

Minutes

Scrutiny Committee

Venue:	Microsoft Teams Live Event - Remote
Date:	Thursday, 13 August 2020
Time:	5.00 pm
Present remotely via Teams:	Councillors Shaw-Wright (Chair), J McCartney, R Packham, N Reader and M Topping
Officers present remotely via Teams:	Stuart Robinson - Head of Business Development and Improvement, Peter Williams - Head of Finance, Victoria Foreman - Democratic Services Officer
Others present remotely via Teams:	Councillor M Jordan

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor W Nichols; Councillor R Packham was in attendance as a substitute for Councillor Nichols.

2 DISCLOSURES OF INTEREST

There were no disclosures of interest.

3 MINUTES

The Committee considered the minutes of the meetings held on 4 and 13 February 2020.

RESOLVED:

To approve the minutes of the Scrutiny Committee meetings held on 4 and 13 February 2020 for signing by the Chair.

4 CHAIR'S ADDRESS TO THE SCRUTINY COMMITTEE

There was no Chair's address to the Committee.

5 FINANCIAL RESULTS AND BUDGET EXCEPTIONS REPORTS QUARTER 3 (TO 31 DECEMBER 2019) AND QUARTER 4 (TO 31 MARCH 2020)

The Committee received the reports of the Chief Finance Officer which asked Members to consider and comment on the financial information that covered both Quarters 3 and 4 of 2019-20.

Quarter 3

Officers explained that at the end of Quarter 3, the General Fund (GF) was forecasting a breakeven position. There continued to be a shortfall on planned savings and shortfalls on key income streams but these had been mitigated by in year savings. The Housing Revenue Account (HRA) was indicating a higher surplus than at Quarter 2 of (£180k). This was due to continuing lower external borrowing requirements partially offset by lower savings expected in the current financial year from the implementation of the new housing system.

The Committee noted that GF savings were showing a forecast shortfall of £353k and the HRA a shortfall of £195k as a result of delayed projects, and some reprioritisation. The capital programme was forecasting an underspend of (£23.6m); (£16.9m) GF and (£6.7m) HRA. In the general fund, £11.6m related to slippage in the Housing Trust loans budget. Proposals for phase 2 of the Housing Development Programme were currently being developed and would be put forward to the Executive when finalised.

Members acknowledged that the recently approved acquisition of the waste collection fleet and wheelie bins had been added to the capital programme, but the £4m cost of the vehicles was now not expected to be incurred until the first half of next year; therefore it was recommended that the budget be rolled into 2020/21.

In the HRA a number of programmes had been delayed whilst contracts were being procured, resulting in significant slippage. Expectations were that spend on these committed programmes would be completed in 2020/21 along with the further works already planned for that year.

The Programme for Growth was progressing well with projects delivering over multiple years. It was expected that funds from the business rates pool, towards the costs of Tour De Yorkshire and UCI cycling races, would be received in Quarter 4.

Quarter 4

Officers then took Members through the Quarter 4 report and explained that after carry forward requests, the Council's year end results for

2019/20 showed a deficit of £363k including proposed carry forwards on the General Fund against budget. There were a number of variances (positive and negative) which made up the deficit, including: a shortfall on planned savings, adverse variances across a number of income streams, partly offset by in year staffing savings, higher investment income and unused contingency.

Members noted that the Housing Revenue Account showed a surplus of (£315k), which was mainly driven by lower external borrowing requirements, unused contingency, increased investment income and lower costs on premises cost. This was partly offset by a shortfall in savings due to the delays in the implementation of the housing system and increased void costs to assist with faster turnaround times. The surplus would be transferred to the Major Repairs Reserve to help fund future capital expenditure.

It was acknowledged by Members that planned savings for the year fell short in both the Housing Revenue Account and General Fund. General Fund savings fell short by £374k due to delays in some initiatives whilst the Housing Revenue Account was £195k short.

