

MINUTES OF A MEETING OF THE
JOINT MEETING OF SCRUTINY
COMMITTEES HELD AS AN ONLINE
MEETING ON WEDNESDAY 10 FEBRUARY
2021, AT 7.00 PM

PRESENT: Councillor J Wyllie (Chairman)
Councillors A Alder, S Bell, M Brady,
R Buckmaster, L Corpe, A Curtis, H Drake,
R Fernando, J Frecknall, M Goldspink,
D Hollebon, M Pope, D Snowdon, T Stowe,
N Symonds and A Ward-Booth

ALSO PRESENT:

Councillors B Crystall, G McAndrew,
P Ruffles, S Rutland-Barsby and
G Williamson

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	- Scrutiny Officer
Richard Cassidy	- Chief Executive
James Ellis	- Head of Legal and Democratic Services and Monitoring Officer
Steven Linnett	- Head of Strategic Finance and Property
Steven King	- Finance Management Trainee
Katie Mogan	- Democratic Services Manager

William Troop

- Democratic
Services Officer

343 APPOINTMENT OF CHAIRMAN

It was moved by Councillor Goldspink and seconded by Councillor Hollebon, that Councillor Wyllie be appointed Chairman for the meeting. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that Councillor Wyllie be appointed Chairman for the meeting.

344 APOLOGIES

Apologies for absence were submitted on behalf of Councillors Huggins and Stevenson.

345 CHAIRMAN'S ANNOUNCEMENTS

The Chairman said that the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 came into force on Saturday 4 April 2020 to enable councils to hold remote committee meetings during the COVID-19 pandemic period. This was to ensure local authorities could conduct business during this current public health emergency. This Joint Meeting of Scrutiny Committees was being held remotely under these regulations, via the Zoom application and was being recorded and live streamed on YouTube.

346 DECLARATIONS OF INTEREST

There were no declarations of interest.

347 BUDGET 2021/22 AND MEDIUM TERM FINANCIAL PLAN
2021-24

The Executive Member for Financial Sustainability briefly introduced the report. He set out a number of difficulties with the budget which had added to existing pressures, including the impact of the COVID-19 pandemic on the Council's revenue streams, which had only partly been subsidised by government grants, as well as new rules which prevented borrowing from the Public Works Loan Board (PWLB) for investment in assets 'primarily for yield'. This meant income from planned additional property acquisitions by Millstream Property Investments Ltd and rents from planned commercial property acquisitions by the Financial Sustainability Committee had to be removed from the budget. As such, additional savings would need to be made elsewhere.

Members were also advised of changes relating to Business Rates. The Council would receive around £2.2m for New Homes Bonus awards next year. The automatic payment of 25% of the grant to town and parish councils would not be made, although they could bid for money subject to conditions, including having spent all of their previous New Homes Bonus awards. The Council would also increase council tax by £5 in 2021/22 and that increase would also be seen in each year of the Medium Term Financial Plan (MTFP). There would also be a 2.5% increase in fees and charges. Whilst this Budget had been challenging,

there had been no substantial changes to front line services.

Councillor Goldspink asked when the external auditor would consider the Council's use of capital receipts. The Head of Strategic Finance and Property said this was likely to happen towards the end of February or the beginning of March, but audit firms were currently under a lot of pressure.

Councillor Brady asked how much the Council borrowed externally each year for the capital projects and whether this had been borrowed from the PWLB. She also asked if this borrowing would continue to be considered legitimate under the new rules.

The Executive Member said that the Council's external borrowing would amount to just under £22m. The borrowing was to be incurred from 2022/23 onwards and it was envisaged that all of the borrowing would be from the PWLB. These particular capital projects were not considered to be 'primarily for yield', so would be unaffected.

Councillor Pope asked when initiatives such as the Fairer Funding Review were likely to take place. He also asked what the provision of bad debts had been increased to for Business Rates, and what impact this would have on the Council's position. Finally, he asked for clarification in respect of the reference in the report to the sharing system.

