

Monday, 30 January 2017

at 6.00 pm

Town Hall, Eastbourne



Scrutiny Committee

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MEMBERS: Councillor di Cara (Chairman); Councillor Holt (Deputy-Chairman); Councillors Belsey, Miah, Murray, Rodohan, Sabri and Smart

NB: Members are invited to attend a **confidential** briefing on recycling in Eastbourne prior to the committee. The briefing will be held at 5.15pm, Court Room, Town Hall and will only be open to Councillors.

Agenda

- 1 Minutes of the meeting held on 5 December 2016.** (Pages 1 - 4)
- 2 Apologies for absence.**

3 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.

4 Questions by members of the public.

On matters not already included on the agenda and for which prior written notice has been given (total time allowed 15 minutes).

5 Urgent items of business.

The Chairman to notify the Committee of any items of urgent business to be added to the agenda.

6 Right to address the meeting/order of business.

The Chairman to report any requests received to address the Committee from a member of the public or from a Councillor in respect of an item listed below and to invite the Committee to consider taking such items at the commencement of the meeting.

7 General Fund 2017/18 and Capital Programme 2016/20. (Pages 5 - 28)

Report of Deputy Chief Executive (Chief Finance Officer).

8 Housing Revenue Account 2017/18. (Pages 29 - 42)

Report of Deputy Chief Executive (Chief Finance Officer) and Director of Direct Services.

Inspection of Background Papers – Please see contact details listed in each report.

Councillor Right of Address - Councillors wishing to address the meeting who are not members of the Committee must notify the Chairman in advance.

Public Right of Address – Requests by members of the public to speak on a matter which is listed in this agenda must be **received** in writing by no later than 12 Noon, 2 working days before the meeting e.g. if the meeting is on a Tuesday, received by 12 Noon on the preceding Friday). The request should be made to Local Democracy at the address listed below. The request may be made by letter, fax or e-mail. For further details on the rules about speaking at meetings please contact Local Democracy.

Disclosure of interests - Members should declare their interest in a matter at the beginning of the meeting, and again, at the point at which that agenda item is introduced.

Members must declare the existence and nature of any interest.

In the case of a DPI, if the interest is not registered (nor the subject of a pending notification) details of the nature of the interest must be reported to the meeting by

the member and subsequently notified in writing to the Monitoring Officer within 28 days.

If a member has a DPI or other prejudicial interest he/she must leave the room when the matter is being considered (unless he/she has obtained a dispensation).

Further Information

Councillor contact details, committee membership lists and other related information is also available from Local Democracy.

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Monday, 5 December 2016
at 6.00 pm



Scrutiny Committee

Present:-

Members: Councillor di Cara (Chairman) Councillor Holt (Deputy-Chairman)
Councillors Belsey, Miah, Murray, Rodohan, Sabri and Smart

13 Minutes of the meeting held on 5 September 2016.

The minutes of the meeting held on 5 September 2016 were submitted and approved, and the Chairman was then authorised to sign them as an accurate record.

14 Apologies for absence.

There were none.

15 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.

There were none.

16 Eastbourne Community Safety Plan.

The Committee considered the report of the Director of Service Delivery regarding the current performance of the Eastbourne Community Safety Partnership (ECSP) under the updated Eastbourne community safety plan. The report also outlined issues that might potentially impact future crime and anti-social behaviour (ASB) performance.

Members noted that whilst overall crime had substantially reduced from 2005/06 to 2013/14, due to Sussex Police changing recording procedures in response to national guidelines, a substantial increase in overall crime had been reported in 2014/15 performance year. However, this increase had now levelled out and performance compared favourably when compared to similar towns.

The current plan (2014/17) had been developed in consultation with key partners including the police and other members of the ECSP. A copy of the action plan was attached as appendix A, and the priorities for 2016/17 and measurement criteria were attached as appendix C of the report. Plan targets were reviewed at the end of each performance year and key performance targets had been incorporated into the relevant sections of the Council's corporate plan.

With reference to the Home Office iQuanta data, which compared numerous categories of crime with other towns similar to Eastbourne, appendix B of the report, indicated Eastbourne compared favourably. June 2016 quarterly data showed:

- 3rd lowest – overall crime
- 1st lowest – burglary
- 5th lowest – robbery
- 5th lowest – shoplifting
- 1st lowest – vehicle crime
- Below median – violent crime

In late 2015 the police and crime commissioner for Sussex had recommended that merging options be investigated to reflect the new policing district boundaries and make efficiency savings. Eastbourne, Lewes and Wealden CSPs had supported establishing a new strategy group encompassing all three whilst enhancing and maintaining the district joint action groups to deliver a local focus. A soft merger had taken place within performance year 2016/17 with a business case for full merger to be presented in 2017/18.

The committee was advised that there would be a focus on cyber crime and scams which was expected to become a major part of the partnership's work in the future with the particular need to protect the elderly and vulnerable.

Members requested further information with regard to the criteria with which authorities were allocated into their Most Similar Group. The Community Safety Officer agreed to circulate this following the meeting.

With regard to cyber crime the committee discussed methods of informing the public to be more aware of the dangers of online crime, given the majority of cyber crime was usually only detected after the fact. Members noted that whilst it would be difficult for Community Safety teams to investigate cyber crime the appropriate action was to take preventative measures through continued advice and information.

