

## **CABINET MEMBERS REPORT TO COUNCIL**

**23 November 2023**

### **COUNCILLOR CHRIS MORLEY - CABINET MEMBER FOR FINANCE**

For the period 19 October to 10 November 2023

#### **1 Progress on Portfolio Matters.**

##### **STATEMENT OF ACCOUNTS - EXTERNAL AUDIT**

**2019/20** - Still ongoing by EY. Their progress seems to lack logic. Only recently they asked, for the first time, questions on the cash flow statement. It would have been more helpful to have listed topics and questions at the start of proceedings, not 9 months later.

When this is over, a harsh review of their modus-operandi will need to be sent to them.

Nevertheless, we expect their draft opinion by the end of the month, to be taken by Audit Committee on 12/12 (which is an extra meeting to the schedule due to the high workload on the Committee) and sign off by 18/12.

DLUHC are consulting on the deadline to have the audits for 20/21 and 21/22 completed by 31<sup>st</sup> March 2024. I await with interest, more with extreme scepticism, about how this is going to happen, especially as I read in the national press that the Government is cooling on its timings for audits of public bodies and their agents.

As for those who recall my previous report, we have yet to receive an indication of this and later audit costs so there is still a fairly significant question mark against our budget assumptions.

##### **BUDGET 2023/24 REVENUE ACCOUNT.**

The budget monitoring report is available on MOD GOV. We were aiming to add a column posting spend by the month end of the report. However, we need to improve our calendarization of spend to produce a meaningful analysis, hence a more overall summary.

The disappointing news is that we are estimating a further draw on our General Reserves at year end of £0.5m which increases the deficit from £2.6m to £3.1m.

The significant changes, rounded, are:

Planning – income is less as the mix of applications has changed with more smaller developments and therefore reduced fees. The allocations in the Local Plan appear to have been “swallowed up” and some potential sites ideal, perhaps, for solar farms, are being held awaiting the current appeal decision before moving forward.

So, on the adverse side:

Planning £0.7m  
Higher energy costs Alive West Norfolk £0.3m  
Old error in Parkway revenue estimates £0.2m  
On the plus side:  
Unfilled staff posts & turnover Savings £0.4m  
Energy savings in Operations. £0.1m  
IDB grant support £0.2m  
**Net deficit £0.5m**

### **CAPITAL ACCOUNT**

The authorised expenditure for the year is now £36m but the actual spend was £12.8m at ½ year which implies an outturn of around £26m having regard to the winter and wet weather. Surprise, surprise? Not yet as £26m has been our running rate for recent years (excluding the COVID period) and again as I reported earlier, we have a book account from the investment we have “brought in” to this Borough of £170.2m. With our capacity, direct or indirect, it will take some exceptional trade winds to complete this programme within the various project timescales and costs. With the money and focus on our Major Projects and Town Deal, this, to me, is a significant concern.

### **INTERNAL DRAINAGE BOARDS (IDBs).**

I am representing the Council (with the Chief Finance/S151 Officer) on a Special Interest Group (SIG) endorsed by the Local Government Association (LGA), as a formal lobby group to secure more support from central government either to our revenues to compensate for the IDB Levy or to seek an alternative form of funding for the Boards.

As background information IDBs in England help drain 50% of agricultural land, many railway lines, roads and motorways and cost around £46m. IDBs covering the area of our SIG account for ½ of that cost and this Boroughs contribution is a hefty £3m.

In the 1970s IDBs collected their levies direct from residents in specific post codes, the Government later ordered Councils to collect the costs as part of council tax but they reimbursed the councils for doing this. Over time the specific post code targeting was dropped in favour of a levy on all residents and revenue support has decreased since 2013/14 to zero. Last year we received a token gesture of support with a grant of £205k which we have brought to account in our General Reserves this year.

At our Group meeting it was resolved to write to the Secretary of State for Local Government bringing our financial difficulty to the fore and stressing the current levy system is unfair and disproportionate. I reminded the Group that we were in a particularly sensitive position with Level 3 Devolution focussed on the County and this issue must be brought to bear in those discussions. Also, with a hopeful eye to the future, to bring Rachel Reeves into the circle of debate.

