

## OVERVIEW & SCRUTINY COMMITTEE

Minutes of the meeting of the Overview & Scrutiny Committee held on Wednesday, 11 December 2019 in the Council Chamber - Council Offices, Holt Road, Cromer, NR27 9EN at 9.30 am

<b>Committee</b>	Mr N Dixon (Chairman)	Mr T Adams (Vice-Chairman)
<b>Members Present:</b>	Mr H Blathwayt Mr P Heinrich Mr G Mancini-Boyle Mrs E Spagnola	Mrs W Fredericks Mr N Housden Mr N Pearce Mr J Toye

<b>Members also attending:</b>	Mr J Rest (Observer)	Mr E Seward (Observer)
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<b>Officers in Attendance:</b>	Democratic Services and Governance Officer (Scrutiny) (DS&GOS), Head of Legal & Monitoring Officer (HLS), Head of Finance and Asset Management/Section 151 Officer (HFAM), Leisure & Locality Services Manager (LLSM), the Head of Economic and Community Development (HECD), and the Corporate Director (SB)
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**Also in attendance:**

### 34 TO RECEIVE APOLOGIES FOR ABSENCE

Apologies were received from Cllr L Shires and Cllr A Varley.

### 35 SUBSTITUTES

None.

### 36 PUBLIC QUESTIONS & STATEMENTS

None received.

### 37 MINUTES

Minutes of the meeting held on Wednesday 13<sup>th</sup> November were agreed as a correct record and signed by the Chairman.

The Chairman noted for the record, that the Crime and Disorder Briefing, for which public questions had been submitted in advance of the meeting, had been very successful and that had debate continued outside of the meeting between officers and the public.

### 38 ITEMS OF URGENT BUSINESS

None received.

### 39 DECLARATIONS OF INTEREST

None declared.

#### **40 PETITIONS FROM MEMBERS OF THE PUBLIC**

None received.

#### **41 CONSIDERATION OF ANY MATTER REFERRED TO THE COMMITTEE BY A MEMBER**

None received.

#### **42 RESPONSES OF THE COUNCIL OR THE CABINET TO THE COMMITTEE'S REPORTS OR RECOMMENDATIONS**

The DS&GOS noted that the ambulance response times motion passed at November Full Council requested that the Committee review response times via a Working Group. He stated that the issue was already on the Committee's Work Programme, and a report to determine the best course of action would come to the January meeting.

#### **43 MEDIUM TERM FINANCIAL STRATEGY – 2020/21 TO 2023/24**

Cllr E Seward – Portfolio Holder for Finance introduced the report, and referred Members to the income forecasts on page 42. He noted that a budget surplus of £430k had now been projected for the 2020/21 financial year, on the basis that Central Government funding reviews had not been completed, hence funding would remain unchanged from the current year. It was reported that deficits were still on the horizon, but legacy payments for new homes bonuses would continue to help. It was suggested that Members should remain cautious of the surplus, as it was based on models and could change once the financial settlement was known.

##### Questions and Discussion

The Chairman reminded Committee Members of the importance of the MTFs, then asked to what extent it reflected the financial burden of the new Corporate Plan, and how developed its financial forecasts were. The HFAM replied that officers were working on the delivery plan, and once complete, they would have a clearer picture of the financial burden of the Corporate Plan. He added that the MTFs remained at this stage a forecast, and would remain so until February, when the settlement figures were known. It was stated that work was ongoing on efficiency savings and income generation, and that the Council had reserves to cover short-term funding deficits if required. Cllr E Seward noted that he was anxious to identify savings and begin generating income for the Council where possible. The Chairman asked that the Committee be notified of any emerging trends in the Council's finances as soon as possible, so that any issues could be investigated.

Cllr G Mancini-Boyle asked if there were any changes regarding the NHS business rates appeal, to which the HFAM replied that there had been no change, but the outcome was expected in February. He added that the Council did have provisions in place for the worst case scenario, and that the reserves would be held until the final outcome was known. It was stated that if the case was won but appealed, then a risk assessment would be completed.

Cllr N Housden noted that a Central Government budget was expected in February, and asked if this would have any impact on the delivery of the Corporate Plan. The HFAM replied that it was generally expected that any additional funding in the

budget would either go to the NHS or social care, neither of which would bring any significant benefits for District Councils.

The Chairman stated that it was hard to overstate the importance of the MTFs, as it set out the Council's finances for the next four years. The DS&GOS informed Members that further financial training would be provided in January prior to the Committee scrutinising the draft budget.

