Monday, 2 February 2015
at 6.00 pm

Scrutiny Committee

Present:-
Members: Councillor Ansell (Chairman) Councillor Shuttleworth (Deputy-Chairman) Councillors Belsey, Cooke, Murray, Thompson and Ungar

15 Minutes of the meeting held on 8 December 2014.

The minutes of the meeting held on 8 December 2014 were submitted and approved and the Chairman was authorised to sign them as an accurate record.

16 Apologies for absence.

There were none.

17 Declarations of Disclosable Pecuniary Interests (DPIs) by members as required under Section 31 of the Localism Act and of other interests as required by the Code of Conduct.

None reported.

18 General Fund Revenue Budget 2015/16 and Capital Programme 2014/18.

Scrutiny considered the report of the Deputy Chief Executive setting out the general fund revenue budget proposals for 2015/16 and a rolling 3-year capital programme 2014/18. The medium term financial strategy (MTFS) had been revised in July 2014 and the Cabinet had agreed a draft 2015/16 budget proposal last December. The MTFS and resulting draft budget had been subject to extensive consultation and previously reported to Cabinet and the Scrutiny Committee.

The budget proposals included:
- No increase in the Council Tax in 2015/16
- Overall savings/new income totalling £1.5m (9% of the net budget)
- Efficiency savings of £1m (6% of the net budget)
- Inflation of £0.6m (4% of the net budget)
- Other recurring service growth of £0.4m
- Non recurring service investments £0.5m
- General Reserves averaging in excess of £4m (against a minimum recommended of £2m)
- Capital resources of £0.8m invested in new capital schemes

The budget represented management of financial risks which were highlighted within the report.

The committee was advised that the headline figures of the Government settlement were;

- A reduction in revenue support grant of £1.2m (30%)
- Partially offset by new homes bonus (additional £0.2m in 2015/16)

The NNDR business rate base had increased slightly (£0.2m) largely as a result of the inflationary increase which had been capped at 2%. In addition to the formula grant the Government was financing the cost of a 1% increase in council tax (£86,000) which it had confirmed would be put in the base for 2016/17 and beyond.

Members noted that the Government had announced that Eastbourne would receive £1.1m in total of new homes bonus due to the growth in housing in the area and the further reduction in empty properties. The grant would be paid in tranches for six years. The 2015/16 figure included five tranches.

The committee was further advised that the funding was not guaranteed beyond a six year horizon for each tranche and that the projected award for 2016/17 was £1.3m.

The Government was financing the additional NHB from reductions in RSG, therefore, whilst volatile, it is currently the preferred method of distribution of resources.

Members noted that no increase to council tax for 2015/16 had been proposed and this would result in an unchanged band D rate of £224.19 (14% of the total council tax bill).

A summary of the resources available was given within the report. In order to achieve a balanced budget without using reserves, the Council would need to set a net expenditure budget for 2015/16 of £15.2m.

In addition to the general grant distributed through the new formula grant system, given towards financing the Council's net expenditure, the Government also provided some specific grants. These specific grants would fund in part or in full, service costs.

National Benefit Subsidy - as part of a national scheme delivered locally, this grant was intended to reimburse the Council for the awards of benefit 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. A new system of universal credits was due to be completed in October 2017 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.

Housing Benefit / Council Tax reduction scheme administration - This was to fund the cost to Eastbourne of administering the National Housing Benefit and local Council Tax Support schemes. This represented a reduction of around 15% from the 2013/14 funding.

Homelessness - This was intended to assist with prevention and to find alternative accommodation other than bed and breakfast, this grant had now been subsumed into the main grant system.

New Homes Bonus - This began in 2011/12 (£187,000) and was guaranteed for six years. A further £190,000 was been awarded for 2012/13 and £180,000 in 2013/14 making a total payable of £557,000 in 2013/14. Further increases would take this source of funding to approximately £1.3m per annum by 2016/17. The Council's policy as outlined in the MTFS was to utilise surplus grant for economic regeneration initiatives. Therefore the proposed budget included an increase in the capital financing budget.

