

At a meeting of the SCRUTINY CO-ORDINATING COMMITTEE held REMOTELY on THURSDAY 25th JUNE, 2020 at 5.30 p.m.

Present:-

Councillor D. MacKnight in the Chair

Councillors D. Dixon, Heron, Hunt, Jenkins, McDonough, F. Miller, Mullen, O'Brien, P. Smith, D. Trueman and Turner.

Also in attendance:-

Councillor Paul Stewart, Cabinet Secretary

Mr Nigel Cummings, Scrutiny Officer, Law and Governance, Corporate Services Directorate

Ms Sarah Reed, Strategic Director of People, Communications and Partnerships

Mr Jon Ritchie, Executive Director of Corporate Services

Mrs Christine Tilley, Community Governance Services Team Leader, Law and Governance, Corporate Services Directorate

Apologies for Absence

Apologies for absence were submitted to the meeting on behalf of Councillors Speding and Watson.

Minutes of the last meeting of the Committee held on 12th March, 2020

1. RESOLVED that the minutes of the last meeting of the Committee held on 12th March, 2020 (copy circulated), be confirmed and signed as a correct record.

Declarations of Interest (including Whipping Declarations)

There were no declarations of interest made.

Reference from Cabinet – 16 June 2020 – Revenue Budget Outturn 2019/2020

The Assistant Director of Law and Governance submitted a report (copy circulated) setting out for advice and consideration of the Committee the report on the Revenue Budget Outturn 2019/2020 to 31st March 2020 considered by the Cabinet at its meeting on 16 June 2020.

(For copy report – see original minutes.)

Mr Jon Ritchie, Executive Director of Corporate Services advised that the report set out the final part of the budget monitoring that was in place during the year.

Mr Ritchie reported that the outturn would feed into the statutory accounts that would be going in draft form onto the website the following week, would be subject to external audit and then would go through to the Audit and Governance Committee for approval on 25th September. He advised that the deadlines for the statutory accounts had been pushed back because of the COVID – 19 pandemic but the Council was well ahead of the deadlines that had been put in place.

Mr Ritchie referred Members to the table set out at paragraph 3.2.2 of the report setting out the final outturn position for the year pointing out that there was an underspend of £496,000 against the budget. Mr Ritchie advised that the table did not include the first of the COVID – 19 grants, almost £10.6m that was received on 27th March because the vast majority of those costs would come through in the current financial year. The whole grant had been rolled forward and therefore the summary position of almost £0.5m was not after that grant had been received.

Mr Ritchie referred to the significant overspend pressures of approximately £9.5m, the majority of which was due to the demand and complexity for both adult and children's social care, advising that Appendix A set out the major variations by Portfolio.

Mr Ritchie advised that over 60% of the target savings were achieved over the year, a target of £17m was set and where savings hadn't been achieved, they had either been mitigated or addressed through the budget that Council set at the beginning of March.

With regards to contingencies, there was an underspend of £11m and paragraph 3.5 set out the factors for this. The main one was the release of historic equal pay provision that was put in place to deal with equal pay, however this was addressed through the Pension Actuarial Valuation that was carried out for the Tyne and Wear Pension Fund and therefore that provision was no longer needed and released back. This equated to £6.4m. Another notable one was a saving on the utilities and a dividend in respect of Newcastle Airport.

In terms of debt charges, due to the timing of the Capital Programme and also to the good treasury management activity, there was an underspend of a little over £4m.

In terms of reserves, a number of earmarked reserves had been set up. There was a carry forward of a grant that Together for Children had received and also some money in relation to some historic TfC payments where money had been set aside, the airport because of the difficult trading position due to the COVID pandemic and £500,000 had been set up for social recovery to help some of the community organisations.

Mr Ritchie advised that the general fund balance remained unchanged at £12m which could be very important as the Council moved into an increasingly difficult position with COVID.

Mr Ritchie confirmed an overall review of reserves had been carried out as set out in section 5 of the report and that overall the Council's reserves had increased by

£14.6m. This reflected the first tranche of COVID - 19 grant received of £10.6m that had been carried forward.