The capital programme spend was under budget as a number of projects had experienced delays and some were due to deliver over multiple years. After assumed carry forwards, a saving of (£1,213k) has been achieved - (£92k) General Fund and (£1,121k) Housing Revenue Account. The General Fund saving related to ICT costs that were no longer required. In the Housing Revenue Account, the roofing project had been incorporated in the new HRA business plan and therefore this particular budget was no longer required.

The Committee were informed that Programme for Growth spend had totalled £1,902k in 2019/20, with a further £854k to be carried forward.

The impacts of Covid-19 had been limited in 2019/20, but looking ahead to 2020/21 there were a number of risks to income streams and additional costs which would need to be carefully managed. This was because the size and duration of these risks and the potential financial support from central government would become clearer. A revised budget was planned for September 2020.

In response to a query about the shortfall in property income, Officers explained that some Council-owned industrial units were empty and required upgrading, and that there had been a drop in income from room bookings at the Civic Centre.

Members emphasised the importance of improving the industrial units so that they could be rented out and start to generate income. It was agreed that this had been an ongoing issue for some time, and as such Officers were asked to report back to the Committee on the matter in the future, and ensure that action was taken on the matter soon.

RESOLVED:

- i. **To note the Council's financial results and budget exceptions from Quarters 3 and 4 in 2019-20.**
- ii. **To ask Officers to report back to the Committee on the upgrading and letting out of Council-owned industrial units, as this had been an ongoing concern for some time.**

6 TREASURY MANAGEMENT QUARTERLY UPDATE QUARTER 3 AND QUARTER 4 - 2019-20

The Committee received the reports of the Chief Finance Officer for Quarters 3 and 4 of 2019-20, which asked Members to consider and comment on the information contained therein, to comply with the Treasury Management Code of Practice.

Members noted that the reports reviewed the Council's borrowing and investment activity (Treasury Management) for the periods 1 April 2019 to 31 December 2019 (Quarter 3) and 1 April 2019 to 31 March 2020 (Quarter 4) and presented performance against the Prudential Indicators.

Quarter 3

Officers explained that on average the Council's investments totalled £63.9m over the first 3 quarters at an average rate of 0.92%, and had earned interest of £441k (£304k allocated to the General Fund; £137k allocated to the HRA) which was £114k above the year to date budget. Whilst cash balances were expected to reduce over the year, should interest rates remain static, forecast returns could be in the region of £572k, a budget surplus of £137k. However, a no-deal Brexit could lead to a cut in the Bank Rate and therefore the position would be kept under review.

The Committee were informed that in addition to investments held in the NYCC investment pool, the Council had £4.83m invested in property funds as at 31 December 2019, with a net rate of return of 2.42% (3.95% revenue return and 1.53% capital loss), and achieved revenue income of £146.2k to the end of Quarter 3 and a capital loss of £75.2k.

Officers also explained that long-term borrowing had totalled £59.3m at 31 December 2019, (£1.6m relating to the General Fund; £57.7m relating to the HRA). Interest payments of £2.5m were forecast for 2019/20, which was a saving of £0.3m against budget. The Council had no short term borrowing in place as of 31 December 2019. The Council's affordable limits for borrowing were not breached during this period.

Quarter 4/Annual Review 2019-20

The Committee noted that the Council's investments held in the NYCC

investment pool totalled £66.04m over the year at an average rate of 0.91% and earned interest of £601k (£415k allocated to the General Fund; £186k allocated to the HRA) which was £166k above the total annual budget. This exceeded estimates at Quarter 3, which remained prudent in the event that Brexit would result in a sharp decline in rates. For the General Fund £65k interest earned above a £350k threshold would be transferred to the contingency reserve.

Members were informed that in addition to investments held in the pool, the Council had £4.69m invested in property funds as at 31 March 2020. The funds achieved 3.46% revenue return and 4.54% capital loss. This resulted in revenue income of £168.9k to the end of Quarter 4 and an 'unrealised' capital loss of £222.8k. These funds were long term investments and changes in capital values were realised when the units in the funds were sold.