In December the Cabinet put forward their draft budget proposals, the main movements since then were detailed in appendix 1 to the report.

Details of proposed growth and savings were given in full in appendix 2 to the report. The proposals set out in the report would allow full Council on 18 February 2015 to approve a balanced budget in line with available resources and without the need to use reserves. The report also detailed the principal financial risks the Council was likely to face.

A corporate contingency budget of £152,000 for unbudgeted expenditure or reductions in income had been allowed. This was in addition to the known inflation that had been built into service budgets.

Further, the Council's general fund reserves were anticipated to amount to £4m in March 2016 as compared with the Chief Finance Officer's minimum recommended level of £2m.

The principles for formulating the capital programme were set out in the budget report to Cabinet last December and the updated programme was given in appendix 3 to the report (proposed new schemes were shown in bold text) and showed a projected outturn for 2014/15 of £7.394m; a total budget for 2015/16 of £16.548m; £13.089m for 2016/17; and £4.271m for 2017/18. The Council had a policy of only using borrowing for schemes that were 'invest to save' and could generate enough savings or additional income to service the financing costs. In addition to schemes that qualified for borrowing, the Council had a further £800,000 of capital receipts to apply to the programme.

RESOLVED: That Scrutiny note:
(1) General Fund budget for 2014/15 (Revised) and 2015/16 (original) (Appendix 1) including growth and savings proposals for 2015/16 as set out in Appendix 2.
(2) No increase in the Council Tax for Eastbourne Borough Council resulting in an unaltered Band D charge of £224.19 for 2015/16.
(3) General Fund capital programme and financing 2014/18 as set out in Appendix 3.

19 HRA Revenue Budget and Rent Setting 2015/16 and HRA Capital Programme 2014/17.

Scrutiny considered the report of the Senior Head of Community and Chief Finance Officer detailing the HRA budget proposals, rent levels, service charges and heating costs for 2015/16 and the HRA Capital Programme for 2014/17.

The committee was advised that from 1 April 2012 the way that the Council's social housing was financed had changed and the HRA became self-financing. Expenditure therefore needed to be supported from rental and other income.

HRA Revenue Budget – The 2015/16 budget had been prepared following the principles adopted within the HRA 30 year Business Plan and showed a surplus of (£296,130) which was due to a number of favourable factors detailed within the report.

Members noted that the HRA budget was performing better than expected in the 30 year business plan due to various initiatives to control expenditure, including a reduction in the management fee payable to EHL since the start of the plan and lower than anticipated interest rates. At the same time income earnings from rents and service charges had remained on target. This allowed some scope for some spending to be realigned, as summarised within the report.

Rent Levels – The Council had been following the Government's guidance for rents for social housing since December 2001. Under the HRA self-financing settlement the government had assumed that rent convergence was achieved in 2015/16. In May 2014, the Government issued new guidance setting out its policy on rents for social housing from April 2015. The new guidance simplified the approach to setting the rent for each property. The Government recognised that some properties would not have reached their formula rent by April 2015 and recommended that rent only moves up to formula rent where the property was re-let following vacancy. Although most of the Council's properties had reached convergence, the number of properties that still needed to reach convergence would reach convergence at a slower rate.

Members noted that compliance with new guidance was not compulsory. Previously, rent setting above government convergence limits was discouraged by the 'rent rebate subsidy limitation' rule which made the HRA liable for the additional Housing Benefit payments generated by excess rents. Following the move to self-financing, the 'limits' rule was no longer relevant to local authorities. In order to reduce the number of properties trying to reach their formula rent, members noted that Cabinet were asked to recommend that council rents were set at a higher level with an average increase of 2.28%.

Although the accelerated convergence proposed showed more of a weekly increase to 896 tenants, it did not suggest an increase over £3.00 per week to any of the Council's tenants keeping the increase at an affordable level as shown in the profiling tables at Appendix 2 of the report.