Mr Ritchie also highlighted that there was quite a few ambitious commercial investments in the city planned as part of the regeneration agenda and that there was sometimes a timing issue between when the Council needed to start paying for them and when the income would flow from them and so a Regeneration Reserve of £10m has been earmarked to help smooth some of those financial timing cashflow differences.

Councillor McDonough enquired whether the Council might have to pump some money into the airport into the short to medium term to keep it going due to the problems caused by the COVID – 19 pandemic.

Mr Ritchie commented that he was not aware of any press releases that day in these terms if that was the case, however he advised that they had been doing a lot of work on the airport valuation for several reasons. He advised that the 7 Local Authorities owned a 71% stake in the airport, so it needed to be valued for the accounts purposes and also looking at the income associated with it. He referred to the vast drop in terms of passenger numbers that would have a financial impact. The Council had looked at the valuation based on the long-term position. It had been accepted that the Council would not get the next two interest payments that were due hence the reserve had been set aside so there was not a cash issue in the short term and in the long term the implication was that the business plan still stacked up and it would be that those interest payments were pushed back in time. The valuation reflected that and the draft accounts which were subject to audit did see a reduction in the value of the investment but the long-term going concern of the airport wasn't in question. The 7 Local Authorities were all treating the airport valuation on the same basis, although they all had different shareholdings and subject to audit and anything else changing before the accounts are signed off, the long term sustainability and importance of the airport for trade, for tourism for the North East wasn't in question, although it wasn't a surprise to anyone that there was an impact on their financial forecasts in the short term. At the minute there was no request from the airport to put money into it. If there was a request the usual business case would be carried out as to whether the Council wanted to invest depending on what the ask was if a request came forward.

Councillor D. Dixon referred to the two payments received from Government to address COVID - 19 pressures and its promise to compensate Councils in full for the money spent and he enquired what the position was in respect of the balance which remained.

Mr Ritchie advised that for the last three months the Council had been submitting detailed forecasts of to the Ministry of Housing, Communities and Local Government (MHCLG), setting out what they thought the financial impact would be. There had been some specific grants come through for instance in relation to the Hardship Fund and Infection Control in Care Homes, however in terms of the day to day loss of income and additional costs, they were forecasting £40/41m of financial impact so with £18m of grant there was a shortfall of a little over £22m. There was no indication of what any third tranche of funding would be. Mr Ritchie advised that about £10.7m of the current financial forecast was the impact of lost Council Tax and business rates after the specific grant support that the Government had put in place

for certain Council tax payers and businesses. Some of that cost would manifest itself the following financial year, that is in 2021/22 because of the way the Collection Fund worked but the Government had asked the Council to capture the immediacy of that. He advised that the Cabinet would next month get the first Budget Monitoring Review which was largely following the MHCLG return. There were no issues about paying the bills in the next few months but they were looking very closely at what this meant for this financial year and it was becoming increasingly important for the Medium Term Financial Plan. There was a lot of uncertainty moving forward. It was still not known what was happening with the Comprehensive Spending Review and the Fair Funding Review and it was difficult to forecast accurately when there was information missing. The £22m shortfall was the best estimate and there was a best case scenario and worst case scenario depending on if things went in the Council's favour or against it. The figure would therefore, change and it would also be impacted by how businesses recovered after the lockdown, whether people got back to work soon after being furloughed. It was an area of concern, however the Council was not in the position of some Local Authorities who were talking about a Section 144 Notice, but that was something that the Council was monitoring on a daily basis as statutorily the Council had to set a balanced budget. Whilst the Council had reserves of £150m, they were predominantly earmarked for specific purposes. The General Fund Balance of £12m was important and was the Council's ultimate safety net. The pressures were significant.

The Cabinet Secretary, Councillor Paul Stewart reminded the Committee of the commitment the Local Government Minister had made in March to Council Leaders to support Councils in whatever they needed in their response to Coronavirus.

