

Agenda Item No: 15



Cabinet recommendations for consideration by Council at the Meeting of the Council on Wednesday, 9 December 2015

Cabinet – 23 November 2015

34 Finance Update

The Cabinet considered Report No 148/15 which provided an update on financial matters that affected the General Fund Revenue Account, the Housing Revenue Account and the approved Capital Programme.

Treasury Management investment activity between 22 August and 19 October 2015 was summarised in the table in paragraph 3.1 of the Report, all of which was consistent with the Council's approved Treasury and Investment Strategy for 2015/2016.

In accordance with the Council's approved Treasury Strategy Statement, the Audit and Standards Committee reviewed all treasury activity that took place in order to confirm that it had been undertaken in accordance with the approved Strategy. In the event that the Audit and Standards Committee had any observations, they would be recorded in its minutes and referred to Cabinet.

The Chartered Institute of Public Finance and Accountancy's Code of Practice recommended that all councillors be informed of Treasury Management activities at least twice each year. A Mid-year Report for 2015/2016, which covered the period 1 April 2015 to 30 September 2015, was set out at Appendix 1 to the Report. It confirmed that the key elements of the approved Treasury and Investment Strategy had been complied with during the first half of the year.

Details relating to Financial Performance at the end of Quarter 2 (September) 2015/2016 was set out in the table in paragraph 4.1 of the Report and service details were shown at Appendix 2 thereto. Financial performance in the first quarter had resulted in a favourable net variation of £802,000, key elements of which were set out in the table in paragraph 4.2 of the Report which included employee costs, staff severance costs,

Planning Development Control fees and the Business Rates local discount scheme.

Spending activity in many service areas had continued to be slow in Quarter 2 and the 'gap' between budgeted and actual spend was expected to close in Quarter 3.

Appendix 3 to the Report set out details of the capital programme spending in Quarter 2 which continued to be in line with expectations. Cabinet was invited to approve a variation to the programme namely, a reduction in respect of the Electric Vehicle Charging Points project which was funded by Government grant and was led by the Council on behalf of the Sussex Air Quality Partnership. 2 rapid chargers had been installed in the District but the Government funding period had closed on 30 September 2015 following which no further chargers would be installed.

The Council was implementing the Community Infrastructure Levy (CIL) from 1 December 2015. The associated administration was a complex process that involved the processing, acknowledging and recording of a series of events or triggers and CIL documents. The Council had a statutory duty to record and monitor its spending of CIL and produce annual reports thereon.

The need to procure a new or upgraded software system for the management and administration of Section 106 agreements and the CIL was considered fundamental to the proper implementation of the Council's CIL Charging Schedule which should ensure the accurate and expedient delivery of CIL processes and ultimately aid the delivery of infrastructure projects.

Officers had analysed available software solutions and sought quotations from three suppliers, two of which did not adequately meet the Council's requirements, with the preferred supplier being the most expensive. The Council's Contract Procedure Rules required the Head of Service to approve the acceptance of a quotation which was other than the lowest, which had been undertaken. The cost of implementing the software system amounted to £25,000 which would be met from the budget for Service Priorities. Future costs would be funded from a 5% share of CIL receipts that were retained as an administration 'pot'.

The Cabinet's attention was drawn to the Officers Recommendations numbered 3, 4 and 5, as set out on the first page of the Report, in respect of which it was reported that the text which read ".....as set out in section Error! Reference source not found.", should have referred to sections 4, 5 and 6 of the Report respectively.

Resolved:

- 34.1** That it be agreed that Treasury Management activity since the last Report to Cabinet has been consistent with the Council's approved Treasury and Investment Strategy, as referred to in Report No

DCS

148/15;

- | | | |
|-------------|--|-----|
| 34.2 | That the mid-year position for the Council's 2015/2016 Treasury Management and Investment Strategy be agreed; | DCS |
| 34.3 | That the General Fund and Housing Revenue Account financial performance for the quarter ended 30 September 2015, as set out in paragraph 4 of the Report, be agreed; | DCS |
| 34.4 | That the Capital Programme financial performance for the quarter ended 30 September 2015, and associated variations, as set out in paragraph 5 of the Report, be agreed; | DCS |
| 34.5 | That the action taken in respect of procurement, as set out in paragraph 6 of the Report, be confirmed. | DCS |

