

**At a meeting of the SCRUTINY CO-ORDINATING COMMITTEE held REMOTELY on THURSDAY 5<sup>TH</sup> NOVEMBER, 2020 at 5.30 p.m.**

**Present:-**

Councillor Hunt in the Chair

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

Also in attendance:-

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

Ms Gillian Robinson, Scrutiny and Members' Support Coordinator, Law and Governance, Corporate Services Directorate

Mr Jon Ritchie, Executive Director of Corporate Services

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

The Chairman welcomed everyone to the meeting and introductions were made.

**Apologies for Absence**

There were no apologies received.

**Minutes of the last meeting of the Committee held on 8<sup>th</sup> October, 2020**

1. RESOLVED that the minutes of the last meeting of the Committee held on 8<sup>th</sup> October, 2020 (copy circulated), be confirmed and signed as a correct record.

**Safer Sunderland Partnership Annual Report 2019/20**

Mr Nigel Cummings, Scrutiny Officer, Law and Governance, Corporate Services Directorate undertook to chase up information regarding the number of Enforcement Officers the Council now had for Councillor Jenkins which had been requested at the last meeting.

**Declarations of Interest (including Whipping Declarations)**

**Item 5 - Reference from Cabinet – 13 October 2020 – Budget Planning Framework and Medium-Term Financial Strategy 2021/2022 – 2024/2025**

Councillor Heron made an open declaration in relation to the report as the Council appointed representative on the Tyne and Wear Pension Fund.

## **Item 6 - Notice of Key Decisions**

Councillor Doyle made an open declaration in relation to item no. 200813/493 advising that the organisation for which he worked had undertaken paid consultancy in relation to the Sunnyside regeneration proposals.

### **Reference from Cabinet – 13 October 2020 – Capital Programme Second Review 2020/2021 (Including Treasury Management)**

The Assistant Director of Law and Governance submitted a report (copy circulated), seeking the views of the Committee, in accordance with the Budget and Policy Framework Procedure Rules, on an extract from a report of the Executive Director of Corporate Services considered by Cabinet on 13 October 2020, which detailed:

- the outcome of the Second Capital Review for 2020/2021;
- progress in implementing the Treasury Management Borrowing and Investment Strategy for 2020/2021; and
- an amendment to the Treasury Management Lending List and Criteria to be recommended to Council.

(For copy report – see original minutes.)

Mr Jon Ritchie, Executive Director of Corporate Services briefed the Committee on the report advising that the Council had been approached by Education Partnership North East (EPNE), which was the group brand for Sunderland College, Northumberland College and Hartlepool Sixth Form College. He advised that an approval was needed before the lending list would go through the normal cycle in the March Council. Sunderland College had approached the Council to see if the Council was prepared to offer a short-term overdraft facility or short-term loan in the spring of both next year and the year after up to a maximum of £2m and up to a maximum of £1m respectively.

Mr Ritchie referred the Committee to paragraph 2.1 of the report and paragraph 1.2.2 of the Lending List and Criteria and advised that the first priority for any investment was the security of the Council's capital, however the college was unable to offer any security as their existing asset already had security placed on it and there were financial charges on them.

Mr Ritchie referred the Committee to the mitigating steps the Council was taking because of the above which were set out in the report to minimise the risk. He emphasised that it was a short-term facility and that the college did have a financial plan that was expected to allow full repayment each year and also that their student recruitment was ahead of schedule. He added that before any monies were advanced that he would have a monthly meeting with the Vice Principal for Finance from the college. The item would be submitted to the Council meeting on 18 November for approval.

Councillor P. Smith stated that she had been concerned when she had read the report, however the explanation in the report regarding the measures to mitigate the risk to the Council including the Executive Director of Corporate Services

undertaking an assessment each month of the latest financial position of EPNE, had served to settle any concerns she had.

Full consideration having been given to the report and there being no further questions, it was:-

2. RESOLVED that the Scrutiny Co-ordinating Committee acknowledged the information and noted the risk and mitigation that had been outlined, in relation to the revisions to the lending list and criteria for the proposed loan facility to EPNE.

### **Reference from Cabinet – 13 October 2020 – Budget Planning Framework and Medium-Term Financial Strategy 2021/2022 – 2024/2025**

The Assistant Director of Law and Governance submitted a report (copy circulated), seeking the views of the Committee, in accordance with the Budget and Policy Framework Procedure Rules, on a report of the Executive Director of Corporate Services considered by Cabinet on 13 October 2020 which:

- Identified the key factors influencing the development of the Council's financial plans into the medium term and sets out the budget planning framework for the Council for 2021/2022;
- Set out the headlines and context for the Medium-Term Financial Plan (MTFP) 2021/2022 to 2024/2025; and
- Set out the consultation/communication strategy for the budget 2021/2022.