The committee was advised that of the £26.3K community safety budget, £17k had been spent this year to date. The Community Safety Officer advised that it would still be possible to make bids for funding to JAG (Joint Action Group).

Councillor Holt expressed his thanks to the team targeting antisocial behaviour in Devonshire Ward, the residents had noticed a vast improvement and appreciated their efforts.

RESOLVED: 1) That the ECSP's achievements and the future risks and opportunities to performance be noted.
2) That the updated 2014/2017 Community Safety Plan, with continued delegated implementation authority to Director of Service Delivery, be endorsed.

17 Corporate Performance - Quarter 2 2016/17.

The Committee considered the report of the Chief Executive and Chief Finance Officer regarding the Council's performance against Corporate Plan priority actions, performance indicators and targets for Quarter 2 2016/17.

Appendix 1 to the report provided an overview of current Corporate Plan performance information for Corporate Projects, Performance Indicators (PIs) and Devolved Budgets.

Members were advised that in order to monitor and manage the delivery of the priority aims stated within the Corporate Plan, a performance score card had been created in Covalent to combine corporate projects and their actions and performance indicators.

Of the Corporate Plan indicators reported this quarter, 6 were off target (red), 3 were "near miss" (amber) and 8 were on target (green).

The PIs currently showing as off target were:

- CD_156 Number of households living in temporary accommodation
- CS_010 Calls to 410000 answered within 30 seconds
- CS_011 Telephone call abandonment rate
- DE_154 Net additional homes provided
- DE_157a Processing of planning applications: Major applications
- TL_017a Redoubt visitors – paying visitors

A query was raised regarding the completion date for EBC_PR_033 Parks and open spaces signage. Members were advised that the scheme was on target to complete by March 2017, with activity being more evident in the Quarter 3 report, in January 2017.

A further query was raised regarding the variance in the corporate finance budget of £53K. The committee was advised that this related to the Council's responsibility to pay a contribution to MMI (Municipal Mutual Insurance), the council's former insurers. Whilst the policy was no longer 'live' potential claims could still be raised and Council responsibility had therefore not ended. In addition, the refurbishment of Princes Park was also highlighted as an overspend. Members were advised that the scheme had been funded by Costal Community Grant. Where schemes were showing as overspent, it was possible to divert funding from other schemes funded from this grant, as had happened in this case. All spending on major schemes were monitored using Covalent and in cases where costs had increased by more than 10%, Cabinet approval would need to be sought to authorise additional funding.

Financial performance relating to the General Fund, Housing Revenue Account, Capital Programme, Collection Fund and Treasury Management was also detailed in the report.

RESOLVED: (Unanimous) That the following be noted:

- i) The performance against national and local Performance Indicators and Actions from the 2016/20 Corporate Plan.
- ii) The General Fund, HRA and Collection Fund financial performance for the quarter ended September 2016, as set out in sections 3, 4 & 6.
- iii) The transfer from earmarked reserve as set out in paragraph 3.5.
- iv) The capital programme as set out in Appendix 3.
- v) The Treasury Management performance as set out in section 7.

18 Update - A27 Task Group.

The committee considered the updated scope for the A27 and agreed the suggested amendments.

Members discussed Highways England current consultation exercise regarding the proposed improvements to the section of the A27 east of Lewes. Members noted that Highways England had not factored Wealden's emerging Local Plan when conducting their feasibility study and that given the numbers of new houses proposed close to the Polegate section of the A27, Members felt that Highways England should now revisit their initial assessment of the improvements required.

The Local Democracy Officer advised Members that she was currently in the process of arranging a presentation by Jon Wheeler, Team Manager for Strategic Economic Infrastructure at East Sussex County Council in January 2017, to advise members of the work of the A27 Reference Group. Members also requested that an invitation be extended to Highways England to attend the same meeting.

RESOLVED: 1) That the A27 Task Group scope be amended as set out in the report 2) That Highways England be invited to attend a meeting with Members in January 2017.

The meeting closed at 7.05 pm

Councillor di Cara (Chairman)

Body:	Scrutiny
Date:	30 January 2017
Subject:	General Fund Revenue Budget 2017/18 and Capital Programme 2016/21
Report Of:	Deputy Chief Executive (Chief Finance Officer)
Ward(s)	All
Purpose	To note the detailed General Fund budget proposals for 2017/2018 and Capital Programme 2016/2021 report to be submitted to Cabinet on 8 February 2017.
Decision Type:	Key Decisions requiring approval of Full Council
Recommendation:	Members are asked to note the recommendations to be considered by the Cabinet on 8 February: <ul style="list-style-type: none"> (i) General Fund budget for 2016/17 (Revised) and 2017/18 (original) Appendix 1 including growth and savings proposals for 2016/17 as set out in Appendix 2. (ii) An increase in the Council Tax for Eastbourne Borough Council of 1.9% resulting in a Band D charge of £232.92 for 2017/18. (iii) General Fund capital programme 2016/21 as set out in Appendix 3. iv) Notes the section s151 Officers sign off as outlined in 1.6
Contact:	Alan Osborne, Deputy Chief Executive and Chief Finance Officer, Telephone 01323 415149 or internally on extension 5149. E-mail address: alan.osborne@eastbourne.gov.uk

1.0 Introduction

- 1.1 This report sets out the general fund revenue budget proposals for 2017/18 and a rolling three year capital programme 2016/21.
- 1.2 The Housing Revenue Account 2017/18 and associated capital programme, together with rent setting for 2017/18 is subject of a separate report elsewhere on this agenda.
- 1.3 The Council revised its medium term financial strategy (MTFS) in July 2016 and the Cabinet recommended a resulting draft 2017/18 budget proposal in December 2015 following the service and financial planning process in the autumn.