The Head of Strategic Finance and Property said the bad debt provision had been increased by just over £1m, and the appeals provision by £3.4m, based on

the assumption of a 25% reduction in rateable value due to material change in circumstances appeals for offices, retail, food and beverage and leisure properties. This would result in a forecast deficit of £18m for 2020/21. This loss would be subject to an irrecoverable loss grant and would be spread over the next three financial years. Therefore, the Council would need to pay £900,000 per annum over the next three years to make up the deficit. However, should the bad debt or appeal provisions prove to be over prudent, they would be reversed, causing a surplus in that year and effectively covering off the deficit.

Members were advised that these figures were subject to change, although the Council would receive £4.6m in the form of an irrecoverable loss grant if the final figures were in keeping with the current forecasts. The sharing system set out how Business Rates were shared out under the localised Business Rates systems: 50% to central government, 40% to East Herts District Council and 10% to the Hertfordshire County Council. It was unclear as to when the government would move forward on the details of the Fairer Funding Review, the replacement of New Homes Bonus and other potential changes.

Councillor Stowe asked about the use of the empty homes premium in relation to council tax and whether this encouraged developers to demolish homes on empty sites, rather than pay the premium.

The Executive Member said that the Council's policy on this was agreed by Overview and Scrutiny Committee each year, so could be reconsidered in the future. However, most of the empty homes in the District

were second homes, rather than on sites for development.

Councillor Curtis asked whether the projected income from parking had taken into consideration changing working and commuting habits resulting from the COVID-19 pandemic. It was agreed that the Head of Strategic Finance and Property would investigate this point and respond to Members outside of the meeting.

Councillor Frecknall asked whether legal advice had been sought on if the provision of housing would be considered 'primarily for yield'. He also asked whether it was likely that the £6m allocated to the Financial Sustainability Committee for investments would now be used and, if not, what would happen to the funds.

The Head of Strategic Finance and Property said it was likely to be the end of February or early March when legal advice was sought. The use of the £6m had not yet been approved by Council, so was not accounted for in the budget. The process of considering potential investments that could be classified as operational assets or infrastructure which produced income but would not fit the 'primarily for yield' description - which was mainly aimed at stopping councils investing in commercial property such as shops and offices - was still at an early stage and it would therefore be difficult to predict how much of the budget, if any, would be spent.

Councillor Pope asked generally about the use of reserves, as well as who reported on the adequacy of the reserves, and whether the Council's position would be compromised.

The Head of Strategic Finance and Property said he reported to Council on the adequacy of reserves. There were to be some large payments due to and from reserves in relation to the Business Rates deficit and grant mentioned earlier, but the overall amount would stay at a fairly consistent level. There was also the possibility of consolidating reserves as part of the year end process to combine reserves together in a set of more generic format.

Councillor Brady asked where the funding for the Bishop's Stortford Old River Lane capital project was sourced from as it did not appear in the capital programme.

The Executive Member said that the business case would be seen by Council next month. The capital programme made provision for the art centre, but the remainder of the infrastructure would essentially be funded by the developer.

Councillor Pope asked if Members could be assured that the Council was not exposed, given the considerable risk that Business Rates would not yield the funding levels assumed in the report. He also asked when Members should consider any changes to the Local Council Tax Support Scheme (LCTSS).

The Head of Strategic Finance and Property said that the maximum financial loss the Council could suffer would be £347,000 because of the Business Rates scheme's safety net. Changes to the LCTSS and discounts and exemptions for council tax would start to be considered in April or May 2021 as there would

need to be a 12 week consultation on any changes to the LCTSS and the scheme must be approved annually, which usually occurred at the November meeting of Council.

RESOLVED – that the report be received.

348 URGENT BUSINESS

There was no urgent business.

The meeting closed at 7.36 pm

Chairman
Date