Cllr N Housden referred to the recently awarded waste contract, and asked whether the related costings had been factored into the report, and whether there would be any additional data to add. The HFAM replied that the figures would be updated in the budget, and that the current figures within the MTFs were predicted.

Recommendation one was proposed by Cllr N Pearce and seconded by Cllr P Heinrich. Recommendation two was proposed by Cllr G Mancini-Boyle and seconded by Cllr H Blathwayt.

## **RESOLVED**

- 1. That Members consider and note:**
  - a) The current high-level financial forecast for the period 2020/21 to 2023/34;**
  - b) The current capital funding forecasts;**
- 2. The revised reserves statement as included at Appendix 2 to the financial strategy**

## **44 TREASURY MANAGEMENT HALF YEARLY REPORT 2019/20**

The HFAM introduced the report, and informed Members that the Council was generating in excess of £1m per annum from its investments, with an average target of 3.3%. He added that in the past year, some unexpected income was placed in short-term investments, which had lowered the average rate of return. It was confirmed that Arlingclose still provided good, reliable advice to the Council on its investments, and worked closely with the Chief Technical Accountant.

### Questions and Discussion

The Chairman stated that a reduction in interest rates had made treasury management more challenging, but noted that briefings with the external investment advisors had been very helpful, and asked if they could be run again in the future. The HFAM replied that the briefing sessions were still offered, and that he could look to arrange a session in the new year.

The Chairman noted that the Council relied on effective treasury management in order to maintain its financial liquidity, and asked if there were any indicators used to monitor this. The HFAM replied that it was useful to have access to short-term borrowing, which was generally cheap, though a 1% increase in rates was significant. He then stated that intra-authority borrowing was an additional option that remained relatively cheap. The Chairman repeated his question regarding a liquidity indicator, and the HFAM replied that in terms of the liquidity target identified on page 69 of the agenda, the Council had not complied. He added that due to the current low cost of borrowing, the Council's liquidity did not raise any immediate concerns. In addition, the longer the Council could maintain its long-term investments the better, such as those in the LAMIT property fund, with returns of approximately 6%.

The Chairman referred to the Council not meeting its liquidity target, and questioned the importance of the target. The HFAM replied that the target would be reviewed in February, alongside a similar CIPFA review. It was reported that the investment training from Arlingclose could also cover these issues. Cllr N Housden referred to page 68 of the agenda, where it was noted that the Council's credit score had been reduced due to a lack of liquidity, and asked what figure would have to be reached to improve this. The HFAM replied that he would seek clarification and provide a written response.

The Chairman referred to table 4 on page 67 of the agenda, noted the underperformance, and asked if this would lead to general underperformance for the Council's investments. The HFAM replied that these figures were symptomatic of the short-term investments made as a result of unexpected influx in cash-flow.

Cllr J Rest referred to loans of £3.1m given to housing associations on page 66 of the agenda, and asked whether all funds had been drawn. The HFAM replied that they had, and that the Council was now receiving repayments. It was suggested that the loans could potentially be extended to increase returns.

It was proposed by Cllr G Mancini-Boyle and seconded by Cllr T Adams that the report be commended to Council.

## **RESOLVED**

**To commend the report to Full Council.**

### **45 BEACH HUTS & CHALETS MONITORING REPORT**

The LLSM introduced the report and informed Members that a review had been undertaken in 2018 to assess the stock, pricing and practice of the Council's beach huts and chalets facilities. A summary of the review's recommendations included, a move to an online booking system, moving annual let chalets from one to five year licenses, and the formation of a new pricing matrix based on location, amenities and desirability.

#### Questions and Discussion

The LLSM informed Members that unfortunately weekly lets were down £3k on the previous year, which could be due to people not knowing about or struggling with the online booking system. He added that it could also be the result of lower visitor numbers to the district's beaches this year compared to last.

It was reported that increasing the annual let leases from one to five years had drastically reduced the workload required to manage the huts and chalets, whilst the pricing index, which calculated cost based on the merits of the unit, had increased revenue by approximately £25k. This had resulted in a reduction of the waiting list numbers, though not enough to present any risk to the Council, with a nine year wait still required for Sheringham. The LLSM informed Members that the new licensing arrangements allowed for the license holder to relinquish annually, and for a license review to take place after three years.

