

OVERVIEW & SCRUTINY COMMITTEE

Minutes of the meeting of the Overview & Scrutiny Committee held on Wednesday, 25 January 2023 in the Council Chamber - Council Offices at 9.30 am

Committee Members Present: Mr N Dixon (Chairman) Mr S Penfold (Vice-Chairman)

Ms L Withington
Mr P Heinrich
Mr A Varley
Mr P Fisher

Mr H Blathwayt
Mrs E Spagnola
Mr C Cushing
Mr J Toye

Other Members Present: Mr A Brown (Observer) Ms V Gay (Observer)
Mr J Rest (Observer) Mr E Seward (Observer)

Officers in Attendance: Democratic Services and Governance Officer - Scrutiny (DSGOS), Chief Executive (CE), Democratic Services Manager (DSM), Director for Communities (DFC), Corporate Business Manager (CBM), Director for Resources / S151 Officer (DFR) and Corporate Programme and Project Manager (CPPM).

107 TO RECEIVE APOLOGIES FOR ABSENCE

Apologies were received from Cllr S Butikofer, Cllr N Housden and Cllr V Holliday.

108 SUBSTITUTES

Cllr J Toye.

109 PUBLIC QUESTIONS & STATEMENTS

None received.

110 MINUTES

Minutes of the meeting held on 14th December 2022 were approved as a correct record and signed by the Chairman.

111 ITEMS OF URGENT BUSINESS

None received.

112 DECLARATIONS OF INTEREST

None declared.

113 PETITIONS FROM MEMBERS OF THE PUBLIC

None received.

114 CONSIDERATION OF ANY MATTER REFERRED TO THE COMMITTEE BY A MEMBER

None received.

115 RESPONSES OF THE COUNCIL OR THE CABINET TO THE COMMITTEE'S REPORTS OR RECOMMENDATIONS

None to report.

116 FEES AND CHARGES 2023-24 (UPDATED)

Cllr E Seward – Portfolio Holder for Finance and Assets introduced the report and informed Members that it had been deferred at Full Council in December to account for further budget considerations. This had resulted in one substantial change which related to an increase in garden bin charges to £56 from £52.50.

Questions and Discussion

- i. Cllr P Heinrich referred to filming costs and asked whether this included professional photography for advertising and similar purposes, or whether this was treated separately. The CE replied that all filming was reviewed to consider whether it was commercial in nature, and this would be used to determine whether a charge was appropriate, against the potential positive impact the exposure could bring.
- ii. Cllr S Penfold asked who the copyright would belong to once filming had completed and whether the Council would be able to use any material for promotional purposes. The CE replied that once consent had been granted, the copyright would belong to the individual or company filming, and the Council would not be permitted to use the footage without permission.
- iii. Cllr J Toye referred to increased fees of five or nine percent which had both been stated in the report, and sought clarification on which was correct. The DFR replied that the original intention had been a five percent increase, and whilst this had been reconsidered, most fees would remain at that level, with some limited exceptions seeing a twenty percent increase.
- iv. The recommendations were proposed by Cllr J Toye and seconded by Cllr P Heinrich.

RESOLVED

To recommend to Full Council:

- a) **The fees and charges from 1 April 2023 as included in Appendix A.**
- b) **That Delegated Authority be given to the Section 151 Officer, in consultation with the Portfolio Holder for Finance and relevant Heads of Service, to agree those fees and charges not included within Appendix A as required, as outlined within the report.**

117 MEDIUM TERM FINANCIAL STRATEGY 2024-27

Cllr E Seward – Portfolio Holder for Finance and Assets introduced the report and informed Members that despite knowing the operational costs for 2023-24 in early December, full details of the Council's income had not been known as the Local Government Financial settlement had not been received until the 19th. He added that

there had also been challenge about the level of retained business rates the Council would receive, which made it difficult to predict the Council's operating income. It was noted that the wider context of the financial situation was the result of external factors, which had been unforeseen in the previous year. Cllr E Seward noted that the previous S151 Officer had noted that predictions suggested continued funding at the same level would have equated to a £100k deficit, though this was based on a range of assumptions subject to change, as had come to be the case. He added that now the Council better understood its financial situation, it would respond to the challenges accordingly, predominantly related to inflationary costs of approximately 14%, equivalent to £2.932m. It was noted in terms of funding, that a new 3% Guarantee Grant established that would provide over £1m, and was very welcome. Cllr E Seward stated that the Council had also lost funding streams such as the Lower Tier Service Grant worth £147k, as well as losing most of the new homes bonus which had reduced to £31k from £886k. He added that these funding losses had not been fully anticipated, and the Council had therefore only seen a net funding increase of £137k. It was noted that of the retained business rates outlined at £7.2m the Council were only entitled to £6.3m, which meant the Council would have to take £900k from the business rates reserve. Cllr E Seward stated that the lower entitlement was the result of various Covid grants and payments received, with further savings of £1.2m required, following an initial sift of £396k, which totalled the £1.6m required to produce a balanced budget. He added that no change in the funding formula had been proposed for 24-25, but the business rates received could fluctuate in the years ahead.

