

THE SCRUTINY COMMITTEE

Wednesday, 22 November 2023

Attendance:

Councillors
Brook (Chairperson)

Horrill
Laming
Pett

Reach
Scott
Williams

Other members in attendance:

Councillors: Cutler, Tod and Westwood

[Video recording of this meeting](#)

1. **APOLOGIES AND DEPUTY MEMBERS**

Apologies for the meeting were noted as above.

2. **DECLARATIONS OF INTERESTS**

Councillor Scott declared a non-pecuniary interest regarding the agenda item "Housing Revenue Account (HRA) Business Plan and Budget Options" as he was a Council housing tenant.

3. **CHAIRPERSON'S ANNOUNCEMENTS**

No announcements were made.

4. **MINUTES OF THE MEETING OF THE 6 SEPTEMBER 2023**

RESOLVED:

That the minutes of the previous meeting held on 6 September 2023 be approved and adopted.

5. **PUBLIC PARTICIPATION**

Councillor Wallace addressed the committee regarding agenda items "Housing Revenue Account (HRA) Business Plan and Budget Options" and "Q2 Finance & Performance monitoring" and his contributions were captured within the agenda items below.

6. HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN AND BUDGET OPTIONS

Councillor Westwood, Cabinet Member for Housing introduced the report, ref CAB3432 which set out proposals for the Housing Revenue Account (HRA) Business Plan and Budget Options, ([available here](#)) and which could be summarised as follows.

1. That an unprecedented financial challenge was being faced in the Housing Revenue Account (HRA).
2. That the HRA operated as a ring-fenced landlord account for social housing provision and that financial sustainability was needed to ensure rents and service charges covered expenditure.
3. That the HRA had a 30-year financial planning horizon, requiring a viable business plan and that the period faced high inflation and increased building costs affecting housing provision.
4. That over £45,000,000 was being invested in retrofitting council homes for energy efficiency.
5. Prioritisation was crucial to deliver value and improve existing housing and new energy-efficient homes.
6. Members were being presented with a sustainable business plan involving investments and targets.
7. Business planning occurred annually, adapting to economic changes for viability.
8. Surplus assets would be considered for disposal to fund greener housing initiatives.
9. That investments aimed at digitising processes for customers were being made.

The committee was recommended to comment on the proposals within the report, ref CAB3432 which had been considered by the cabinet at its meeting on the 21 November 2023. These comments and any resolution of the committee would be tabled at the Cabinet Member Decision Day on the 4th of December 2023.

The report contained 14 recommendations, which covered a range of issues including the following:

1. It introduced the draft HRA Business 30-year Plan for the period 2023-24 to 2052-53 with specific metrics detailed in Appendix 1.
2. It sought approval for budget options specified in the report. It highlighted a proposed additional investment of £30 million over eight years until 2030-31 for retrofitting properties aimed at enhancing energy efficiency in council housing.
3. It discussed strategic changes from direct home delivery to acquiring affordable housing from developers and utilising Right to Buy resources.
4. It noted the financial assessment for new build sites, proposed adjustments in rent rates for viability, set revenue savings targets, and outlined plans for property disposal and cost recovery initiatives.

5. It acknowledged ongoing evaluations of the housing management system and procurement plans, ensuring the sustainability of the 30-year plan to deliver affordable housing goals.

The committee was advised that recommendation number 9 of CAB3432 had been amended at the cabinet meeting and was now: *“That, subject to consultation, the terms of individual leases and a review of costs, the move to full cost recovery for private connections of the council’s sewage treatment works be approved and note that this will include transitional protection and be achieved within a five-year timeframe.”*

Councillor Wallace addressed the committee and raised several matters which could be summarised as follows:

1. He noted that there was a plan in Appendix 1 to increase the debt turnover ratio by almost 50% from .21 in 2023/24 to .30 in 2031/2032 and he enquired on the broader implications or risks resulting from nearly a 50% increase in HRA debt.
2. He welcomed the additional £30 million investment in retrofitting homes and sought clarification on the allocation of this funding and the number of houses to be upgraded.
3. He requested confirmation regarding the specific minimum energy standards for homes in the proposed programme.
4. He advised of concerns about potential cost increases for residents due to wastewater cost reallocation and a breakdown of cost increases by location and further details about the planned consultation were requested.
5. He believed that there was a potential average cost increase of around £500 per year, suggesting a need to understand its impact.
6. He emphasised the importance of protecting residents during a cost-of-living crisis and sought confirmation on the process for reviewing rent and service charge increases with tenants.

The committee proceeded to ask questions and debate the report. In summary, the following matters were raised.

1. Whether the recommendations in the report aligned with the previous recommendations on rent levels put forward by the 2015 Informal Policy Group.
2. Concern was raised about the affordability of properties considering rising living costs and how affordability was being calculated.
3. Mention was made of the need to consider the impact on existing tenants and the current 7% rent increase.
4. That the latest Autumn Statement changes were factored into financial considerations.
5. There was a question about exploring the cost-effectiveness of modular buildings amidst rising construction costs.
6. Clarification was sought about the intent to recover full-service charges and ensuring proper consultation before implementing cost recovery measures.

