With the agreement of the Chair this item was postponed from the agenda.

32. **Access to Information - Exclusion of the Press and Public**

The Exclusion notice was not utilised as Councillors did not discuss the confidential appendix.

33. **Financial Monitoring - Outturn Position 2020/21 - Confidential Appendix G**

The Exclusion notice was not utilised as Councillors did not discuss the confidential appendix.

(The Meeting ended at 7.42 pm)