Councillor Stewart commented that Sunderland City Council had responded very well in relation to the support it had been providing to residents in the City and that the Council expected the Government to honour what it had said on 16th March. He commented that he believed the Local Government Minister and the Prime Minister were honourable individuals and that they would honour the commitment they had given. The Council had recently submitted its monthly return so the Government would know the pressures placed on the Council due to increased expenditure and also the significantly reduced income due to the lockdown, which the Government quite rightly put in place and therefore the Council expected the Government to provide additional funding before the end of the current financial year to ensure it was able to balance the books.

In response to Councillor Hunt, who enquired about the financial resilience of the Council due to the impact of coronavirus, Mr Ritchie advised that the Government did come to ask the Council how it had reached the £40m figure and that whilst it was built up on estimates, it was built up on a very granular basis. He advised that the figure was built up by additional amounts on PPE, the additional costs associated with the Joint Venture that the Council had for the leisure centres, the additional impact of fees going up and more people coming through Adult Social Care, estimates from lost income from car parks, the rents from both the premises that the Council had and Siglion, which could affect the dividends that they paid back to the Council. They were inherently uncertain based on estimates and whilst, for example, the car park charges had kicked back in, they didn't know how quickly they would fill up back to normal levels of activity. The estimates were built up using the best

information available however it was a undoubtedly a concern for councils across the country.

Councillor O'Brien enquired what the worst case scenario looked like for the Council and asked if the Council was preparing for it and to provide some insight for the Members of the Committee.

Mr Ritchie confirmed that the Council was planning for a worst case scenario and this assumed everything working against it. Mr Ritchie stated that they were working through the potential figures which would go to Cabinet and then through Scrutiny in the coming months. He advised that he was more concerned about the Medium Term Financial Plan and the impact on the 2021 scenario was most concerning. The Finance Directors across the 12 Northeast authorities were all comparing notes and had the same concerns as to how this would be addressed. It would be very much dependent on the government response as to whether the shortfall would be bridged as expected at the outset, but also how any residual amount would be picked up especially from Council Tax and business rates, as that went through the collection fund and the Council currently sent half to of the business rates the Council collects to Whitehall and they allocated it back through grant funding. In addition to this about 12-13% of the amount the Council collected went to the Police and Fire so they needed to see how that impacted on them. At the moment the Council was not allowed to run the collection fund at a deficit, however one scenario the MHCLG was considering was a five-year longer term plan which could be run at a deficit. The Council was preparing for lots of different scenarios. At the moment, the Council was saying that it needed another 1.3 times the grant it had had, whereas some authorities in the North were saying they needed another three to four times the grant. Mr Ritchie said that he was confident that the Council could address the in-year position, however if it got worse, they would need to look at stopping firstly non-essential services and then looking at how they delivered essential services as statutorily they needed to balance the books. A Section 144 Notice would be the ultimate sanction but the Council was not in that territory at the moment and was waiting to see if further funding from Government was made available.

In response to a further enquiry from Councillor O'Brien, Mr Ritchie advised that Safeguarding Vulnerable Adults and Children would always be primary services which the Council would need to deliver and that there were other services which were more discretionary and not as catastrophic as stopping the above. The Council would look at this in a measured way and continue with some of the principles that were put into the current budget such as invest to save, but ultimately if there wasn't enough money the Council would need to cut its cloth accordingly.

Councillor McDonough enquired what possibility there was of transferring some of the reserves for capital funding into general funding on a short-term basis and pushing some of the capital projects back to try and plug some gaps caused by the world wide crisis.