It was further

Recommended:

- | | | |
|-------------|--|---------------|
| 34.6 | That the Mid-Year Treasury Management Report 2015/2016, as set out at Appendix 1 to Report No 148/15, be approved. | DCS (to note) |
|-------------|--|---------------|

Reasons for the Decisions:

A Report on funding issues in relation to the Council's General Fund Revenue Account, Housing Revenue Account and Capital Programme is made to each meeting of the Cabinet to ensure that the Council's financial health is kept under continual review. It is essential to ensure that the Council has a sound financial base from which to respond to changing activity levels and demand for statutory services and to ensure that, when appropriate, its finances are adjusted in response to reducing income levels and inflationary pressures on expenditure.

The Council's Treasury Management function deals with very large value transactions on a daily basis. It is essential that the Council is satisfied that appropriate controls are in place and in accordance with the Code of Practice on Treasury Management in the Public Services prepared by the Chartered Institute of Public Finance and Accountancy and adopted by the Council.

† *The Recommendation, and not the Resolutions, in the above Minute is for consideration by Council.*

Councillors are requested to bring with them to the meeting Report No 148/15 which was circulated with the agenda papers for the meeting of the Cabinet on 23 November 2015. If you require a further copy of the document please contact Trevor Hayward, Committee Officer, on e-mail trevor.hayward@lewes.gov.uk or telephone 01273 471600.

37 Lewes District Joint Core Strategy – Affordable Housing Policy

The Cabinet considered Report No 151/15 which related to a recommendation that the proposed modification to the Council's affordable housing policy, as set out in the Joint Core Strategy (JCS), be withdrawn and that the Council reverts to the version of the policy as presented in the Joint Core Strategy - Submission document.

In partnership with the South Downs National Park Authority (SDNPA), the Council had been preparing the JCS over a number of years and was currently at an advanced stage in the examination process. It was anticipated that it would be adopted in early 2016.

As part of the examination into the JCS, the Planning Inspector had written to authorities to set out his initial findings in respect of the plan. The authorities were invited to submit proposed modifications to the plan that would overcome some of the issues that had arisen during the examination. Such proposed modifications were agreed for publication, consultation and subsequent submission to the Planning Inspector at the Council meeting held on 16 July 2015.

One of the Main Modifications was to amend Core Policy 1 that related to the provision of affordable housing to ensure that it would be consistent with the Government's Written Ministerial Statement of 28 November 2014 and the associated advice in the National Planning Practice Guidance (NPPG). The Statement and Guidance set a national threshold of 11 units for development size below which affordable housing contributions could not be sought. However, an allowance was made for financial contributions towards affordable housing provision to be sought on schemes between 6 and 10 units within certain designated rural areas, which included the South Downs National Park.

Prior to the publication of the Ministerial Statement and NPPG additions, the Council and the SDNPA had proposed that Core Policy 1 would seek 40% affordable housing on schemes that delivered 10 or more units. On schemes of between 3 and 9 net additional dwellings, a graduated threshold and target was set out which allowed for levels of less than 40% affordable housing to be delivered on such smaller developments, which was consistent with local viability evidence.

The nationally prescribed policy position that was set out in the Ministerial Statement and NPPG was challenged in the High Court by West Berkshire District Council and Reading Borough Council. The judgement that was handed down on 31 July 2015 advised that the challenge had been successful and therefore the decision to adopt the new policy by way of Written Ministerial Statement had been quashed, together with the associated sections of the NPPG which had subsequently been deleted. The implication of the judgement for the JCS was that the reason for proposed modification MM15 no longer existed. The nationally prescribed 'policy' for affordable housing thresholds was quashed and appeared to give local planning authorities the flexibility to set their own, locally

evidenced, thresholds once more.

On 28 September 2015 the Government was granted permission to appeal the High Court judgement which would be heard by the Court of Appeal in due course. It was premature to speculate on the appeal being allowed and the ruling being quashed but it had to be considered that such might be the outcome.