Service Charges – The committee was advised that for properties in shared blocks these charges cover common services such as communal heating, lighting, equipment maintenance contracts, cleaning and grounds maintenance. In Older Persons Sheltered Accommodation the charges additionally included On-Site Co-ordinators, Lifeline services, lift maintenance contracts, communal furniture and carpets maintenance and internal re-decorations. These costs should be charged separately from the rent in those properties to which they applied. The HRA Business Plan assumed that service costs were fully recovered through service charges and were not included in rents. This principle had been applied for 2015/16.

This resulted in an average service charge increase of 2.31%. for general needs properties in blocks and for Older Persons Sheltered Accommodation the average service charge increase was 2.57%.

The report further covered Heating Costs for Older Persons Sheltered Accommodation, Water Charges and Garage Rents.

The Capital Programme as set out in Appendix 3 to the report had been prepared to meet the Council's strategies, as adjusted to reflect the availability of resources. Total budgeted expenditure for 2015/16 was £9,668,512. The major works element of the programme was in line with the asset management plan and the self-financing business plan model. Funding was from the Major Repairs Reserve. Cabinet had agreed a total budget of £12.1m for the Housing and Economic Development Programme out of the total allowance of £20m.

Eastbourne Homes Management Fee - the Management Fee covered both Operational and Administration costs as well as cyclical maintenance. The proposed Base Management Fee was recommended to remain at the 14/15 level of £6,714,000, however an additional £520,000 had been proposed (as per para 2.5 of the report) to meet the current pressure on the maintenance budget.

The fee of £140,000 to support the work of the HEDP team had also been amalgamated into the Management Fee. This was previously shown within the budget under Supervision and Management and had been reduced by £50,000 from 2014/15. Therefore the total proposed fee for 2015/16 was £7,375,000.

The committee was advised that to formally agree the management fee Members would be asked to delegate this responsibility to the Chief Executive, in consultation with the Cabinet Portfolio Holders for Community Services and Financial Services and the Financial Services Manager.

The committee discussed the Housing Revenue borrowing cap, local investment and use of local labour agreements and requested further information on a housing scheme in Rodmill. The Senior Head of Community agreed to provide further information following the meeting. The Chairman requested that a briefing be given to the next Scrutiny monthly meeting regarding opportunities to support local companies through investment and local labour agreements.

RESOLVED: That Scrutiny note:

(1) The HRA budget for 2015/16 and revised 2014/15 as set out in Appendix 1 to the report.
(2) That rents were set in line with the rent convergence target of 2016 set by Government resulting in an average increase of 2.28%.
(3) That service charges for general needs properties were increased by 2.31%,
(4) That the service charges for the Older Persons Sheltered Accommodation currently available for let were increased by 2.57%.
(5) That heating costs were set at a level designed to recover the estimated actual cost.
(6) That water charges were set at a level designed to recover the estimated cost of metered consumption.
(7) That garage rents were set to increase by 2.28% in line with the average increase in housing rent.
(8) To give delegated authority to the Chief Executive, in consultation with the Cabinet Portfolio holders for Community Services and Financial Services and the Financial Services Manager to finalise Eastbourne Homes' Management Fee and Delivery Plan.
(9) The HRA Capital Programme as set out in Appendix 3 to the report.

20 Corporate Performance - Quarter 3 2014/15.

Members considered the report of the Chief Finance Officer and Head of Corporate Development updating Members on the Council's performance against Corporate Plan Priority actions, indicators and milestones for Quarter 3 2014/15.

Following the changes to the crime reporting procedures, changes would be made to crime related PI's only, as previous targets were no longer relevant to the data being reported. These PI's would be revised for the next iteration of the Corporate Plan.

Appendix 1 to the report provided a detailed report on the 2014/15 activities and outturns of the performance indicators listed within the Corporate Plan. The first section of Appendix 1 listed all the Corporate Plan priority actions whose in-year milestones had already been fully completed this year. The second section of Appendix 1 listed the ongoing actions showing all milestones that were scheduled for completion within the first quarter of the 2014/5.