Mr Ritchie replied to say that technically yes that this was possible and things like the PFI reserve could be used but he did not consider this to be financially prudent to do so unless there was a plan to replenish it. It was pointed out to Government in the May and June return that this could be used. The General Fund wasn't earmarked for anything and was about 5.5% of the Council's net expenditure. If the Council was not to do the Capital Programme that the reserves were set aside for, there would be

an implication in that it would not drive the regeneration, which wouldn't give the Council the income from either Council Tax from new houses or business rates from the new businesses that it supported, but yes, theoretically the Council could do this. Mr Ritchie added that depending on what the longer term outcome was going to be in terms of government funding, the Council might need to revisit some of its plans but if the Council didn't invest in the city, invest in the computer systems for its staff they would not be able to work in an agile way. There were certain reserves which were payments that the Council would need to pay, PFI was one and there were some around the land the Council had acquired from the Homes and Community Agency. If the Council did not keep the reserves for this then they would have to be replenished at a time when budgets would be tight.

The Chairman, Councillor MacKnight enquired about Children's Services commenting that the service had been going through a difficult time due to the pandemic.

Mr Ritchie advised that some of the pressures on Children's Services as a result of COVID had not been as immediate as it had been in Adult Services. However, there were some concerns because of the pressure that lockdown had put on some families that the costs could come in future months. Mr Ritchie added that as schools went back in the new academic year in September, depending on what the social distancing rules were, the Council might need more mini buses and buses than it currently had to enable people to spread out more and the costs associated with home to school transport, both for mainstream and the Special Educational Needs sector, might fall to the Council. Schools had their own financial challenges through the Dedicated Schools Grant and some of those costs could fall on the Local Authority and so Officers were monitoring those very closely.

Full consideration having been given to the report and there being no further questions for Mr Ritchie, the Chairman thanked him for his report and it was:-

2. RESOLVED that the Cabinet be advised that the Scrutiny Committee accepted the report and noted the overall outturn position for 2019/2020 of the Council.

Complaints and Feedback Annual Report

The Executive Director of Corporate Services submitted a report (copy circulated) hoping to provide the Committee with information regarding compliments, complaints and feedback received by the council.

(For copy report – see original minutes.)

Mr Jon Ritchie, Executive Director of Corporate Services advised that they had hoped to provide the above information however information to complete the report had not been received from the Local Government Ombudsman and the report had therefore been withdrawn from consideration and would be submitted to the Committee's September meeting.

3. RESOLVED that the Complaints and Feedback Annual Report be submitted to the Committee's September meeting.

COVID – 19 Verbal Update

The Chief Executive submitted a report (copy circulated) advising that a general overview of the COVID – 19 situation in Sunderland would be provided at the meeting through a verbal update.

(For copy report – see original minutes.)

Ms Sarah Reed, Strategic Director of People, Communications and Partnerships provided the Committee with a presentation detailing what the Committee had done in response to the COVID – 19 pandemic which had been three months of work, how the Council was moving now into recovery and also into reform and what the long term impacts had been.

Ms Reed advised that from the outset the Council had tried to keep business as usual and that had meant within the crisis, working seven days a week in many services and in Adults and Children's Services in particular. In terms of the Council's emergency approach, they had had to have daily calls and deal with daily issues as Members had done in their own communities. Work around response still continued with the foodbanks providing support to people and helping people who were shielding.

Ms Reed reported that between April and June, one of the Council's first priorities was to make sure its staff were safe as well as elected Members, which meant that they had to work a lot from home and also think about how to protect frontline staff which meant a lot had to change in terms of how the Council worked.

Ms Reed advised that emergency structures were brought in and they established what they would normally do in a crisis – a gold, silver and bronze command structure which was tied into regional work with the Local Resilience Forum (LRF) and that there were key links to Elected Members on a daily basis updating them on the situation. Ms Reed stated that a lot of this was done digitally which was a big challenge for everyone, however this had allowed a lot of the Council's staff to work from home and support those who had to go out and work in a more agile manner as well. A huge amount of work had been carried out around communications to Elected Members, staff and to partners with whom there had been reciprocal arrangements and a massive amount of collaboration had been going on as well with the Voluntary and Community sector.

