Monday 4 February 2013
at 6.00pm

EASTBOURNE
Borough Council
www.eastbourne.gov.uk

Scrutiny Committee

MEMBERSHIP:-

Councillor BELSEY (Chairman) Councillor SHUTTLEWORTH (Deputy Chairman)
Councillors COLES, MURRAY, TAYLOR, UNGAR and WARNER.

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16. Minutes.

The minutes of the meeting held on 10 December 2012 were submitted and approved and the Chairman was authorised to sign them as a correct record.

17. Declarations of Interest.

None were received.

18. General Fund Revenue Budget 2013-2014 and Capital programme 2012-2016.

The committee considered the report of the Chief Finance officer regarding the detailed General Fund Revenue Budget proposals 2013/14 and Capital Programme 2012/2016.

The budget proposals include:

- No increase in the Council Tax in 2013 / 14
- Overall savings totalling £1.807m (11.5% of the net budget)
- Efficiency savings of £1.483m (9.4% of the net budget)
- Inflation of £0.370m (2.4%)
- Other recurring service growth of £1.104m
- Additional available capital finance £0.302m
- Non recurring service investments £0.393m
- All recurring expenditure met from recurring resources
- General Reserves averaging in excess of £3.5m (against a minimum recommended of £2m)
- Capital receipts of £0.8m invested in new capital schemes

Projected earmarked reserves at 31 March 2014

- Strategic change fund £1m
- Economic Regeneration reserve of £0.6m
- Repairs and maintenance (capital programme) reserve of £0.2m

Members noted that the underlying methods of Local Government financing were changing significantly from 2013/14. The new system of Local Government finance had made the following changes:

- The retention of a proportion of business rates

- The localisation of council tax benefit
- The amalgamation of some specific grants into the main grant distribution mechanism
- The introduction of "top ups and tariffs" to redistribute non domestic rates
- The introduction of a "safety net" mechanism to manage the transition by top slicing the amount of grant available nationally.

For Eastbourne the Headline figures were:

- A reduction in formula grant from £6.8m to £6.4m (5.8%)
- The inclusion of homelessness grant (£182,000) and the original 2011/12 council tax freeze grant (£206,000) in the above.
- Funding for the localisation of council tax benefit of £1.188m
- A "tariff" of £9.7m of business rates (£12.9m received, £3.2m retained)
- A "safety net" of £2.951m for retained business rates.
- A further cut in baseline funding of £1m for 2014/15 offset by any retained element of business rate growth (currently £0.4m but subject to volatility)

The Government had announced that Eastbourne would receive £557,000 in total of "New homes bonus" due to the growth in housing in the area, of this £432,000 was to be transferred to the Regeneration reserve to fund economic initiatives. The grant would be paid in tranches for six years, the 2013/14 figure included 3 tranches (approximately £185,000 per tranche)

The committee were advised that the proposal for no increase in council tax for 2013/14 resulted in an unchanged Band D rate of £224.19 for the Council (14% of the total bill).

Members were advised that in order to achieve a balanced budget without using reserves, the Council needed to set a net expenditure budget for 2013/14 of £16.267m. Therefore net contributions to reserves of £1.138m were included in the recommended budget. (£17.405m less £16.267m)

Housing Benefit Subsidy - As part of a national scheme delivered locally, this grant was intended to reimburse the Council for the awards of benefit it made to eligible tenants in both the private and public rented sector. Not only was this by far the largest single specific grant that the Council received, but it was performance related. The Council had improved its performance in recent years.

A new system of universal credits was due to start in October 2013 which would see the caseload moved to the Department for Work and Pensions. Responsibility for council tax benefit had now devolved to a local level.

New Homes Bonus - This began in 2011/12 (£187,000) and was guaranteed for six years. A further £190,000 had been awarded for 2012/13 and £180,000 in 2013/14 making a total payable of £557,000 in 2013/14. The Council's policy as outlined in the MTFS was set to utilise the additional grant for economic regeneration initiatives. A separate reserve had been set aside for that purpose.

The detailed budget proposals were set out in Appendix 1 of the report and showed detailed movement from the 2012/13 budget to the 2013/14 proposed budget.

Members discussed monies allocated to preventing homelessness, economic regeneration, use and County co-ordination of business rates, the new homes bonus and improvements to 'diesel alley' in conjunction with the regeneration of the Arndale Centre.

NOTED.

19. HRA Revenue Budget and Rent Setting 2013/14 and HRA Capital Programme 2012/16.

The committee considered the report of the Senior Head of Community and Chief Finance Officer detailing the HRA budget proposals and heating costs for 2013/14, and the HRA Capital Programme 2012/16.

Members noted that as from the 1 April 2012 the way that council social housing was financed was changed and the Housing Revenue Account (HRA) became self financing. This meant that expenditure had to be entirely supported from rental and other income. The main tool for the future financial management of the HRA was the 30 year Business Plan which was approved by Cabinet on 8 February 2012.

The introduction of HRA self financing did not end the requirement to maintain a statutory ring fenced HRA and the council was still required to maintain a separate account for the income and expenditure on council housing.

The report reflected the recommendations made by Eastbourne Homes Limited (EHL) in relation to the increases in rent levels, service and other charges.

The major changes between the 2012/13 and the 2013/14 budgets were highlighted within the report.

Members were reminded that on 5 December 2001, the Council agreed that housing rents would be set in accordance with the Government's proposals to achieve rent convergence for all social tenancies over a ten year period, using the Government's specified rent convergence formula. The timetable for convergence was subsequently extended. Under the HRA self-financing settlement the government has assumed that rent convergence would be achieved in 2015/16.