Questions and Discussion

- i. The Chairman noted that Cllr E Seward had commented on both the MTFs and Budget reports, though in most cases the comments applied to both. He added that in previous years concerns had been noted regarding the economic forecasts, and these challenges were now being seen.
- ii. Cllr C Cushing referred to p57 and noted that pay inflation was reported at two percent, whilst other inflation was reported to be a three percent, and sought clarification, given that they appeared to be much higher. Cllr E Seward replied that it was his understanding that pay inflation was five percent, but was expected to return to two percent. The DFR stated that whilst there had been a larger than expected increase in 2022, it was forecast to reduce in the years ahead, and this was why two percent had been stated in the MTFs. She added that other inflationary costs might also be expected to stabilise in the near future, which was therefore reflected in the MTFs, following advice from the Council's treasury advisors. The Chairman asked whether officers were confident that that the reduction in pay inflation would be realised, given the current economic context. The DFR replied that she did expect next year's pay increase to be lower, given the higher increase in 2022. The Chairman noted that this prediction remained a judgement call for officers, and there were risks associated with making these assumptions, given the existing rate of pay inflation and the understanding that public sector pay tended to lag behind market rates. It was confirmed in response to a question from Cllr C Cushing that modelling had not been done to determine the impact of pay inflation if it remained at five percent. The Chairman suggested that it would be prudent for this to be included in future reports to Full Council and suggested that it could form part of a recommendation. Cllr J Toye stated that he agreed that modelling should be undertaken to determine the impacts of higher levels of inflation to help officers better prepare for all scenarios.

- iii. Cllr S Penfold referred to proposals to take £900k from the business rates reserve, and asked whether the reserve could cope with this level of withdrawal on an ongoing basis, if required. Cllr E Seward stated that the reserve currently stood at £3.9m, with £868k already taken, in addition to the proposed £900k reduction, which would leave it at approximately £2m available, should it be required in future years. The DFR added that the reserve was put in place to provide a smoothing effect to allow for fluctuations in business rates received year to year.
- iv. The Chairman referred to comments within the MTFs that the document may carry a higher level of risk than seen in previous years, and noted that the Council would have to look at every option to balance its budget, then asked how realistic the suggested savings and income proposals were. Cllr E Seward replied that it was a balance to determine whether the level of potential risks could justify the investment of officer time to ensure mitigation measures would be adequate. He added that it was clear in hindsight, that mitigation efforts should have begun earlier to avoid the delays and additional work required to balance the budget, and as a result, the process would begin earlier in 23-24. It was suggested that the biggest challenge going forward was that Local Government finance would eventually be reconfigured, and this would present significant uncertainty in the years ahead. The Chairman suggested that forming a view of the potential risks would help to determine the level of contingency required, and it was clear that there were risks ahead. Cllr J Toye agreed that it was important to look ahead, whilst ensuring that the Council operated a one-team approach.
- v. The Chairman suggested that the Committee may be minded to recommend that additional modelling on pay inflation of up to five percent be undertaken, and that contingency plans be developed early in 23-24 to ensure that adequate mitigation was in place.
- vi. It was clarified following a question from Cllr S Penfold that pay inflation for 23-24 was assumed to be five percent, and was expected to fall to two percent from 24-25 onwards.
- vii. The recommendations were proposed by Cllr J Toye and seconded by Cllr H Blathwayt.

RESOLVED

- 1. To recommend to Cabinet that financial modelling of inflationary costs of up to 5% for staff and fees be included in the report to identify potential risks.**
- 2. To recommend to Cabinet that in recognition of the increasing risk of deficits arising, robust savings and income generation contingency plans need to be developed as soon as possible in FY 23/24, to ensure that financial risks can be adequately mitigated for 2024-25 and onwards.**

Cllr E Seward – Portfolio Holder for Finance and Assets introduced the report and stated that at present, there were no significant changes expected between pre-scrutiny consideration and Council, though there was scope for changes should any of the funding arrangements or business rates retention change. The DFR stated that if required, any changes would be incorporated into the Cabinet report, but this would be dependent on receiving confirmation of the Local Government Financial Settlement.