Ms Reed pointed out that every service had had to adapt as part of the response. The Council had tried to maintain frontline services as best as it could and in terms of Children's and Adults Social work, the services had tried to do home visits where they were needed bearing in mind some of the COVID restrictions on how to work. Safeguarding had been the Council's absolute priority. There had been unprecedented demand on some services such as the crematorium service working seven days a week and much longer hours, having to bring in digital support so people could attend funerals. The Council had also had to develop the community hubs working within the Council's area arrangements. Sunderland had been working better than a lot of other areas because of the area arrangements which had been in place for the last 15-20 years.

Ms Reed referred to the call for volunteers and that over 1000 people had come forward in Sunderland. The Council then had to deal with things like Personal Protective Equipment (PPE), which had been a massive budget pressure. The Council had provided support with the Nightingale Hospital and all the negotiations around regeneration associated with that and the work around the 0800 numbers to support vulnerable people and helping to distribute food and medicine supplies. The Council had looked at its staffing numbers on a day to day basis using different reporting, as it had had to reallocate staff to new areas of business and to make sure staff were safe had been doing all the things around testing.

Ms Reed stated that as a city, Sunderland had remained open for business. In terms of regeneration, trade and the allocation of grants to businesses, the Council had tried to make sure economic recovery had also been continuing with City Hall, the work being done in the city centre and supporting traders as well.

Ms Reed reported that as some of the restrictions were starting to ease, the Council was now moving into the recovery phase and things were starting to look like business as usual. Therefore, the Council was looking at how to bring in a new business as usual, whilst making sure that if there was another surge in COVID that it was able to provide the response side also.

Ms Reed referred the Committee to a diagram which had been circulated earlier on Test, Track and Trace explaining the arrangements and responsibilities moving into recovery and the new business as usual.

Ms Reed pointed out the positive feedback from the Council's new way of working and the desire to capture this moving forward, such as the use of technology, building on the community hubs as part of the community approach and the collaboration of partners and with regional colleagues across all disciplines.

The Cabinet Secretary, Councillor Paul Stewart commended the community spirit which had been shown in the last few months and how people had taken on board the challenges and difficulties caused by the virus outbreak and supported themselves and each other.

Councillor Stewart commented on the commitment shown by the Council's workforce to ensuring essential services continued and how it had supported the local communities and he mentioned that he had received a number of positive comments about Council staff. He paid tribute to every single member of staff of the Council for the work they had undertaken over the last few months.

Councillor Stewart referred to the fact that the Government had issued a number of grants to local businesses and he advised that the impact on Sunderland was that around about £43m had been passported by the Council to approximately 3,800 local businesses who had received grants of either £10,000 as an initial basic grant, or in some cases, companies in the retail and leisure sectors had been able to access grants up to £25,000, which had clearly benefitted the SME sector within Sunderland. There had been an additional discretionary grant issued by the Government to try and encompass those organisations which did not fit into the initial criteria. The Council had received approximately 200 applications from SMEs and charities to access this discretionary grant and also there was the local support scheme which the Council had initiated to support local community organisations

and the Voluntary and Community sector. Councillor Stewart advised that the deadline for applications for this grant had been closed during the course of the last few days and that information could be provided on this for Members. In relation to business rates, there had been support from the Government but also the Council, who had initiated free periods for tenants where it was the landlord. Those organisations and companies were beginning to come back on stream and back into being an ongoing business again so that temporary measure that was rightly put in place, was no longer required.

In relation to Council Tax bills, there were around about 16,000 households in the city which benefitted to the point that they would not be paying Council tax this year and a further 4,000 households would be receiving a reduction of up to £150 towards their council tax bill. There had been an increase of 15% since 1st April in the number of households which qualified for council tax relief and with the number of applications that was understood to be going through with regards to Universal Credit, there was concern that this would continue to rise and would impact this financial year and moving forward.

In relation to the grants from the Government, the Council had received just over £80m of support and it was hoped that future instalments would be coming to the city soon.