- 1.4 The MTFS and the draft budget have been subject to consultation as reported to Cabinet and Scrutiny since December.
- 1.5 The budget is the product of various plans and strategies as part of an integrated and corporate planning process and is linked principally to:
- The MTFS
 - Asset Management Plans
 - The Corporate Plan
 - Workforce Strategy
 - Treasury Management Strategy
 - Service Plans
 - HRA business plan
 - Joint transformation programme with Lewes DC

- 1.6 The Chief Finance Officer has a specific legal responsibility to give positive assurances on:
- The robustness of the estimates used in the budget
 - The level of reserves

If the recommendations of this report are agreed then these assurances will prevail.

The only area to note is that part of the increased budget for income from investment property (c£1m) is still subject to contract. Any further actions arising from this risk will be reported to Cabinet as part of the normal corporate performance monitoring.

2.0 Summary of recommended budget proposals

- 2.1 The budget proposals include:

- An increase in the Council Tax in 2017/ 18 of 1.9%, the second increase in six years.
- Dealing with reductions in Government funding of £1.5m
- Overall savings/new income totalling £2m (13% of the net budget)
- Efficiency savings of £0.5m (3% of the net budget)
- Inflation and unavoidable costs of £0.4m (2.5% of the net budget)
- Other recurring service growth of £0.3m
- Non recurring service investments met from reserves of £0.5m
- General Reserves averaging in excess of £4m (against a minimum recommended of £2m)
- Capital resources of £0.5m invested in new capital schemes

- 2.2 The budget represents continued management of financial risks by:
- Building on a balanced outturn position
 - Balancing the base budget requirement without needing to use reserves for recurring expenditure
 - Identifiable and deliverable savings with accountability and no general unidentified targets
 - Reserves above the minimum level

- Providing the funding required for the Joint Transformation Programme to deliver the future savings required by the MTFs as well as capital investments in revenue generating assets

3.0 2017/18 General Fund Resources

3.1 Government Funding

3.2 The underlying methods of Local Government financing have changed significantly in recent years including the wrapping up of grants in the base "Standard Funding Assessment" notably:

- The council tax freeze grants (2011-15)
- Some new burdens grants
- Homelessness grant

3.4 For Eastbourne the Headline figures of the Government settlement are:

- A further reduction in revenue support grant of £0.9m (50%) to £0.9m (reduced from £10.4m in 2010)
- Reduction in new homes bonus of £0.2m from the 2016/17 level
- Eastbourne will receive the second largest reduction nationally in "spending power" in the 4 year period to 2020
- The Government headline figure is a reduction of 16.4%, however this takes into account the ability to raise council tax, predicted growth in the tax base as well as increases in the new homes bonus.
- The real reduction is therefore over 40% over the period to 2020

3.5 The NNDR business rate base has remained static largely as a result of the continued provision for appeals and resulting collection fund deficit, despite an inflationary increase which is linked to the September 2016 RPI and an overall increase of 11% in the gross rateable values. The government has revalued the business rates base and overall this has little effect on the retained business rates for EBC. As part of the review into 100% retention of business rates the Government will reassess the "needs formula" to reflect demand for services and adjust redistribution accordingly.

3.6 The Government has announced that Eastbourne will receive £0.840m in total of new homes bonus due to the growth in housing in the area (a reduction of £200k on the projection) The settlement consultation reduces the period from 6 to 5 years that NHB is payable as well as a minimum threshold of 0.4% increase in Band D equivalents before qualifying.

3.7 The Government approved the Council's joint efficiency statement and application for the 4 year settlement (to 2020). Over 97% of Councils have opted for the fixed settlement including all neighbouring authorities.

Council Tax

3.8 The proposal is for an increase in council tax of 1.9% for 2017/18 which results in a Band D rate of £232.92 for Council services. This is the second increase in 6 years.

- 3.9 The Council has to give an indication of likely future council tax rises, it is still expected that council tax will rise by less than 2% per annum for each of the next three years. This is the Government's target for inflation and also the current ceiling on rises that would otherwise require a referendum in order to exceed up to a £5 per year increase on a Band D (an additional £30k per annum)
- 3.10 Within this context, for 2017/18, the Council will raise £7.9m from its share of the council tax. This is determined by multiplying the council tax base of Band D equivalent dwellings by the Band D tax rate of £232.92. This is unchanged from the December tax base setting report.
- 3.11 In addition, there is a distribution of £0.130m payable to EBC to the collection fund due to a collection fund surplus.