Of the 25 Key Performance Indicators reported in the Corporate Plan this quarter, four were currently showing as Red, 12 were showing as Green, three were showing as Amber and six were data only or contextual PIs. The off target PIs were as follows:

- DE_011 - Number of reported fly-tipping incidents
- CD_008 - Decent Homes programme
- CD_055 – Number of completed adaptations (Disabled Facilities Grants)
- CD_181 – Time taken to process Housing Benefit/Council Tax Benefit new claims and change events

Members discussed the value for money Marketing Campaign and its reach nationally and internationally.

The Revenues and Benefits Manager was in attendance to answer members' questions regarding the recent transition from Northgate to OpenRevs. The committee was advised that risks had been identified prior to the transition period and that where possible manual calculations had been made to ensure residents had received at least partial payments. There were some 400/500 pieces of work at the beginning of close down with around 3,500 at the end of close down. This had now been reduced to 800 pieces of work, taking around 15 calendar days to process. Members noted that 'pieces of work' related to households with changes of circumstances, and not individuals that had been affected during the transition period. The Council received 50,000-60,000 change of circumstance requests and 5,000-6,000 new claims annually. It was anticipated that 'pieces of work' outstanding would be comparable to the same period last year by the end of the first quarter 2015/16, given that the Council was now entering one of the busiest times of year. The committee was assured that no one had been adversely affected by the transition, and that landlords had been advised of potential delays in payments. Some 10 complaints had been received throughout the process.

Members noted that the position to the end of December was a positive variance of (£99,000) on net expenditure - a movement of (£176,000) compared to the position at the end of the second quarter in September. Service expenditure showed a variance of (£44,000) mainly as a result of:

Additional corporate income (£77k)
Refuse Collection contract savings (£71k)
One off backdated rental income (£35k)
Rental income from 1 Grove Road and Town Hall (£31k)
Dotto Train £65k
Summons Income reduction £50k
Development Control Legal and Consultants fees £41k
Downs Water Supply new contract £39K

The projected outturn showed a favourable variance of (£187,000). This was within 1.1% of the net budget and was within an acceptable tolerance level.

The contingency allowance currently stood at £112,95 and an amount of £40,000 had been earmarked for use; therefore a balance of £72,950 was available for funding any future unforeseen one off areas of expenditure during the remainder of the year.

HRA performance was currently above target due to a number of factors including underspending on council tax for void properties and the new insurance contract.

Rental income was down as a result of a reduced number of properties from Right to Buys and a delay in opening Winchester Court sheltered accommodation following refurbishment; this had been offset by an increase in service charge income following the 13/14 year end reconciliation. The projected outturn was showing a surplus of £104,000 due to the full year effect of the issues stated previously.

The detailed capital programme was shown at Appendix 4 to the report. Actual expenditure at 47% of the budget was lower than expected as a number of schemes had been delayed in starting or had not yet started these included

- Housing Major Works schemes
- Support Housing in Eastbourne Programme
- Coastal Defence Works
- Resurfacing Tennis Courts
- Carbon Reduction Programme
- Customer Contract Centre
- Devonshire Park
- Congress Theatre.

Commentary on the progress of each of these schemes was included in the Appendix.

The projected Collection fund, both Council Tax and National non domestic rates showed an improvement over the forecast over Qtr2 of £7k and £19k respectively.

Council Tax showed a surplus of £180,000 due to higher than budgeted number of chargeable properties and a reduction in the number of Single Person Discounts awarded. The surplus represented 0.34% of the total debit due.

Business Rates deficit of £1,295,000 was as a result of a bigger than anticipated provision made in 2013/14 for outstanding appeals, giving rise to a higher than budgeted for balance carried forward as at 1 April 2014.

Since January 2014 a total of 64 properties had successful appeals with a total reduction of £1,083,100 in rateable value which represented 1.3% of the total rateable value of the authority. Currently there were 87 properties with appeals outstanding with a total rateable value £6.8m.

The Valuation Office was expecting to settle all these claims within the next 12 months however the uncertainty of the potential value of successful appeals remained a major risk to the Collection Fund at this time. The deficit represented 3.96% of the total debit for the year.

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

NOTED.

The meeting closed at 6.58 pm

Councillor Ansell (Chairman)