Councillor Stewart commented that the Council continued to work in collaboration with other stakeholders in the city to make sure local businesses and people in the city were supported through maximising community wealth across the city to deal with the impact on both the Council and the city. The Council was facing significant financial funding challenges both in the medium and long-term and as Jon Ritchie had stated, the main concerns were not necessarily this financial year but the following financial year. As the Council moved into medium term financial planning, a number of incomes streams were going to be significantly hit such as council tax, particularly if there was a downturn in the economy.

Turning to education, Councillor Stewart stated that there was an issue with face to face teaching and a lot of learning had been missed by children and students. It was becoming a real concern and part of the recovery planning was that the Council worked with schools and colleges to do whatever it could to support children to catch up on their education.

Councillor Stewart stated that the Council would need the resources from the Government. The Council did have reserves but the reserves were there for a purpose and the vast majority of the reserves were committed. There was a small general reserve of £12m but that would not make a significant difference in the underlying position of the Council in this financial year and the next financial year. The Council would continue to work with partners in the city in resetting the city plan which would need to be reviewed to see what was relevant, what needed to be amended and whether there was anything which needed to be added post COVID – 19. This work was continuing and underway.

Councillor Stewart referred to the need to reform the Council going forward and to the fact that it had adopted a Community Wealth Building Strategy which the COVID – 19 virus had shown just how crucial that strategy was on two fronts. Firstly, in relation to empowering the Council's local communities and ensuring that they were

resilient and had the ability moving forward and, secondly, having a robust SME and co-operative sector in the city. Councillor Stewart advised that there were over 4,000 SMEs and this had shown how important they were to the city and how the Council needed to continue to develop, encourage and grow them further moving forward.

Councillor O'Brien enquired whether the Council was going to use its reserves at all or was it intending to keep them.

Councillor Stewart provided an analogy as to when the reserves might have to be used should further funding from Government not be forthcoming.

Councillor Turner reiterated that especially in her own area of the city that the volunteers had really worked hard and that customer services staff had been replying to enquiries pretty quickly, especially with regards to fly tipping etc. and that she wanted to thank the staff for this and also the volunteers as they had been absolutely marvellous.

The Chairman concurred with the comments Councillor Turner made and thanked Councillor Stewart and Ms Reed for the report.

4. RESOLVED that the information provided on the situation and key issues facing the city in relation to the COVID - 19 pandemic be received and noted.

Annual Scrutiny Work Programme 2020/21

The Chief Executive submitted a report (copy circulated) providing options, support and advice to Members on the development of the scrutiny work programmes for 2020/21.

(For copy report – see original minutes.)

Mr Nigel Cummings, Scrutiny Officer, briefed the Committee on the report highlighting the principles to be taken into account when determining the work programme as set out in paragraph 2.2 of the report. He referred to the delay in starting this work due to the COVID – 19 virus.

Mr Cummings referred Members to the arrangements to hold individual workshops for each of the scrutiny committees via Teams to develop the work programmes during July and August, looking at key priorities for services and advising that they would look to invite key stakeholders and officers also. He advised that a draft work programme would be submitted to the Scrutiny Committee for approval at the September meeting. The Committee would also receive the draft work programmes of the Thematic Scrutiny Committees and he asked Members to endorse the proposed approach.

Full consideration having been given to the report it was:-

5. RESOLVED that the scrutiny work programmes be developed through individual workshops organised and developed through the scrutiny function; the workshops to take place during July/August with the aim of providing a number of

relevant issues and topics for consideration and approval by the respective scrutiny committees.

Notice of Key Decisions

The Scrutiny and Members' Support Co-ordinator submitted a report (copy circulated), providing Members with an opportunity to consider those items on the Executive's Notice of Key Decisions for the 28-day period from 15th June, 2020.

(For copy report – see original minutes.)

Mr Nigel Cummings, Scrutiny Officer, advised that if there was anything on which any Member wanted further information to let him know and he would get that for them and circulate it.

6. RESOLVED that the Notice of Key Decisions be received and noted.

The Chairman closed the meeting having thanked everyone for their attendance.

(Signed) D. MACKNIGHT,
Chairman.