3.12 **Summary – 2017/18 Resources**

A summary of the resources available is shown below:

Source:	<u>£'m</u>
Government formula grant	(1.0)
Other grants	(0.3)
Retained business rates	(3.1)
New Homes Bonus	(0.9)
Section 31 grants	(0.9)
Contribution from business rate reserve	(0.3)
Collection Fund Surplus	(0.1)
Council tax	<u>(7.9)</u>
Total Resources Available	<u>(14.5)</u>

- 3.14 In order to achieve a balanced budget without using reserves for recurring expenditure, the Council needs to set a net recurring budget for 2017/18 of £14.5m. In addition the Council will fund non-recurring investments of £0.5m from reserves as well as £0.7m from the Specific Devonshire Park reserve.

4.0 Specific Grants

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

Grant	2017/ 18 £'m
Housing Benefit Subsidy	(50)*
H B Administration (5% reduction from 2016/17)	(0.5)
* Approximate	

4.2 Housing Benefit Subsidy:

As part of a national scheme delivered locally, this grant is intended to reimburse the Council for the awards of benefit it makes to eligible tenants in both the private and public rented sector. Not only is this by far the largest single specific grant that the Council receives, but it is performance related. The Council has maintained its good performance in recent years.

The system of universal credit is due to be completed by 2019 which will see the caseload moved to the Department for Work and Pensions. Currently only new applicants are put on universal credit. The main rollout of UC in Eastbourne is due in 2017

The admin grant has been reduced by c5% per annum for the last 6 years from £0.8m to £0.5m. The caseload has reduced only marginally in that time, and additional complexity has been introduced as part of the welfare reform programme.

4.4 Homelessness:

This is intended to assist with prevention and to find alternative accommodation other than bed and breakfast. This grant has now been subsumed into the main grant system. The government did announce a special grant for homelessness prevention during 2016/17. Homelessness presents a significant financial risk to the Council as not all costs are funded by Housing Benefit.

4.5. New Homes Bonus:

This was introduced in 2011/12 (£187,000) and grew to £1.040m in 2016/17 awards are currently guaranteed for five years which is a change from the original scheme which was 6 years. The Government has top-sliced an amount equivalent to 0.4% growth to divert resources to upper tier authorities for adult care services. Further reductions down to approximately £400k per annum are expected by 2020.

5.0 **Budget movements 2016/17 to 2017/18**

5.1 The detailed budget proposals are set out in **(Appendix 1)** show in detail the movement from the 2016/17 budget to the 2017/18 proposed budget. The movements are summarised below:-

5.2	Movement from 2016/17 Base Budget:		<u>£m</u> <u>Total</u>
	Change in resources:		
	Government grants	1.5	
	Council tax	<u>(0.2)</u>	1.3
	Cost increases:		
	Inflation and unavoidable costs	0.4	

Other growth and changes in income	<u>0.3</u>	0.7
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Savings:

Efficiency savings	(0.5)	
Increased Income/other changes	<u>(1.5)</u>	<u>(2.0)</u>

0

5.3 If Cabinet approves the proposals set out in the report it will be able to recommend to Council on 22nd February a balanced budget in line with available resources without the need to use reserves for recurring expenditure.

5.4 The Council now follows a rolling three year financial planning cycle and the service and financial plans have been set out in detail for 2017/18. The next MTFS due in July will project forward a further three years and continue to provide the basis of service and financial planning for the medium term. It should be noted that at a significant level the savings required for the next MTFS have already been identified, further reports to Cabinet will detail the business plans under the Joint transformation programme and income generation initiatives.

5.5 The Government set out a revised four year programme of reductions in funding and the Council's current MTFS already takes account of this overall however the MTFS will be refreshed in July following the year end closedown.

6.0 Risks, Contingencies and Reserves

6.1 All budgets contain an element of financial risk. The Council sets an operational budget with careful consideration of known risks, but accepts that this cannot cover every eventuality. As a consequence the Council sets a contingency budget and holds a minimum level of general reserve as a hedge against additional and significant financial turbulence.

6.2. Principal Risks

The key areas of financial risk that the Council faces in the operation of its 2017/18 budget are:-

- Housing Benefit Performance
- Welfare reform
- Inflation on goods and services
- Income from services linked to customer choice (theatres, tourism; sports centres, car parking)
- Legal challenges
- Savings or new income streams being delayed
- Excessive demand for services
- Failure to realise capital receipts to finance the capital programme

On an exception basis, information on each of the risk areas identified above, together with any new and significant risks that may emerge over the course of the year, will be included in each financial performance report to Cabinet and Scrutiny during 2017/18.

6.3 Contingencies

The 2017/18 budget includes a corporate contingency budget of £0.120m to allow for unbudgeted expenditure or reductions in income. This is in addition to the known inflation that has been built into the service budgets and reserves.

6.4 Reserves

Part 2 of the 2003 Local Government Act requires the Chief Finance Officer to report on the adequacy of the proposed financial reserves, and determine the minimum level required. There is no statutory minimum requirement, but reserves must be set at a prudent level given the activities of individual Councils and potential liabilities that they face or may face in the future i.e. a risk based approach. The Council's earmarked reserves are reviewed at least annually for adequacy. If at any time the adequacy is in doubt the Chief Finance Officer is required to report on the reasons, and the action, if any, that he considers appropriate.