Questions and Discussion

- i. The Chairman asked which aspects of the budget presented the most risk or the greatest concern, to which Cllr E Seward replied that staff cost inflation had presented the most significant concern, though the rising costs of capital projects was also a major issue with costs doubling in some cases. He added that further concerns included some tenders only bringing one or two bids, which further increased costs through a lack of competition, therefore it was hoped that costs may begin to stabilise, or the Council would struggle to meet them.
- ii. Cllr J Toye referred to the tax base identified and asked whether it was possible to determine how this had changed as a result of holiday homes being registered for business rates and subsequently being granted business rates relief. The DFR replied that she could review the tax base over the previous five years and share the information with Members. Cllr A Brown expected that some research on the potential reduction of the tax base may have been undertaken as part of the review on the impact of second homes and holiday lets. Cllr E Seward confirmed that the information was held by the Revenues Manager. Cllr L Withington suggested that it may be helpful to consider the impact of a reduction in new homes, as a result of nutrient neutrality legislation.
- iii. Cllr C Cushing referred to proposed savings and income generation in Appendix A, and asked whether an amended table could be shared with Members that would differentiate between the two. He added that it would be helpful to have an indication of confidence for each proposal, to determine how likely they were to be achieved. The DFR replied that subject to Members' approval, the savings had already been included as part of the budget-setting process, so she had full confidence that they would be achieved, and she could seek to provide confidence indicators on the income generation proposals. The Chairman referred to the proposals and suggested that it would be helpful to include separate totals for the revised savings and income generation. Cllr E Seward confirmed that the total figure was combined savings and income, but he would be happy to separate the two. The DFR referred to the original savings figure and noted that these had already been taken out of the budget, and whilst the more recent savings figures and income generation proposals had been included, they were still subject to approval by Members. She added that the balanced budget was reliant on realising the savings and income generation proposals, though an alternative solution could be to use reserves, though it was not a preferred option.
- iv. Cllr J Rest referred to Appendix B and asked whether the 39% difference identified in registration services was correct. The CE replied that the difference reflected changes in the budget as a result of the four-yearly election cycle, where the budget would be significantly lower on the three

non-election years. He added that District elections had to be fully funded by the Council whereas Parliamentary, County, or other elections would be externally funded.

- v. Cllr P Heinrich stated his regret regarding the reduction in Sustainable Communities Funding, and expressed hope that it could be reinstated to its former level from 24-25 onwards. The CE replied that the SCF had previously been funded by second home Council Tax funding passed to the NNDC by NCC, though pressures on the County budget meant that this arrangement would end and the Council was not able to self-sustain this funding. He added that a number of community funds had been made available via the offshore wind sector, and the Council would need to do more to help promote available grants amongst communities. Cllr P Heinrich sought assurances that communities would be fully informed of the various funds available, though it was noted that some would still choose not to apply. Cllr S Penfold stated as Chairman of the SCF that some Parishes applied more than others, and efforts would continue to find a way to maintain the fund into the future. Cllr E Seward noted that funding remained for one more year, but beyond this it would be difficult to find and sustain new funding streams.
- vi. The DSGOS noted that the written recommendation should include recommending the Budget to Full Council for approval, if minded to do so. The Chairman noted that there was also an action required to clearly differentiate between savings and income generation in Appendix A. The recommendations were proposed by Cllr P Heinrich and seconded by Cllr S Penfold.

RESOLVED

- 1. To note the proposed draft Budget for 2023/24 and recommend to Council for approval.**

ACTIONS

- 1. To request that savings and income generation totals be clearly differentiated within Appendix A.**

119 CAPITAL STRATEGY 2023-24

Cllr E Seward – Portfolio Holder for Finance and Assets introduced the report and informed Members that it was a statutory requirement as part of the budget-setting process. He added that the Council had not used any long-term borrowing to fund its capital programme, and had received advice that higher rates of interest meant that the Council should continue to avoid any long-term borrowing, unless absolutely necessary.

Questions and Discussion

The Chairman noted the importance of continued funding of the Council's capital projects without reliance on long-term borrowing, as outlined in the report.

The recommendation was proposed by Cllr H Blathwayt and seconded by Cllr J Toye.

RESOLVED

- 1. To recommend to Full Council that the Capital Strategy and Prudential Indicators for 2023-24 are approved.**

120 INVESTMENT STRATEGY 2023-24

Cllr E Seward – Portfolio Holder for Finance and Assets introduced the report and reiterated that as with other financial strategies, it was required as part of the budget-setting process.