Officers gave details of the long-term borrowing that totalled £59.3m at 31 March 2020, (£1.6m relating to the General Fund; £57.7m relating to the HRA), Interest payments of £2.5m were paid 2019/20, a saving of £0.3m against budget. The Council undertook no short term borrowing in year and the Council's affordable limits for borrowing were not breached during this period.

Lastly, looking ahead to 2020/21, investment returns were expected to be significantly lower as a result of the cut in Bank Base Rate to 0.1%, in response to the economic challenges arising from the Covid-19 global pandemic. No changes to the Treasury Management Strategy were proposed but revised forecasts would inform a revised budget for 2020/21, and the next refresh of the Medium-Term Financial Strategy.

Members asked for more information from Officers regarding the 0.9% return on a balance of £66m; Officers confirmed that this would be supplied to the Committee after the meeting.

RESOLVED: The Committee

- i. endorsed the actions of officers on the Council's treasury activities for Q3 2019/20 and Q4 2019/20 and approved the reports;**
- ii. noted that general fund investment income received over the £350k threshold was to be transferred to contingency reserve, equating to £65k for the year; and**
- iii. asked Officers to provide further information on the 0.9% interest return on the balance of £66m, as detailed in the report.**

**7 CORPORATE PERFORMANCE REPORT - QUARTER 4 - 2019/20
(JANUARY TO MARCH)/YEAR END 2019/20**

The Committee received the report of the Head of Business Development
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and Improvement which asked Members to consider and comment on the performance information contained in the report.

Members noted that the quarterly corporate performance report provided a progress update on delivery of the Council's Corporate Plan 2015-20 as measured by a combination of: progress against priority projects/high level actions, and performance against KPIs. The report before the Committee also included a year-end summary of progress on delivery of the Council's Corporate Plan 2015-2020 as measured by year-end performance against KPIs in 2019/20 compared with year end data for KPIs in 2018/19.

Officers gave an overview of the report and detailed what had went well in Quarter 4; emergency response and support to residents and businesses during flooding in February and Covid-19 (which remained a live incident), Council housing rent and arrears collection, sundry debt collection, the average wait time in minutes before a customer phone call was answered by an advisor, access of benefits forms and taxation direct debit forms online and the average days to re-let standard voids.

However, the Committee also noted that performance had not been as good in some areas; average days sick per full time employee, number of affordable homes provided in the district, missed waste collections, number of SMEs supported, corporate complaints, visits to leisure centres and amount of planned savings achieved.

Members asked Officers to provide some further information on the costs of not re-letting void properties and on the provision of affordable homes, particularly what was causing the difference between the targets and the number of actual homes delivered.

RESOLVED:

- i. To note the Corporate Performance Report for Quarter 4 2019-20 (January to March)/Year End 2019-20.**
- ii. To ask Officers to provide further information on the costs of not re-letting void properties and on the provision of affordable homes, particularly what was causing the difference between the targets and the number of actual homes delivered.**

8 SCRUTINY COMMITTEE ANNUAL REPORT 2019-20

The Democratic Services Officer introduced the report which asked the Committee to approve the Scrutiny Committee Annual Report 2019-20 and make any comments or suggestions as to how the format of the Committee's Annual Report could be improved for future years.

Members noted that the Scrutiny Committee was required, under Article 6

of the Constitution, to prepare an annual report reviewing its work during the previous municipal year.

The Committee confirmed that they were happy with the contents of the Annual Report 2019-20 as set out in the agenda.

RESOLVED:

To approve the Scrutiny Committee Annual Report 2019-20.

9 WORK PROGRAMME

The Chair asked the Committee to consider and comment on their Work Programme for 2020-21.

RESOLVED:

To note the Work Programme for 2020-21 as circulated.

The meeting closed at 5.40 pm.