The Council will always seek to contain any unforeseen additional costs within allocated annual budgets, including the contingency budget. However, it is proposed that in addition the minimum level of general reserves be set at £2m based on the following:

6.5	Risk	£m
	Unexpected Events e.g. flooding, major storm in excess of Bellwin Scheme provision	0.4
	Significant financial overruns e.g. prior year negative Housing Benefits subsidy adjustments/homelessness and costs of welfare reform.	0.6
	Exceptional fluctuations in income that have a major corporate impact e.g. loss of major sponsor close to an event (2% of income)	0.6
	Cost of providing priority services during an incident or emergency in excess of insurance cover	0.2
	Cost of significant breach of legislation e.g. health and safety, human rights	<u>0.2</u>

The overall proposed minimum level of £2 million is the same as the current year albeit with some revision to the categories. It is the view of the Chief Finance Officer that this level of reserves remains adequate to meet the current commitments and proposals detailed within this report and any unforeseen expenditure that cannot be met by external resources.

Should the budget recommendations be followed, the level of general fund reserves is projected at over £4m by March 2018 (**Appendix 1**). In addition to acting as a potential buffer against future risks, this should create further opportunities for one off investments in the future.

6.6 Other earmarked revenue reserves:

The Council has been following a process of consolidating its reserves into the corporate reserves above. This better facilitates corporate priority planning. The only further reserves that the Council holds have other obligations attached (e.g. Section 106/partnership contributions).

6.7 The Chief Finance Officer is satisfied that the integrated budget and corporate planning process provides a robust basis for identifying appropriate budget estimates and appropriate level of reserves.

7.0 Capital Programme 2016-2021

7.1 The principles for formulating the capital programme were set out in the draft budget report submitted to Cabinet on 13th December 2016. The proposed new schemes to be financed are shown in **bold** in at **(Appendix 3)**. All other schemes have been agreed by the Council previously.

7.2 The Council has a policy of only using borrowing for schemes that are invest to save and can generate enough savings or additional income to service the financing costs.

7.3 In addition to schemes that qualify for borrowing the Council had a further £0.5m of capital resources to apply to the programme.

7.4 The Housing Revenue Account capital programme is set out in another report on the agenda and is financed entirely from HRA resources. Once approved it will be amalgamated with the general fund programme.

7.5 No future capital receipts have been factored into the available resource where there is not a significant chance of them materialising. There will be opportunities to supplement the programme as the three year period progresses.

8.0 Consultation

8.1 The Council's medium term financial strategy and the resulting draft budget proposal for 2017/18 as reported to Cabinet in December have been subject to wide and varied consultation. The Scrutiny Committee held a finance event in October and has been invited to comment on the budget proposals at its meetings in December and February.

9.0 Implications

9.1 Financial

The financial implications of all budget proposals are set out throughout the report and/or within its Appendices.

9.2 Human Resources

Implications have been discussed with Members through the detailed service

and financial planning process, and where appropriate with the local Branch of Unison. Specific staff briefings have taken place as necessary.

9.3 **Environmental**

Both capital and revenue budget proposals include improvements to the maintenance of Council buildings and open spaces across the town. These include a number of energy efficiency initiatives to reduce usage, cost and emissions. Consultation with residents demonstrates that these types of initiatives are well supported and are seen as high priority areas for new investment.

10.0 **Conclusion**

The Council is reasonably well placed financially to meet the demands on its services as well as the reductions in Government support. However, the challenge over the medium term is profound and more change is necessary to move to a sustainable position. The Council is more dependent on commercial activities than it has ever been and this requires a high level of monitoring and risk management.

Alan Osborne
Deputy Chief Executive and Chief Finance Officer

Background Papers:

The Background Papers used in compiling this report were as follows:

Cabinet reports:
December 2015

- Council Tax Base for 2016/17
- Draft Budget Proposals 2016/17
- Consultations on Council priorities

July 2015 – Medium Term Financial Strategy

To inspect or obtain copies of background papers please refer to the contact officer listed above.

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General Fund Revenue Budget 2016/17

Appendix 1

	2016/17 Original Budget £'000	2016/17 Revised Budget £'000	2017/18 Budget £'000
Corporate Services			
Corporate Management	359	322	189
Corporate Services	1,365	1,422	1,062
Strategic Finance	1,913	1,952	2,115
Human Resources	380	382	464
Legal Services	230	230	234
Projects, Performance and Technology	1,983	1,930	1,980
Corporate Development and Governance	857	905	812
	7,087	7,143	6,856
Service Delivery			
Service Management	(63)	(63)	(69)
Strategy and Commissioning	189	201	96
Customer First	7,012	7,147	7,445
Bereavement Services	(1,067)	(1,082)	(1,147)
	6,071	6,203	6,325
Regeneration and Planning			
Service Management	59	58	62
Regeneration and Planning Policy	419	412	373
Estates and Property	(366)	(479)	(1,704)
	112	(9)	(1,269)
Tourism and Enterprise Services			
Service Management	99	99	69
Towner	680	622	623
Tourism and Enterprise	739	685	985
Sports Delivery	270	272	264
Seafront	(6)	(8)	(30)
Events	611	621	667
Theatres	824	813	1,186
	3,217	3,104	3,764
Net Service Expenditure	16,487	16,441	15,676
Contributions to/(from) Unearmarked Reserves	(636)	(574)	(497)
Contributions to/(from) Earmarked Reserves	-	(8)	-
Contributions to/(from) Strategic Change Fund	-	-	-
Contributions to/(from) Capital Programme Reserve	-	-	-
Contributions to/(from) Devonshire Park Reserve	-	-	(646)
Eastbourne Borough Council Budget Requirement	15,851	15,859	14,533
Financed by			
Government Formula Grant	(1,752)	(1,752)	(944)
New Homes Bonus	(1,165)	(1,165)	(844)
Other Specific Government Grants	(352)	(352)	(347)
Retained Business Rates	(3,822)	(3,822)	(4,023)
Contribution from Reserves	(685)	(685)	(341)
Contribution from East Sussex Business Rate Pool	(212)	(212)	-
Contribution from Council Tax Surplus	(184)	(184)	(130)
Council Tax Collection Fund Precept	(7,679)	(7,679)	(7,904)
Total Financing	(15,851)	(15,851)	(14,533)