Questions and Discussion

The recommendation was proposed by Cllr S Penfold and seconded by Cllr L Withington.

RESOLVED

- 1. To recommend to Full Council that the Investment Strategy is approved.**

121 TREASURY MANAGEMENT STRATEGY 2023-24

Cllr E Seward – Portfolio Holder for Finance and Assets introduced the report and noted that the borrowing strategy included a change in emphasis, with short-term borrowing previously used to maintain cashflow whilst interest rates stood at approximately 0.5%. However, it was reported that these rates had now risen considerably, which meant that borrowing costs outweighed investment income, therefore low-yield investments would be sold to ensure that adequate cashflow could be maintained. It was noted that long-term investment income was still expected to rise as a result of increases in the base rate.

Questions and Discussion

The recommendation was proposed by Cllr S Penfold and seconded by Cllr P Fisher.

RESOLVED

- 1. To recommend to Full Council that The Treasury Management Strategy is approved.**

122 SHERINGHAM REEF LEISURE CENTRE - PROJECT REVIEW

Cllr V Gay – Portfolio Holder for Leisure, Wellbeing and Culture introduced the report and informed Members that it was an exercise in reflective practice, with lessons learned included for consideration. She added that the report sought to address how the project had dealt with the constraints that all projects shared, which included time, funding and purpose. It was noted that construction was originally planned to finish in November 2021, and this deadline had been met despite delays caused by Covid-19. In terms of budget, it was reported that there had been some slippage, but this had been reported to the Committee from January 2021 onwards, and the project had still been completed without the need for any long-term borrowing. In regards to purpose, it was noted that membership had tripled since the closure of Splash, and was far higher than expected in the original feasibility study. Cllr V Gay stated that the Reef had been made as accessible as possible with changing places

facilities, and the number of schools using the facility had risen from two to nine. She added that the table of lessons learned was very insightful, and could apply to all projects undertaken by the Council.

Questions and Discussion

- i. The Chairman noted that it was commendable that the project had progressed throughout multiple administrations, spanning approximately eight years from the planning stage. He added that when the report was requested it had been suggested it would cover all aspects from planning to completion, but future reports could be requested on matters such as usage and energy efficiency. Cllr N Dixon noted that he did not feel the budget slippage was significant, given the overall cost of the project, and expected many other authorities would have struggled to achieve the same. It was noted that the Committee's recommendation to bring forward demolition of the old facility forward had been accepted and was a positive contribution to the phasing of the project, which had helped to address the delays caused by Covid-19, and shown that the Committee could work well overseeing major projects.
- ii. Cllr C Cushing referred to the project recommendations outlined in the report and proposed a recommendation that these should be considered in further detail by GRAC.
- iii. Cllr S Penfold agreed with comments that £100k slippage on a project of this size was minimal, and a superb facility had been delivered that was evident from membership levels. He referred to the lessons learned appendix which suggested that the final build stages of the project were rushed, and noted that the architect would usually be expected to sign-off building work rather than the contractor. He asked whether it would have been worthwhile seeking external evaluation, and whether this would have helped. Cllr V Gay replied that it was her understanding that there had been an external review of the building works prior to sign-off, but there had been comments made during the interview process that some aspects had been rushed towards the end of the project. She added that she could not comment on the actions of the contractor, as she had not been involved in the operational aspects of construction, but she could seek to provide a written reply. Cllr S Penfold noted that there were clear issues with allowing the contractor to sign-off their own work, and this was something that would be helpful to understand. He added that it would also be helpful to know how ongoing monitoring would take place, and whether the management company would report this to NNDC on a regular basis. Cllr V Gay replied that she was unsure of the reporting process, but regular reports were received and meetings held, but she would need to seek clarification. She added that this would be an opportune point to raise energy efficiency, as it had been noted by Everyone Active that the equipment had not been set-up to their specifications long enough to determine exact energy usage, but it was hoped that this would be reported in due course.
- iv. The Chairman asked whether it could be confirmed how the building work had been signed-off, to which the CE replied that during the final stage of construction some decisions had been influenced by the availability of materials and other delays caused by Covid-19. He added that the project also had to be signed-off prior to receiving Sport England approval, therefore whilst there may not be absolute clarity about the process, it had been

completed appropriately in respect of grant funding and financial approval. It was confirmed in response to a follow-up question from the Chairman that clarification of this process would be sought in advance of any further review by GRAC. The CPPM noted that the interviews had suggested that it was the finishing touches of certain works that were rushed and may not have been signed-off correctly.