The LLSM reported that conditions surveys had been undertaken, and that any work required had gone out to tender for urgent repairs. He added that overall the review had brought good progress, but there was still work to be done in areas such as improving the marketing strategy. Cllr N Housden asked whether the maintenance

costings would be seen by the Committee, and whether any significant improvements were made when repairs were undertaken. The LLSM replied that he could bring maintenance costs to a future meeting, and that improvements to the huts could be considered in the future, such as installing solar panels. Cllr G Mancini-Boyle asked if any preventative maintenance surveys had taken place, and suggested that it was a more cost-effective way to manage maintenance. The LLSM replied that repairs were not made on a preventative basis at present, though redecoration of the huts and chalets was done in groups.

Cllr H Blathwayt referred to the nine year waiting list, and asked if there was any chance of increasing the estate. The LLSM replied that there had been some increases over the past few years, but space for further expansion was limited.

Cllr E Spagnola asked how many huts and chalets were accessible, and whether changing places were available to users. The LLSM replied that from his personal experience, he had found the beach huts to have good accessibility. The HFAM added that the Council had recently received funding for improvements to be made to the Edwardian Block adjacent to the disabled parking area, which would include improvements to accessibility, and adding electricity provision.

Cllr N Housden asked if any beach huts had been considered for removal as a result of landslips. The LLSM replied that none were being considered for removal at present. The Corporate Director (SB) added that the resilience of the Council's assets was under review, as some facilities could be relocated at a cost of approximately £8k-10k, which was generally considered to be cheaper than repair or replacement. It was reported that the movement of leased beach huts was discretionary, as the leaseholders had to bear the costs involved. Members were informed that the Council did lose some chalets as a result of the 2013 storm surge, though this had allowed for an increase in disabled parking spaces. The Corporate Director (SB) stated that beach huts and chalets remained a discretionary area of service for the Council, and whilst investment in the provision had not been directly offset before, it may become a future requirement.

Cllr W Fredericks stated that she had given up her chalet recently due to cost, but understood the need for price increases. She then asked if there would be any further price increases during the five year lease period, and it was confirmed that the prices would be reviewed after three years. Cllr W Fredericks referred to Mundesley specifically, where facilities were only available May to October, and asked if there would be any difference in price as a result. The HFAM replied that rates were cheaper in Mundesley, as the pricing matrix took into account differences in the level of facilities.

Cllr W Fredericks suggested that the Council should advertise its beach huts and chalets on the Visit North Norfolk website.

The Chairman stated that it was good to hear that the Council had avoided any major issues with its beach huts, then asked if the service ran a surplus after taking into account maintenance costs, and whether the financials were available. The HFAM replied that the figures would be included in budget monitoring reports at a high level, and that generally speaking, the beach huts had very little liability as it was now mandatory for leaseholders to insure their huts. He added that income from chalets was more marginal due to higher maintenance costs. The HECD stated that the review did consider a cost-benefit analysis of providing the beach huts and chalets, as it was important that they were self-sustaining, as with all assets. The LLSM added that in the 2017/18 financial year, the beach huts and chalets provided

a net surplus of approximately £30k.

The Chairman asked officers if they found the Task and Finish Group review helpful, to which the LLSM replied that he had found it to be a very thorough review with fresh eyes that had been very helpful.

The Chairman asked Committee Members if they felt it would be necessary to undertake an annual review of the service to ensure its ongoing sustainability. The Corporate Director (SB) suggested that if an annual review were to take place, then it should be pre-season, to allow for any marketing recommendations to be implemented. It was proposed by Cllr W Fredericks and seconded by Cllr H Blathwayt that an annual monitoring report on the Council's beach huts and chalets be provided to the Committee in April.

## **RESOLVED**

**That an annual monitoring report on the Council's beach huts and chalets be provided to the Committee in April.**

### **46 SPLASH LEISURE CENTRE PROJECT UPDATE BRIEFING - DECEMBER 2019**

The DS&GOS introduced the item and read out a statement that had been provided by the Cabinet Portfolio Holder for Culture and Well-being – Cllr V Gay, which is included below for reference:

“Chairman, Ladies and Gentlemen

I am sorry that I cannot be with you this morning to report on the Sheringham Leisure Facility Project. Members will know that I was asked to report to Full Council on the progress of this project and that I did so. There were no outstanding matters from that night. I would like to thank Rob Young who is with you this morning to answer any questions which you may have.