	2016/17 Original Budget £'000	2016/17 Revised Budget £'000	2017/18 Budget £'000
General Fund Reserve			
In hand at 1st April	(3,588)	(3,284)	(2,307)
Financing of Non Recurring Expenditure	586	576	497
Transfer from Earmarked Reserves	(500)	(500)	(1,000)
Withdrawal/(Addition)	735	683	-
Allocated for Future Use	-	218	-
In hand at 31st March	(2,767)	(2,307)	(2,810)
Strategic Change Fund			
In hand at 1st April	(201)	(356)	(251)
Withdrawal/(Addition)	-	-	-
Allocated For Future Use	-	105	-
In hand at 31st March	(201)	(251)	(251)
Capital Programme Revenue Reserve			
In hand at 1st April	(1,583)	(2,137)	(2,137)
Withdrawal/(Addition)	-	-	1,000
Allocated For Future Use	-	-	-
In hand at 31st March	(1,583)	(2,137)	(1,137)
Regeneration Reserve			
In hand at 1st April	(1,012)	(1,053)	(374)
Withdrawal/(Addition)	-	8	341
Transfer to General Fund Reserve	500	500	-
Allocated For Future Use	-	171	-
In hand at 31st March	(512)	(374)	(33)
Devonshire Park Reserve			
In hand at 1st April	(1,000)	(1,000)	(988)
Withdrawal/(Addition)	-	-	646
Transfer to/(from) General Fund Reserve	-	-	-
Allocated For Future Use	-	12	-
In hand at 31st March	(1,000)	(988)	(342)

Corporate Services Budget 2016/17

Appendix 1

	2016/17 Original Budget £'000	2016/17 Revised Budget £'000	2017/18 Budget £'000
Corporate Management	359	322	189
Capital Financing	1,834	1,896	1,833
Corporate Savings - Future Model and Shared Servi	(620)	(599)	(890)
Contingencies	151	125	119
Corporate Services	1,365	1,422	1,062
Financial Services	1,364	1,403	1,563
Corporate Finance	313	313	312
Internal Audit and Corporate Fraud	236	236	240
Strategic Finance	1,913	1,952	2,115
Human Resources	380	382	464
Legal Services	230	230	234
IT and Systems Support	1,643	1,590	1,650
Projects and Performance	340	340	330
Projects, Performance and Technology	1,983	1,930	1,980
Corporate Development	153	204	201
Local Democracy	704	701	611
Corporate Development and Governance	857	905	812
Total Corporate Services	7,087	7,143	6,856

Community Services Budget 2016/17

Appendix 1

	2016/17 Original Budget £'000	2016/17 Revised Budget £'000	2017/18 Budget £'000
Service Management	(63)	(63)	(69)
Strategy and Commissioning - Community	189	201	96
Head of Customer First	82	82	81
Customer Contact Centre	856	860	866
Specialist Advisory Team	4,465	4,572	4,843
Neighbourhood First Team	538	558	574
Case Management	615	615	633
Account Management	456	460	448
Customer First	7,012	7,147	7,445
Bereavement Services	(1,067)	(1,082)	(1,147)
Total Service Delivery	6,071	6,203	6,325

Regeneration, Planning Policy and Asset Management Appendix 1
Budget 2016/17

	2016/17 Original Budget £'000	2016/17 Revised Budget £'000	2017/18 Budget £'000
Service Management	59	58	62
Regeneration and Planning Policy	419	412	373
Corporate Landlord	(572)	(682)	(2,037)
Facilities Management	206	203	333
Estates and Property	(366)	(479)	(1,704)
Total Regeneration and Planning	112	(9)	(1,269)

Tourism Enterprise Services Budget 2016/17 Appendix 1

Tourism & Enterprise Services	2016/17 Original Budget £'000	2016/17 Revised Budget £'000	2017/18 Budget £'000
Service Management	99	99	69
Towner	680	622	623
Tourism and Enterprise	739	685	985
Sports Delivery	270	272	264
Seafront	(6)	(8)	(30)
Events	611	621	667
Theatres	824	813	1,186
Total Tourism & Enterprise Services	3,217	3,104	3,764