(For copy report – see original minutes.)

Mr Jon Ritchie, Executive Director of Corporate Services referred the Committee to the key points to note which impacted on the Budget Planning for 2021/2022 set out in section 3 of the Cabinet report. He highlighted the context in which they were working in that they were dealing with a lot of uncertainty. They had not had the comprehensive spending review in the normal cycle, they didn't have the Fair Funding Review or the Business Rate Retention, Brexit would be happening in the next couple of months and they were part way through a global pandemic. Therefore, it was important that Scrutiny, Cabinet and Council appreciated the imperfect position in which they were working in terms of financial forecasting.

Mr Ritchie advised that they were expecting to get a one year spending round on 25 November. The next proposals were going to Cabinet on 8 December. The numbers included in the report were based on best assumptions at the time the Cabinet report had been written.

Mr Ritchie referred Members to paragraph 3.4.9 of the Cabinet report and highlighted that the Council might get an additional £3.243m of funding through the New Homes Bonus because of a redistribution factor across the country, although Government hadn't confirmed which methodology they would be using.

Mr Ritchie advised that section 3.5 of the report set out some of the key planning assumptions they had used and set out the spending pressures and commitments. Long term planning assumption for wage inflation was set at 2%. He added that whilst the Council had been a real living wage employer for almost a decade, it had

recently become accredited as a real living wage organisation. As part of that they would expect its contractors to pay a real living wage and that would come at a cost.

Mr Ritchie pointed out that there was a spike in the wages' inflation line in 2023/24 as that was when the Council's main adult social care contracts were up for renewal and so they had included an increase of what it was thought the increased costs would be. He added that they had included inflation on the contracts they knew about. Inflation was running low at the moment with CPI being at 0.2% in August and 0.5% in September. The planning assumption for next year was 1% and then 2% in the longer term which was consistent with the Bank of England's assumptions. They had tried to account for the increase in demand in both Adults' and Children's social care and £1.5m was included on top of the inflationary uplifts.

Mr Ritchie drew attention to paragraph 3.5.17 which set out that the Capital Programme had revenue implications, effectively the mortgage payments that go through as a result of the borrowing that the Council took out. They had revised their debt charges assumptions and there was actually a reduction in the next financial year of about £3m, but over the 4 year period there was an increase of £9m. He advised that as the Capital Plan changed they updated the assumptions based on what they thought would happen with interest rates and also the timing of the capital spend.

Mr Ritchie highlighted the conclusion of the Triennial Actuarial review of the Local Government Pension Scheme detailed in paragraph 3.5.18 and that the Pension Fund valuation could change subject to a number of factors such as the US Presidential Elections and the consequential change in the financial markets, Brexit and COVID-19 etc. He advised that they had allowed for a £10m increase in 2023/24 and that this estimate could be refined as they got close to that point in time.

On-going COVID pressures had been included in paragraph 3.5.24 which they thought might roll forward into next year into the base budget for example the impact in the short to medium term on the rental market and the loss of income the Council received directly and also through Siglion and the ability they had to pay dividends. All of the different changes and spending pressures were summarised in the table set out at paragraph 3.5.25.

Mr Ritchie referred the Committee to the table set out at paragraph 3.6.2 which showed that there was a funding gap of £6.9m for the next financial year. He explained that normally they would expect to have additional income coming into the Council's budget because of changes to Council Tax and business rates in terms of increased numbers of houses, more businesses, the inflationary uplift that they assumed in terms of Council Tax and business rates that would roll forward. However, one of the impacts that COVID had had in this financial year in relation to the Collection fund was actually deferred into the next financial year. The Council's collection rate had dropped as more people had moved onto the Local Council Tax Support Scheme and would impact over the next few years as the Government had changed the rules as to how the deficit could be spread rather than giving Councils additional income. Therefore, when this was factored in, the table in paragraph 3.9.1, showed the gap for next year to be currently estimated at £15.8m and the gap over the 4 year period as being £44m.

Mr Ritchie advised that the report to Cabinet next month would present how they proposed to bridge the funding gap. The Cabinet proposals would look at where they would potentially bring in additional income, make savings or propose some short-term use of reserves.

Mr Ritchie advised that once they had the above proposals they would undertake the formal budget consultation with the Trades Unions, the Chamber of Commerce, the Youth Forums, Elected Members and Members of the public. He advised that they had done some engagement with the public via the Let's Talk mechanism where they had asked a couple of questions to gauge the public's view as to where they felt the Council should be spending its money, although they had not had the numbers of people engaging they had hoped for albeit in the context of a national pandemic and lockdown.

Councillor P. Smith referred to paragraph 3.4.12 regarding school funding and the statement that the ESFA would put forward plans to move to a 'hard' National Funding Formula in the future, which would determine school funding allocations directly at a national level, rather than local funding formulae. She enquired how this would affect Sunderland.