- v. Cllr A Brown noted that it was useful to look at lessons learned, but it was also important to recognise that the project had been a tremendous success whilst other local authorities were seeking to close their leisure facilities.
- vi. Cllr J Toyé asked whether there would be any follow-up or action plan in relation to the project, such as developing a register of expertise that could be referred to for future projects.
- vii. Cllr L Withington reiterated positive comments made on the delivery of the project and noted that it had overcome many difficulties in the local community to deliver an excellent facility, as evidenced by the growing membership. She added that there were some points that should be addressed, such as there being no consistent point of contact for external stakeholders, which had contributed to issues such as the negative comments received on the loss of wave machines. It was noted that this could have been dealt with better, and should be considered for future projects. On technical expertise, Cllr L Withington noted that the Council could not be expected to hold the level of expertise required on all major projects, and should be ready to seek this externally as and when required. She added that it was unfortunate that the environmental impact was yet to be considered, as there was likely to be some positive news, which should be considered at a future date.
- viii. Cllr J Rest asked whether it was possible to enquire about what would happen to the remainder of the site. The CE replied that he would seek to provide a written reply as a planning application had been received for a hotel, but he was unaware of full details. Cllr E Seward added that there was a provisional legal agreement, subject to planning approval, but the proposals were being progressed. It was suggested that a briefing note would be prepared and shared with the Committee.
- ix. Cllr H Blathwayt asked whether there was any evidence of the tourism offer being impacted by the facility and whether any positive feedback had been received. The CE replied that there had not been any formal analysis of the tourism impact, but there were more users in August 2022, than had ever previously been recorded.
- x. Cllr V Gay stated that the recommendations would be considered by the CDU, and whilst sustainability had been addressed in the paper, energy efficiency would be considered in due course once the data was available. She added that expertise would always be a challenge for an authority of NNDC's size, and this should be considered at the start of every project.
- xi. The Chairman noted that there were aspects of the project that would benefit from future consideration such as energy efficiency, its impact on local tourism and the final settlement of accounts. The Chairman suggested that these matters should form part of a future composite report once the information was available, and this could be proposed for the 2023/24 Work

Programme. He added that GRAC may want to consider the availability of expertise for projects as part of their consideration.

- xii. The recommendation to request that GRAC review the recommendations outlined within the lessons learned log was proposed by Cllr C Cushing and seconded by Cllr N Dixon.

RESOLVED

1. **To note the report and lessons learnt log (appendix A) for future projects and ensure consistent management through lifetime of project.**
2. **To recommend that the Governance, Risk & Audit Committee review the recommendations outlined within the lessons learnt log (appendix A) and risks identified within the report.**

ACTIONS

1. **To request that a future report be proposed for the Committee's 2023-24 Work Programme to include details of financial settlement, energy use/efficiency, impact on local tourism and user numbers.**
2. **To request that a written response be provided by the CE on plans for the remaining vacant area of the site, to be shared with the wider Committee and GRAC Chairman.**
3. **Cllr V Gay to provide written reply on building work sign-off and clarification of ongoing monitoring process.**

123 THE CABINET WORK PROGRAMME

The DSGOS noted that the Committee had taken six financial reports for pre-scrutiny which would form the majority of reports for February Cabinet and Full Council meetings. He added that there was a Solar Car Port report expected in March that may interest the Committee due to its relevance to the Reef project and its future energy efficiency. It was noted that there was confirmation on the Cabinet Work Programme that the Economic Growth Strategy was no longer expected, but it was unknown whether the proposed action plan would be seen in advance of the election. Cllr T Adams stated that he would seek to confirm whether an economic action plan would be prepared.

RESOLVED

To note the Cabinet work programme.

124 OVERVIEW & SCRUTINY WORK PROGRAMME AND UPDATE

The DSGOS informed Members that Serco were due to attend in February to provide an update on bin collections, alongside the quarterly NWHS/HAZ report that would include requested information on the £400k funding uplift. He added that an action plan of the PSIP was expected, whilst for ambulance response times, service pressures meant that it would not be appropriate to call in representatives, though performance data would still be sought for consideration. Finally, delegated

decisions and the request for benchmarking of filming and garden bin charges had been requested and were expected in February, whilst the PCC had confirmed his availability for March. It was noted that due to the May elections, there was no meeting scheduled for April.

RESOLVED

To note the work programme.

125 EXCLUSION OF THE PRESS AND PUBLIC

The meeting ended at 11.35 am.

Chairman