Proposed Savings

Department	Service	Proposal	December Cabinet 2017/18 £'000	February Cabinet 2017/18 £'000
Efficiency Savings				
Corporate	All	Joint Transformation Programme Savings	(400)	(400)
Corporate	Financial Services	Unfunded Pension liability reduction	(25)	(25)
Corporate	Financial Services	Audit Fees - national procurement	(6)	(6)
Service Delivery	Strategy and Commissioning	Community Environment Partnership - budget alignment	(20)	(20)
Regeneration & Planning Policy	Corporate Landlord	Savings from smarter procurement-corporate landlord	(20) *	(20)
Tourism & Enterprise	Events	Proms in the Park income	(7)	(7)
Tourism & Enterprise	Events	Events Support	(5)	(5)
Tourism & Enterprise	Events	Beachy Head Marathon	(12)	(12)
Efficiency Savings Total			(495)	(495)
Income Generation				
Service Delivery	Bereavement	Inflationary Increase in Fees and Charges	(92)	(92)
Service Delivery	Specialist Advisory	Planning fees - pre planning advice	(40)	(40)
Service Delivery	Strategy and Commissioning	Local Lottery Scheme	(10) *	(10)
Regeneration & Planning Policy	Corporate Landlord	Income from seafront leases	(40)	(40)
Regeneration & Planning Policy	Corporate Landlord	Increase in rental income across the estates portfolio	(442)	(1,317)
Tourism & Enterprise	Seafront	Additional income from Wish Tower car park	(5)	(5)
Tourism & Enterprise	Seafront	Income from Iconic Beach Huts	(6)	(6)
Tourism & Enterprise	Seafront	Income from Bandstand admissions	(10)	(10)
Income Generation Total			(645)	(1,520)
TOTAL SAVINGS			(1,140)	(2,015)

* Linked savings & growth items

Recurring Growth

Department	Service	Item	December Cabinet 2017/18 £'000	February Cabinet 2017/18 £'000
Corporate Inflation				
	Corporate	Pay Award, increments and other salary adjustments	240	279
	Corporate	Inflation on Contracts	80	143
	Corporate Inflation Total		320	422
Other Growth				
Corporate	Local Democracy	System annual Maintenance for Electoral Services	1	1
Corporate	Corporate Development	GovDelivery Consortium Licence	7	7
Service Delivery	Neighbourhood First	Increase in opening times for redoubt toilets	2	2
Service Delivery	Neighbourhood First	Access Officer	6	6
Service Delivery	Specialist Advisory Team	DWP Administration Grant (Housing Benefit)	23	23
Service Delivery	Specialist Advisory Team	DCLG Administration Grant (Business Rates)	13	13
Service Delivery	Specialist Advisory Team	B & B Block Booking	17	17
Service Delivery	Specialist Advisory Team	LHA/Rental Support Programme	30	30
Service Delivery	Specialist Advisory Team	Environmental Health Contract	20	20
Service Delivery	Specialist Advisory Team	Gypsy & Travellers Site Provision	4	4
Regeneration & Planning Policy	Regeneration & Planning Policy	Partnership Scheme - Locate East Sussex	20	20
		Additional posts to support the shared service costs of Corporate Landlord across both EBC and LDC	67	67
Regeneration & Planning Policy	Corporate Landlord	Train ticket commission - reduced demand	10	10
Tourism & Enterprise	Tourist Information	VAT for Playschemes irrecoverable	14	14
Tourism & Enterprise	Sports & Community Facilities	Tennis Development Programme	10	10
Tourism & Enterprise	Sports & Community Facilities	Additional cleaning of the seafront toilets in respect of the changing places facility	4	4
Tourism & Enterprise	Seafront	Devonshire Park Grounds	13	13
Tourism & Enterprise	Events			
	Other Growth Total		261	261
TOTAL PROPOSED RECURRING GROWTH			581	683