7. Whether funding changes for the Homes for Ukraine scheme might impact the budget approach.
8. There was a request for emphasis on repairs and maintenance for existing residents, separate from new developments.
9. There was a question regarding the interpretation of totals in specific tables on pages 31 and 32 of the report and the types of averages being shown.

These points were responded to by Councillor Westwood, Cabinet Member for Housing, Councillor Tod, Leader and Cabinet Member for Asset Management, Simon Hendeby, Strategic Director, and Laura Taylor, Chief Executive accordingly and were noted by Councillor Westwood, Cabinet Member for Housing.

RESOLVED:

That officers and the Cabinet Member were requested to consider the following matters.

1. To review the recommendations from the 2015 “New Build Rents Informal Policy Group Review”, to understand any potential impact with the proposals within this report.
2. To consider how to provide clear and comprehensive communication for new residents of newly constructed homes, explaining not only the rental costs but also the breakdown of overall living expenses and home running costs.
3. To review the assumptions and projections outlined in the report following the Autumn statement.
4. To evaluate the individual recharge implications for private owners who use the HRA water treatment works and the management of these costs in the future.
5. To clarify the “type of average” being presented in the tables within the report, particularly those presenting weighted average rents in section 14.
6. To provide clarification in the report that the 80% of market rent policy would apply to new homes, while tenants in existing homes would continue under the current basis.
7. To consider how the proposals for full cost recovery in tenant service charges in 2024-25 and for private connections of the council’s sewage treatment works could take into account appropriate resident/tenant consultation.
8. To amend page 22 of the report pack that contains 2 paragraphs, both numbered 7.1

7. **GENERAL FUND BUDGET OPTIONS & MEDIUM-TERM FINANCIAL STRATEGY**

Councillor Cutler, Deputy Leader and Cabinet Member for Finance & Performance introduced the report, ref CAB3430 which set out proposals concerning the General Fund Budget Options & Medium-Term Financial Strategy ([available here](#)). The introduction included the following points.

1. The public sector faced significant financial challenges and demand pressures, with many upper-tier and unitary authorities warning that they might have to issue section 114 notices in the near future. Moreover, 52% of district councils were warning that they would have to utilise reserves to produce a balanced budget. The City Council's immediate financial position until 2026 was sound and stable, outlined in a strategy to manage limited financial resources to protect the core Council service.
2. However, the medium-term Financial Plan in Appendix 1 showed a projected annual budget shortfall of £3.4 million per annum, increasing to £5.7 million in 2029.
3. There was an increased deficit over the medium-term financial strategy published last year. The gap reported primarily resulted from new responsibilities placed on district councils, particularly focusing on significantly increasing recycling rates.
4. There was a window of opportunity to steer the Council towards financial sustainability in the future, and robust measures were being put in place to address medium-term budget challenges.
5. The paper outlined some aspects of TC25, an organisation-wide transformation program aimed at delivering changes and achieving £3.5 million in savings within three years. The aim was to transform services to save money, digitise, and reduce the carbon impact of service delivery. Efforts were being made to make services more accessible, simplifying online access while enabling the majority of customers to access services as required.
6. Investments were planned to digitise and modernise services, alongside allocating additional funding to address unavoidable budget pressures like providing temporary accommodation.
7. The paper also detailed assumptions concerning service income budgets, emerging capital budgets, and the adequacy of reserves.

The committee was recommended to comment on the proposals within the attached report, ref CAB3430 which had been considered by the cabinet at its meeting on 21 November 2023. Comments and any resolution of the committee would be tabled at the Cabinet Member Decision Day on the 4th of December 2023.

The report contained several recommendations, which covered a range of issues including the following:

1. To note the assumptions outlined in Section 13 of the report and the projections detailed in Appendix A.
2. To approve the Medium-Term Financial Strategy in Sections 13 to 17 of the report.
3. To approve the preparation of a detailed budget to present to the Council in February 2024. This budget would be based on the assumptions from the Medium-Term Financial Strategy, final spending review announcements, and specific options including financial allocations for carbon reduction, digital transformation, service funding adjustments, Council Tax increase, and reserve establishment.
4. To approve an inflationary increase in the Waste Collection contract cost, necessitating a corresponding CPI rate increase to Garden Waste subscriptions from March 2024 onwards, resulting in charges rising to £45 for small bins and £69 for large bins while maintaining the concessionary price at £29.

The committee proceeded to ask questions and debate the report. In summary, the following matters were raised.

1. If the TC25 programme failed to generate the expected savings, what backup risk mitigation strategies were in place?
2. The risk involved if the assumption of 80% government funding for expanding recycling services, particularly incorporating food waste, did not come to fruition.
3. Whether process manuals or quality manuals detailing council operations and procedures had been produced.
4. There was a discussion regarding the impacts of inflation, borrowing costs, and construction expenses, specifically concerning projects such as Central Winchester Regeneration and Station Approach, questioning their viability and reviewing their status within the current context.
5. There was a request for clarification about carbon and nutrient offsetting mentioned in paragraph 7.3 on page 42.