In the event that the Court of Appeal found in favour of the Government, or the Government reintroduced the intended policy (or alternative changes to affordable housing policy) at some point in the future, it was proposed that some additional future-proofing words be included in Core Policy 1 and its supporting text. It was considered that Core Policy 1 should set out that in the event of a further national (mandatory) policy change that affected the threshold or level of affordable housing provision, it would be superseded, as relevant and necessary, by any such changes in national policy. That was considered to be a minor modification to the policy as it would provide clarification, given that the national position might be subject to change again in the short term, potentially not long after the anticipated adoption of the JCS. The additional text was shown in italics and underlined in Appendix 2 to the Report.

The High Court judgement and deletion of the relevant parts of the NPPG occurred too late for MM15 to be removed from the schedule of proposed Main Modifications as published for consultation. However, a notice was published on the consultation website to update interested parties of the changed circumstances and our intention to write to the Planning Inspector to request that MM15 should not be pursued, subject to Council authorisation. A letter dated 5 October 2015, a copy of which was appended to the Report, explained the situation and had been submitted to the Inspector along with all material that related to the Proposed Modifications consultation.

Recommended:

- 37.1** That the proposed Main Modification MM15 to the Joint Core Strategy be withdrawn and that the Council makes it clear to the Planning Inspector, through the ratification of the letter of 5 October 2015 to the Inspector (as set out at Appendix 3 to Report No 151/15), that it wishes to adopt and implement the Submission version of Joint Core Strategy Core Policy 1 (affordable housing), subject to minor alterations (as set out in Appendix 2 to the Report).

DBSD (to note)

Reasons for the Decision:

In order to reflect the recent removal of national planning policy and guidance and revert to an appropriate affordable housing policy for the District that is based upon and reflects robust local evidence of need and development viability.

† *Councillors are requested to bring with them to the meeting Report No 151/15 which was circulated with the agenda papers for the meeting of the Cabinet on 23 November 2015. If you require a further copy of the document please contact Trevor Hayward, Committee Officer, on e-mail trevor.hayward@lewes.gov.uk or telephone 01273 471600.*

39 Local Council Tax Reduction Scheme 2016/17

The Cabinet considered Report No 153/15 which set out details that related to options for the local Council Tax Reduction (CTR) scheme for 2016/17.

The coalition government had abolished the national Council Tax Benefit scheme from April 2013 and required local authorities to develop and adopt their own scheme of financial support for working age claimants. Such change came with a 10% reduction in funding which, for the Council, amounted to c£90k.

In order to protect pensioners from any reduction in support, the government had put in place a national scheme that local authorities had to adopt. Therefore, any reduction in support had to come from those of working age. The Council was only permitted to change the scheme for working age claimants.

On 10 January 2013, the Council had adopted a local scheme of support for 2013/14 which, in the main, followed the rules of the Council Tax Benefit scheme, as well as agreeing changes to certain council tax discounts and exemptions.

The current CTR scheme, which had also been adopted by the other East Sussex district and borough councils, followed the principles of protecting the most vulnerable, incentivising individuals into work and took into account and responded to the requirement of government to reduce the overall cost of the previous Council Tax Benefit scheme by 10%.

The local scheme had remained unchanged since 2013/14. However, a project team of senior officers from the East Sussex district and borough councils and East Sussex County Council had been investigating options for the 2016/17 scheme. A series of reports had been presented to Chief Executives and Council Leaders which outlined what options were available. Several options had been rejected for a variety of reasons, further details of which were set out in paragraph 4.1 of the Report. However, the project team has proposed that several options be considered for inclusion in the 2016/17 scheme:

Limiting CTR to a percentage of Council Tax liability - If adopted, such option would require claimants to pay at least a certain percentage of their Council Tax irrespective of their circumstances. 244 of the 336 Local Authorities had adopted some level of minimum payment, many of which were set above 20%.

Assumption of a minimum income for self-employed claimants – If adopted, such option would introduce an assumed minimum income for self-employed claimants of 35 hours times the minimum wage (currently £6.70). It would result in savings to the cost of the scheme of £270,000, for which the Council would save c£30,000, and would affect approximately 400 claimants. A period of 12 months grace from the start-up of a business would be allowed before the assumed minimum income would come into effect.