Mr Ritchie advised that for the last decade there had been a local formula based on national criteria. Ultimately it was the Schools Forum that made the proposals which came to Cabinet for ratification as to how the funding was allocated. He stated that he felt that it made sense to move to a national funding formula on one level because schools in different areas would receive the money on a consistent basis but it did take away the flexibility to factor in local decision making. Mr Ritchie advised that the Schools Forum had been getting towards a national funding formula over several years rather than it being a significant change from one year to the next. It would come forward to Cabinet as a formal proposal in September.

Councillor F. Miller referred to the remaining budget gap and the statement by a Government Minister that they would do whatever it took and asked whether he was going to comply with this and provide the funding to the Council.

Mr Ritchie reported that there was an element of that in that the statement was in relation to the COVID grant for the current year, some of which did carry forward. In a normal year the Council would have a funding gap that it would need to deal with because of inflationary pressures and other things, however COVID had had an impact in the fact that the Collection Fund had been rolled forward into the next three years. He added that there might be some further funding to come but at the minute the position was based on the funding which the Council knew about at that time.

Councillor D. Dixon referred to paragraph 3.5.9 which outlined the additional pressures on Adult Social Care due to the COVID-19 pandemic. He commented that this was going to go away to an extent with COVID-19 but the path to excellence that the NHS outlined for the future, pushed more and more into care at home through Multi-speciality Care Plans/Integrated Care Plans and so this pressure was something which was likely to continue to increase. He enquired with those Multi-speciality Care Plans that there was a large commitment on Adult Social Care and how was that financial challenge going to be met and who would control those Multi-speciality Care Plans.

Mr Ritchie stated that Adult Social Care and Children's Social Care were probably the key financial challenges for Local Authorities across the country. The Council worked very closely with its partners in the Clinical Commissioning Group making sure that the service provision for the service users was right but that needed to be paid for. They were looking at mitigating this as far as possible working with the Voluntary and Community Sector, working with families, using assisted technology where it was appropriate to do so that would allow people to talk to health professionals without the need for a face to face visit to drive out financial efficiencies. Ultimately, they needed to be mindful that generally the population was aging and that as people moved into the higher age brackets that their care requirements increased.

Mr Ritchie explained that when they had set out the financial pressures that the increased budget that was going into social care wasn't just the inflationary uplift and that it did allow for increased demand. Adult Social Care was about a third of the Council's net budget or gross budget so that could not be immune from helping to balance the budget as statutorily the Council and himself as the Chief Finance Officer had to set a balanced budget each year. This was one of the key challenges as to how to do this when there were other priorities each year which the Council might want to, although Social Care and Safeguarding needed to be one of the first things the Council made sure it had suitable provision for. By working with partners, by using technology where appropriate they were trying to mitigate the financial cost by delivering high quality services in different ways.

Councillor Dixon stated that he was concerned going forward about Multi-speciality Care Plans and that there needed to be someone to control the plans and how the costs were shared out.

Mr Ritchie advised that there were relevant panels in place working on a multi-agency basis with parameters as to whether it was a health cost or a Local Authority cost. There would be challenge to make sure that only appropriate provision was given, but equally appropriate provision was given and that cost did not become a factor in an individual case. It was a challenge for any Local Authority moving forward.

Councillor Mullen asked that of the £1.1b that Robert Jenrick MP had released for Local Government the previous week, whether Mr Ritchie could give the Committee a rough idea as to how much Sunderland could expect to get.

Mr Ritchie advised that it was not included in this report as it had come out after the second quarter budget monitoring report. He advised that £919m was allocated out to Local Authorities and the Council's share was a little over £5.1m. £100m of this was going to be allocated out to support the leisure sector but the Council did not have the detail of how that would come through and therefore he did not know whether Sunderland would get some, or none, or a lot, of the £100m but the headline figure was £5.1m. The total funding which the Council had received in terms of general grant was about £26m at the time being.

Councillor Mullen reported that there was a new Protect Programme which was providing Local Government with additional funding for housing people who would otherwise be homeless. He enquired whether the Council would expect to get more of that and how much the Council had had so far related to homelessness.

Mr Ritchie advised that he was not aware of the announcement which had come out in the last half an hour as he had been in another meeting. He would need to provide a written answer with regards to the funding received to date relating to homelessness schemes, although he was able to advise that the Council had received a couple of hundred thousand pounds in relation to some of the homelessness schemes and he would liaise with Mr Graham Scanlan on the matter as he was the relevant Assistant Director. The Council had not received as much as some of the larger cities because the funding was for actual rough sleepers on the street and Sunderland did not have as many people in these circumstances so had not qualified for some of this funding.

Councillor O'Brien enquired whether there was a cut-off date when the Council was going to rollback the Council Tax Support Scheme in its expanded form as it was at that point in time.