You will note from the report which appears at Item 13 (p.73) of your agenda that the timetable for the work on the new facility remains on track and that the budget is unchanged. You will know too that North Norfolk District Council is due to draw down 97% of the money promised by Sport England and that the important risks to the project - the possibility that Splash might not last until the new facility is working or that there might be delays to the date of completion - also remain unaltered.

At our last meeting, we discussed a gas main which had been found in a place where it was not expected - the cost for the relocation of which was met by the original contractor responsible (with no impact on the budget or contingency). There has been another case of this kind, but the re-siting cost will be met from the construction contingency fund. Rob will explain to you that we are reaching a stage of the project at which calls on this particular contingency fund are likely to tail off. The client contingency fund remains untouched.

In closing, I would add that the Internal Audit Report which was agreed for this project at Full Council in the summer will soon be complete. I have not yet seen the final draft, but I do not expect that the report will contain any surprises for members.

Thank you.”

### Questions and Discussion

The HECD reiterated Cllr V Gay's comments that the budget remained unchanged. On the gas main issues, it was reported that there was a review of liability underway, but the Council would still have had to cover re-siting costs even if its location was known. Members were informed that at present, the gas main has been sleeved so that work could continue until it could be relocated, hence there had not yet been any delays or additional costs, but the full picture would be known by Christmas. The HECD reported that the original gas main had now been fully re-sited with costs covered by the contractor.

The HECD reported that meetings were now taking place on site, and that further communications were in the process of being agreed, with the contractor having completed a promotional document to show progress. He added that the newsletter circulated amongst Members would provide a good update on progress, and that there were also plans to update the website to include video footage from the site.

In reference to the cost summary in appendix A of the update, the HECD stated that from his perspective, there was no cause for concern, as any additional costs and professional fees had been covered by the contingency. Reference was made to the current overspend of £1890, and the HECD stated that the project was at early stage and the figure could go up and down throughout the project.

Cllr G Mancini-Boyle noted that approximately £504k had been spent on professional fees, and asked if there would be any further costs. The HECD replied that no further costs were expected, and that all professional fees were now included in the budget.

It was confirmed, following a question from Cllr N Housden that costs outlined in the report had been factored into the £126k contingency. He then asked whether collateral damage would be covered in the contract, if the project were to overrun. The HECD confirmed that this was the case, with any costs to be covered by the service provider. The Chairman referred to the remaining construction contingency, and asked how comfortable officers were that it would be enough to cover any remaining risks. The HECD replied that the majority of unknown risks would arise from the site conditions, and hopefully these were now all known.

It was confirmed, following a question from Cllr N Housden that there had not yet been any delays due to poor weather, although cold could affect concrete once the project reached that stage. It was stated that any delays would be reported.

The Chairman asked Committee Members to consider whether they wished to continue to receive monthly updates on the project. Cllr N Pearce suggested that there was a cautious sense of optimism about the project, but recommended that monitoring should continue for the time being.

It was proposed by Cllr N Pearce and seconded by Cllr G Mancini-Boyle that monitoring reports should continue to be received on a monthly basis for the next quarter.

## **RESOLVED**

**That monthly project monitoring reports continue for the next quarter.**

The DS&GOS informed Members that the waste contract had now been awarded and was in the standstill phase. It was reported that the Homelessness and Rough Sleeping Strategy had also been agreed, and that the Committees recommendations had been taken into account, with one of two being implemented.

**RESOLVED**

**To note the Cabinet Work Programme.**

**48 OVERVIEW & SCRUTINY WORK PROGRAMME AND UPDATE**

The DS&GOS informed Members that the draft budget and delivery plan would both come to the Committee in the new year, and it was crucial that they be thoroughly scrutinised. In order to improve Members understanding of the former, it was reported that training would be arranged for the week prior to the budget meeting, to allow Members to formulate questions in advance.

Cllr J Rest asked if the budget training could be made compulsory, to which the HLS replied that the Members Development Group were looking to arrange skills burst training on areas of need. The Chairman reminded Members that financial accountability was the responsibility of all Councillors, and that this should be remembered when scrutinising the draft budget.

The DS&GOS referred to the ambulance response times motion passed at Full Council, and informed Members that a report would come to the January meeting, to help the Committee determine its response to the motion.

**RESOLVED**

**To note the Committee Work Programme.**

**49 EXCLUSION OF THE PRESS AND PUBLIC**

**50 TO CONSIDER ANY EXEMPT MATTERS ARISING FROM CONSIDERATION OF THE PUBLIC BUSINESS OF THE AGENDA**

The meeting ended at 11.15 am.

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Chairman