To avoid any large variation in the rent level from one year to the next, the Government proposals limited any changes to individual tenants' rents to a maximum of £2 per week, plus RPI plus 0.5% each year.

The RPI for September 2012 was 2.6% and this plus the 0.5% increase gives a formula rent increase of 3.1% for 2013/14. For 2012/13 the average rent levied over 52 weeks a year was £71.57. After allowing for the damping mechanism referred to in 3.2 of the report the average rent for 2013/14 for the properties to be retained within the HRA would be £74.51 an increase of 4.3 %.

The HRA Business Plan assumed that service costs incurred on behalf of residents were fully recovered through service charges and were not included in rents. This principle had been applied for 2013/14.

Heating costs, Older Persons Sheltered Accommodation - These charges were set in line with known price increases experienced in 2012 and predicted future costs. Predicted cost increases did not materialise to the extent expected and for 2013/14, it was recommended that the average charge decreases from £10.18 to £7.05 per week.

Water Charges - Many of the retirement courts were subject to a communal water supply and the Council recover these costs by way of a weekly service charge. The proposed charges for water and sewerage supply reflect the lower costs expected through supply being metered notwithstanding if a meter was yet to be installed. This charging method that was first applied in 2012/13 resulted in an average charge of £4.37 per property per week. This charge had been increased to £4.99 per week for the year 2013/14.

Members noted that garage rents had remained unchanged for the last three years in an attempt to reduce the high void rates being experienced. Whilst void garages had remained relatively constant there had been no material increase in the utilisation of available garages. As a result of this rent freeze the rent charged for garages had fallen behind the increase in RPI by 13%. It was therefore recommended that, garage rents were increased in line with housing rent at a weekly rent of 4.3% being applied to garages for 2013/14.

Negotiations are in progress to reduce the management fee paid to EHL for the year 2013/14 by up to £200,000. Should these negotiations be successfully concluded, the management fee will be circa £6.8m.

Members discussed water charges with regard to what Eastbourne Homes Ltd were doing to promote water use efficiency within the stock, particularly, in shared accommodation where meters were not fitted, calculations for bad debt provision and garage rents. Members asked if the fraud team would be willing to consider the subletting garages as part of their review into the rental of Council owned properties. Members were advised that the review of the Eastbourne Homes contract would consider the delivery of the housing function including the quality and cost of the provision.

NOTED.

20. Corporate Performance Quarter 3 2012/13.

Members considered the report of the Deputy Chief Executive and Chief Finance Officer updating Members on the Council's performance against Corporate Plan Priority actions, indicators and milestones for 2012/13.

Members were advised that **Appendix 1** was a detailed report on the Quarter 3 activities and outturns of the performance indicators listed within the Corporate Plan. This report shows the latest available outturns for the National and Local Performance Indicators featured in the 2010/15 Corporate Plan broken down into themed areas.

Members were advised that each project had been allocated a number of in-year actions and milestones to be completed in order to progress the project efficiently. Some projects may be completed within the year whereas larger scale priorities would be delivered over a longer period. The summary action table at the beginning of each section shows the percentage of in-year actions/milestones completed so achieving 100% would not necessarily equate to final completion of the whole project**.** The specific milestones up to the end of the third quarter 2012 were set out in the Actions report in Appendix 1 and details of the milestones for the whole year were available on Covalent and could be supplied on request.

Members noted the position to the end of December showed a variance of £118,000 which was a movement of £96,000 compared to the position reported at the end of the second quarter in September. Service expenditure had a variance of £475,000 mainly as a result of income performance being lower than expected and some overspends for Theatres, Airbourne sponsorship and the Redoubt. These were however offset by:

1. unused balance on the contingency fund.
2. savings due to vacancy management.
3. receipt of additional in year grant support.

The projected outturn showed a small positive variance of £14,000, a £70,000 improvement on the position reported at the end of quarter 2 - mainly due to the receipt of £60,000 in grant for the retention of weekly waste collection and an expected recovery to the financial position of the Theatres show account.

The projected outturn is within 0.09% of the net budget. The contingency allowance currently stood at £234,600 and had been used to offset service expenditure. Members noted the transfer from the General Fund Reserve of £57,880 as detailed in appendix 3 of the report.

The updated capital programme was shown at Appendix 4 of the report, and included all new schemes approved as at the end of December. Actual expenditure at 56% of the budget was lower than expected as a number of schemes had only just commenced or had not yet started in particular in the following areas:

- Housing enabling

- Jevington Gardens housing scheme
- Town Hall Roof

The 2012/13 programme had now been re-profiled to reflect start dates and planned works.

Members noted that the variances within both the General Fund and the HRA budgets were well within tolerance levels of the net budgets, however there remained risks within the budget which would require careful monitoring. Capital expenditure was low compared to the budget but this was expected due to the fact that some major schemes were yet to commence. The capital programme had been re-profiled to reflect expected start dates and work plans.

Treasury Management performance was on target and within the approved Treasury and Prudential Limits.

Members asked about the number of bed spaces in the hotel industry and how losses and increases were monitored in Eastbourne. In addition Members also asked about the method for recording visits to the Towner during tennis week. Members were advised that the Senior Head of Tourism and Leisure would advise members following the meeting.

NOTED.

The meeting closed at 7.05p.m.

Councillor Belsey
Chairman