These points were responded to by Liz Keys, Chief Finance Officer, Councillor Cutler, Deputy Leader and Cabinet Member for Finance & Performance and Laura Taylor, Chief Executive accordingly.

RESOLVED:

That officers and the Cabinet Member were requested to consider the following matters.

1. To consider options for further communication to Councillors of the TC25 programme and opportunities for member involvement and engagement.

2. That concerning paragraph 16.10 of the report, and in relation to the impact of the cost of borrowing and inflation, officers were asked to confirm which projects had been removed from the programme in February 2023.

8. **Q2 FINANCE & PERFORMANCE MONITORING**

Councillor Cutler, Deputy Leader and Cabinet Member for Finance and Performance introduced report CAB3424 outlining the Q2 2023/24 Financial And Performance Monitoring report (available here).

The report covered financial updates, a summary of Council progress, and the refreshed key performance indicators adopted in December. It also encompassed reports for each Tier 1 project.

Councillor Horrill, Chairperson of the Performance Panel, provided an overview of the 7 November 2023 meeting of the Performance Panel. Key points highlighted were:

1. The panel conducted a detailed review of the Q2 report.
2. Officers agreed to respond to several meeting questions, with most responses received.
3. The Performance Panel recommended to the Scrutiny Committee that the panel should contribute to the annual review of Key Performance Indicators, as detailed in the 7 November 2023 meeting notes.

The committee was recommended to raise any issues arising from the information in this report, ref CAB 3424, which was being presented to Cabinet on 13 December 2023 and to consider whether there were any items of significance to resolve or to be drawn to the attention of Cabinet.

Councillor Wallace addressed the committee and raised several matters which could be summarised as follows:

1. He identified conflicting carbon emission targets for 2023 (1873 tonnes on page 114 and 3750 tonnes on page 129).
2. He requested access to the Carbon Neutrality Board minutes and details of the solar canopy project.
3. He believed there were conflicting key performance indicators (green on page 132 and amber on page 138) regarding a funding bid's success.
4. He was concerned about the absence of the Hampshire County Council carbon assessment tool in the current report.
5. He acknowledged report improvements but suggested further simplification and shortening of the report.

The committee proceeded to ask questions and debate the report. In summary, the following matters were raised.

1. An update on item 7 from the Performance Panel meeting notes (income split from garden waste and car parking).
2. The recirculation of the Performance Panel notes reflecting responses to raised questions.

These points were responded to by Sharon Evans, Strategic Director and Monitoring Officer and were noted by Councillor Cutler, Deputy Leader, and Cabinet Member for Finance & Performance;

RESOLVED:

1. The Performance Panel to contribute to an annual review of Key Performance Indicators, focusing on TC1, TC2, TC7, and TC8 as referenced in the meeting notes.
2. The meeting notes would be updated to include received responses.
3. Councillor Wallace would provide further details on report discrepancies and suggestions for report simplification.

9. **DETERMINATION OF CALL-IN REQUEST**

Sharon Evans, Strategic Director & Monitoring Officer; introduced the report, ref SC091 regarding the Determination Of Call-In Request, (available here). The introduction included the following points.

1. That a Call-In Notice was received on 21 September 2023 regarding a decision made at the Cabinet meeting on 13th September 2023 (report reference CAB3423).
2. The Monitoring Officer reviewed the Notice against call-in grounds specified in the Constitution.
3. The call-in request was not accepted, communicated to the Chair of the Scrutiny Committee and signatories.
4. That the constitution required that when a Call-In Notice was not accepted, the Monitoring Officer would present a report at the next available Scrutiny committee meeting explaining the request and reasons for non-acceptance.

The committee was recommended to note the contents of this report and proceeded to debate the report and discuss matters relating to transparency in the council's decision-making process. These points were responded to by Sharon Evans, Strategic Director, and Monitoring officer accordingly.

RESOLVED:

1. That the report was noted.

10. **TO NOTE THE WORK PROGRAMME FOR 2022/23 AND THE LATEST FORWARD PLAN OF KEY DECISIONS**

The committee discussed the future work programme and the forward plan of key decisions and raised several points which included

1. Whether future decisions relating to the local plan, and regeneration projects would be tabled at a future meeting of the Scrutiny Committee.
2. Regarding an item in the December 2023 Forward Plan, clarification was sought on whether the property disposal is related to the general fund or part of the Housing Revenue Account.
3. Regarding an item in the December 2023 Forward Plan, clarification was sought on whether the Park & Ride Bus Contract renewal and the Property disposal item affected more than the wards stated in the forward plan.

The Chairperson advised that she had met with the Chief Executive, and the Monitoring Officer, to review the upcoming items of business through to the end of January 2024. It was agreed that there were no key decisions requiring Scrutiny to be added to this agenda. She advised that she would meet regularly with the Chief Executive and Monitoring officer to review this and that other items may be included as required.

RESOLVED

1. That the December 2023 Forward Plan of Key Decisions and the Work programme be noted.
2. That officers respond to points 2 and 3 above.

That the latest version of the work programme (which can be found here <https://democracy.winchester.gov.uk/mgPlansHome.aspx?bcr=1>) be noted.

The meeting commenced at 6.30 pm and concluded at 8.15 pm

Chairperson