Reduction in the qualifying capital limit – If adopted, such option would reduce the limit that people could have in savings and still qualify for support. The current scheme had a limit of £16,000. A consultation exercise had been undertaken in respect of the options for inclusion in the 2016/17 scheme which was based on a reduction of the level of qualifying capital to £6,000. It would result in potential savings to the cost of the scheme of c£87,000, for which the Council would save c£9,500, and would affect at least 60 claimants in the District. However the Council did not currently have details of the capital of those claimants in receipt of Jobseeker's Allowance, Income Support or Employment Support Allowance and, in the event of the option being adopted, the Council would need to contact approximately 2,100 claimants in order to obtain details of their capital as well as implementing procedures to continually review such levels. The additional administrative burden of the option was likely to require an additional full time equivalent employee that would need to be funded by the Council. Furthermore, it was likely that the additional administrative processes would result in households that had very low income not receiving any financial support for their Council Tax due to them failing to supply the required information to the Council.

Extended payments for claimants going into work - When the Council had adopted the original CTR scheme in 2013, it took the decision to provide an additional incentive to work by doubling the extended payment award from four weeks to eight. Such extensions were awarded when Income Support, Employment Support Allowance, Job Seekers Allowance, Incapacity Benefit or Severe Disablement Allowance ended because the claimant or their partner started work or increased their hours of work. To qualify for extended payments they must have been receiving one of the above benefits for at least 26 continuous weeks. The cost to the scheme in 2014/15 was c£18,000, with the cost to the Council being c£2,000.

Whichever changes were adopted, it was proposed that a separate hardship fund be created to assist those applicants who suffered exceptional hardship. As part of the process of applying for additional support, it was proposed that all applicants must be willing to provide sufficient personal information to enable the Officers to make the

necessary decision.

Details relating to alternatives to reducing the amount of help that was provided by the CTR scheme were set out in paragraph 6 of the Report.

Before making a new scheme, or before making changes to the scheme, the Council needed to consult with the major preceptors and other interested parties, further details of which were set out in paragraph 9 of the Report.

The Cabinet's attention was drawn to several issues in respect of the proposed CTR scheme which, it was felt, needed to be clarified with the other district and borough councils in East Sussex that had been investigating options for the 2016/17 scheme, the outcome of which needed to be reported to all Members of the Council in advance of the Council's consideration of the proposed revised scheme at its Meeting on 9 December 2015, as it was not the Council's intention to increase the financial burden on the poorest people in the community. Such issues related to:

The legal opinion relating to the level of minimum earnings for the self-employed which, the Report suggested, was in line with the government's proposal for those who claimed Universal Credit. However, it was felt that the proposed CTR scheme did not make allowance for lone parents and the disabled nor did it make a notional reduction for national taxation and National Insurance contributions;

The proposed changes in respect of people who faced exceptional hardship, and those who were self-employed as well as employed who did not have access to the exceptional hardship scheme on the basis of their assumed level of minimum income; and

The CTR scheme did not currently take account of those who were self-employed as well as employed.

Recommended:

39.1 That the following changes be made to the current Council Tax Reduction Scheme for 2016/17, as referred to in Report No 153/15:-

The maximum amount of Council Tax Reduction be limited to 80% of the claimant's Council Tax liability;

The current qualifying Capital savings limit at £16,000 be retained; and

The current eight week extended payment for claimants that go into work be retained;

DCS (to note)

- | | | |
|-------------|--|---------------|
| 39.2 | That subject to the outcome of the clarification exercise undertaken in respect of the issues set out in the final paragraph of the preamble above, an assumed minimum income floor for self-employed claimants be introduced to the current Council Tax Reduction Scheme for 2016/17; | DCS (to note) |
| 39.3 | That the Assistant Director of Corporate Services, in consultation with the Director of Corporate Services/S151 officer, be authorised to make minor amendments to the text of the final Scheme; and | DCS (to note) |
| 39.4 | That, subject to the outcome of the clarification exercise undertaken in respect of the issues set out in the final paragraph of the preamble above, an Exceptional Hardship scheme be adopted. | DCS (to note) |

Reason for the Decisions:

The Council is under a duty to review its local Council Tax Reduction scheme each year and any changes to the scheme must be adopted by 31 January 2016, preceding the start of the new financial year. If it fails to do this the current year's scheme will remain in force.

† *Councillors are requested to bring with them to the meeting Report No 153/15 which was circulated with the agenda papers for the meeting of the Cabinet on 23 November 2015. If you require a further copy of the document please contact Trevor Hayward, Committee Officer, on e-mail trevor.hayward@lewes.gov.uk or telephone 01273 471600.*