Mr Ritchie advised that the Council had received about £4.2m in funding early on during the COVID-19 pandemic which allowed the Council to give an additional amount of funding up to £150 per person depending on their bill which took them down to a zero bill for the year. He advised that this arrangement was in place for this year, however they did not know what arrangements would be put in place for next year in relation to this additional scheme. The Council's existing Local Council Tax Support Scheme from which about 25,000 working age claimants and about 10,000 pension age people, the figure for which he would check and supply in writing to Councillor O'Brien and the rest of the Committee, would roll forward. However, under the existing scheme everyone was expected to pay something and the minimum amount that people were expected to pay was about 8.5% of the full bill. For some people the expanded scheme took that down to zero percent but next year unless there was an additional set of Government funding it would go back to the Council's core scheme of 8.5%.

Councillor O'Brien asked whether Mr Ritchie expected that the Government might give some funding given the Furlough Scheme had been extended to March 2021.

Mr Ritchie stated that he did not know whether this would happen or not as the nature of Government policy and the associated funding were changing on a daily and weekly basis at the time being. There was no indication that it would at the moment, but that was not to say that something would not be developed in the coming months. Unless there was any additional funding coming forward it would revert back to the Council's existing plan which was approved every couple of years by Full Council and that there were no plans to change this at the minute.

Councillor O'Brien enquired, that given the fact that people might lose their jobs in the coming few months, was the Council going to adopt a more lenient way of collecting its Council Tax. He understood the Council was very proud of getting a 99% payment of Council Tax and he wondered whether given the circumstances and longevity of the pandemic and effect on peoples' finances that it might adopt a more lenient approach.

Mr Ritchie stated that they did pride themselves about being pragmatic about how they collected the Council Tax. In the middle of August they had started to re-issue reminders for amounts that were debts that pre dated COVID. They hadn't actively chased any COVID related debts as they appreciated the position which people were

in. The long-term collection rate that they used for budget planning purposes up until now had been 98.5%. In the report one of the reasons why the Council Tax income from next year was down, was that they had dropped that rate as they had recognised that people would not be able to pay in the way that they would normally hope to. However, they needed to balance that with the fact that the Council Tax at about £100m was a key income source that allowed the Council to deliver Adult Social Care, Environmental Services and all Council services so they couldn't simply turn off the collection. The Council however needed to be realistic about whether people could pay and where people were genuinely struggling, the first priority was to come up with a reasonable payment plan that helped both the Council to collect an income but did not put undue worry on people. There was a piece of work ongoing where people had multiple levels of debt that the Council took that into account. It was pointless, for example, chasing a parking fine at the same time as chasing a Council Tax payment. Council Tax was a greater priority debt if it did go through to the courts. The Ministry of Justice had said earlier that week that courts would continue to operate so the Council would go through that process but at the moment the Council's priority would always be not to go to court but to try to come up with a pragmatic approach. Ultimately if the Council did not collect that income it did have an impact on the services the Council could afford to deliver and so it was about achieving a balance.

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

3. RESOLVED that the Scrutiny Coordinating Committee was satisfied with the budget planning framework and the medium-term financial strategy as set out in the report. The Committee recognised the various spending pressures and Central Government funding uncertainties that existed for the Council and the impact of Covid-19 on all Council services and funding.

The Committee was pleased to note that it would again be consulted on the results of the budget consultation and looked forward to receiving this at a future meeting.

The Committee would also like to put on record its appreciation for the hard work and diligence of officers and members in the budget planning process, particularly in the difficult times that they all found themselves in at present.

### **Scrutiny Committee Work Programmes for 2020-21**

The Scrutiny and Members' Support Co-ordinator submitted a report (copy circulated) attaching, for Members' information, the variations to the Scrutiny Committee work programmes for 2020/21 and providing an opportunity to review the Committee's own work programme for 2020/21.

(For copy report – see original minutes.)

Mr Nigel Cummings, Scrutiny Officer, briefed the Committee on the report highlighting that paragraph 5 set out the budget to deliver the agreed Scrutiny work programmes, however to date there had been no expenditure.



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

4. RESOLVED that:-

- (a) the variations to the Scrutiny Committee Work Programmes for 2020/21 and to the Scrutiny Co-ordinating Committee's own work programme, be noted; and
- (b) the current expenditure and remaining scrutiny budget for 2020/21, be noted.

### **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 19<sup>th</sup> October, 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.

Councillor Doyle asked for further information in respect of item no. 201012/521 to approve the introduction of an E-Scooter Pilot Trial.

5. RESOLVED that the Notice of Key Decisions be received and noted and that information be provided in relation to the item detailed above on the Notice of Key Decisions.

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

(Signed) P. HUNT,  
Chairman.