This has been done and we will reinforce our predicament with our 2 MPs. At least 40% of the Council Tax we retain in the Borough supports the IDB levy. We wait to hear more before deciding on further action.

### **DOUBLE COUNCIL TAX FOR SECOND HOMES**

**The Levelling UP and Regeneration Act** was given Royal Assent on 26<sup>th</sup> October. Amongst other regulations, it gives local councils the right to charge double council tax on second homes from 1<sup>st</sup> April 2025 and increase tax on empty homes by a further 100% from April 2024. As well as the opportunities for social change, the extra tax will deliver around £6.5m. However, the County and Police will take the lion's share (90%) unless we can negotiate a more equitable deal. We will be discussing with North Norfolk who are of similar mind. This will make quite an impact from Hunstanton to Cromer.

### **THE PROCUREMENT ACT 2023**

This was also given Royal Assent on the 26<sup>th</sup> but without the same fanfare. It will become law in October 2024 and it is a piece of legislation to change existing EU rules. It is aimed at supporting the National Procurement Policy in

- creating new business, jobs and skills in the UK
- tackling climate change and reducing waste
- improving supplier diversity, innovation and resilience.

Rather than the EU process there will be a central digital platform on which firms can register their interests with the platform being used to advertise tenders and publish results. Procurement managers will be asked to know more about and engage in market analysis with one objective being to understand capabilities of the supply base.

Much needs fleshing out over the next year but we will have more flexibility over our procedures to support local companies particularly SMEs.

There will be a greater emphasis on contract management and transparency over key performance indicators and suppliers' achievement. Evaluation criteria for tenders is changing with a wider range of benefits not necessarily economic, therefore I assume more social and environmental aspects will come into play.

This is going to make the procurement function more recognised as adding value and will need greater professionalism throughout the ranks. Much needs to be learnt as the detail of the Act unfurls over the forthcoming year.

### **OUR PROPERTY COMPANIES**

The draft Business Plans, recently produced, are now under scrutiny by the Shareholder Committee and the Scrutiny Panels. The finance package between the Parent and its subsidiaries is key to ensuring these businesses remain viable and not a drain on the Council's sustainability. Therefore, one of the world's most prestigious and highly respected accounting firms, Grant Thornton, has been engaged to assess our modus operandi for financial modelling and intercompany dealing. This is going to be a quick but highly professional assessment by a company which has also researched and advised on just this issue elsewhere. I look forward to their advice.

### **WINS**

Our 5<sup>th</sup> Birthday Bonus Competition is now over and despite a significant marketing effort by us, many of the charities and special causes together with Gatherwell, it has proved hard to generate growth in sales through these difficult inflationary times. However, one cause stood out in securing sales above our winning threshold and that is Discover Downham Heritage, they will

be receiving their winning award of £1000 at a small presentation in the Mayoral Parlour.

Also being recognised for significant extra sales are the Downham Swan Youth Project (£500) and Linnets in the Community (£250).

I wish them and all other causes in our scheme the best of fortune with their special community work in the future.

## **2 Forthcoming Activities and Developments.**

Business and fiscal plans for our housing companies.

Many budget meetings.

The outcome of the Officers' review of statutory obligations and service levels.

A final opinion on the 2019/20 Statement of Accounts.

Plans for auditing 20/21 and 21/22.

Review of Grants and SLAs.

## **3 Meetings Attended and Meetings Scheduled**

20/10 Company Shareholder Committee briefing

23/10 Shareholder Committee Meeting

25/10 Cabinet Briefing

30/10 Cabinet Sifting & Independent Partnership & Labour Group Meeting

31/10 Portfolio Meeting

31/10 Cabinet

2/11 Equality Training

6/11 Soyth Creake PC

7/11 LGA Leadership Development Session

7/11 IDB SIG Conference (Teams)

8/11 Budget Development Meeting

8/11 Cabinet Briefing

9/11 Cabinet (Teams).

Next Period

Many Portfolio and Budget meetings

Shareholder Committee(s).

Audit Meetings

SLA Reviews

MMPB

Cabinet