Non Recurring Service Investments

Group	Service	Proposal		
Corporate	Finance	Icon upgrade for PCIDSS - card payment compliance	10	10
Service Delivery	Strategy and Commissioning	Local Lottery	5 *	5
Service Delivery	Strategy and Commissioning	End-to-End funeral care	20	20
Service Delivery	Strategy and Commissioning	Community Safety Partnership Officer (Prevent/Protect)	28	28
Service Delivery	Strategy and Commissioning	Schools Homelessness Project	3	3
Service Delivery	Specialist Advisory Team	Ongoing Management of Council tree stock to retain the landscape character within Eastbourne bid	5	5
Service Delivery	Specialist Advisory Team	Seafront Rock gardens - large rocks destabilised	28	28
Service Delivery	Specialist Advisory Team	Subsidy review (invest to save)	25	25
Service Delivery	Specialist Advisory Team	E-billing - Landlord schedules	5	5
Service Delivery	Specialist Advisory Team	SMS for benefit reminders	1	1
Service Delivery	Specialist Advisory Team	SMS messaging payment recovery (Council Tax and Overpaid Housing Benefit)	7	7
Service Delivery	Specialist Advisory Team	Tracing - Allied Global	12	12
Service Delivery	Specialist Advisory Team	Business Rates (BID Levy administration costs)	15	15
Service Delivery	Specialist Advisory Team	Business Rates (BID Levy software)	20	20
Service Delivery	Specialist Advisory Team	Council Tax penalties module	6	6
Service Delivery	Specialist Advisory Team	New Homes Bonus (Empty Homes review)	20	20
Service Delivery	Specialist Advisory Team	Business Rates RV growth (Analyse Local)	30	30
Regeneration & Planning Policy	Regeneration & Planning Policy	Delivery of new Local Plan - Specialist Surveys and Reports (£140k over 2 years)	65	65
Regeneration & Planning Policy	Corporate Landlord	Pyxis Property Consulting Corporate Landlord Contract	32 *	32
Regeneration & Planning Policy	Corporate Landlord	Energy Act 2011 Survey	20	20
Tourism and Enterprise	Events	Aegon International Tennis	33	33
Tourism and Enterprise	Events	Aegon International Tennis town advertising/dressing	10	10
Tourism and Enterprise	Events	Music Live Events	10	10
Tourism and Enterprise	Events	Cycling Festival	2	2
Tourism and Enterprise	Events	Events Administration - temporary resource offset by base saving	38	38
Tourism and Enterprise	Events	Eastbourne International Balloon Festival	10	10
Tourism and Enterprise	Events	Devonshire Park Grounds Fraise Mowing improvement of playing surface	12	12
Tourism and Enterprise	Events	Devonshire Park Grounds Chemicals	5	5
Tourism and Enterprise	Events	Devonshire Park Grounds and Garage Tools	5	5
Tourism and Enterprise	Events	Devonshire Park - Fuel Tank	2	2
Tourism and Enterprise	Events	Events equipment for Health and Safety	8	8
Tourism and Enterprise	Sports	New gates needed at Old Town Tennis Courts	5	5
TOTAL NON RECURRING INVESTMENTS			497	497
Devonshire Park Review				
Tourism and Enterprise	Theatres	Devonshire Park review - funded from specific reserve	646	646

* Linked savings & growth items

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Summary of Capital Programme 2016 to 2021**APPENDIX 3**

	Estimate Total 2016/17	Total 2017/18	Total 2018/19	Total 2019/20	Total 2020/21
<u>Capital Programme</u>	£000	£000	£000	£000	£000
Community Services	5,924	8,595	9,452	9,330	300
Customer First	-	-	-	-	-
Tourism & Leisure	858	3,659	10,500	10,480	-
Corporate & Core Services	18,213	7,660	3,225	3,225	255
Asset Management	6,325	18,766	17,377	3,494	821
Grant Funded Schemes	1,439	1,159	-	-	-
Total Programme	32,759	39,839	40,554	26,529	1,376
<u>Financed By:-</u>					
Capital Receipts GF	5,882	11,473	10,680	2,345	368
Grants and Contributions	4,936	6,208	2,649	2,532	300
Revenue Contribution to Capital	684	-	-	-	-
Reserves	24	-	-	-	-
Section 106 Contributions	952	-	-	-	-
GF Borrowing (Committed)	12,106	14,061	18,095	12,522	628
GF Borrowing (Uncommitted)	8,175	8,097	9,130	9,130	80
HRA Borrowing		-	-	-	-
Total Financing	32,759	39,839	40,554	26,529	1,376

							APPENDIX 3
Scheme	Total Scheme Approved	Spend to 31.3.16	2016-17	2017-18	2018-19	2019-20	2020-21
COMMUNITY SERVICES							
Memorial Safety Cems	40,000	6,080	34,000	-	-	-	-
Digitalise Burial Records	10,000	-	10,000	-	-	-	-
Ocklynge Cemetery Chapel	150,000	82,322	67,700	-	-	-	-
Main Chapel Refurb - Phase 2	26,000	4,830	21,150	-	-	-	-
Disabled Facilities Grants	Ongoing	-	1,478,800	1,200,000	1,200,000	1,200,000	-
BEST Grant (housing initiatives)	Ongoing	-	116,750	117,000	117,000	-	-
Acquisition of Land & Property	23,420,000	-	1,052,500	6,767,500	7,800,000	7,800,000	-
Bridgemere CC	20,000	-	20,000	-	-	-	-
Willingdon Trees Multi Gym	20,000	-	20,000	-	-	-	-
Contaminated Land	185,000	82,966	102,000	-	-	-	-
Coast Defences Beach Management	Ongoing	-	567,550	300,000	300,000	300,000	300,000
Cycling Strategy	40,600	-	40,600	-	-	-	-
Play Area Sovereign Harbour	27,000	-	27,000	-	-	-	-
Terminus Road Improvements	500,000	-	500,000	-	-	-	-
CIL - Software	14,000	-	14,000	-	-	-	-
Sov Harbour Community Centre	1,600,000	282,188	1,317,800	-	-	-	-
Bodiam Cres Play Area Path	20,000	12,000	8,000	-	-	-	-
Shinewater Skate Park	50,000	-	50,000	-	-	-	-
Seaside rec - Play Equipment	60,000	-	60,000	-	-	-	-
Motcombe Pond	50,000	24,270	25,750	-	-	-	-
Hampden Park - Improvements (Green Flag)	50,000	-	50,000	-	-	-	-
Old Town Rec. - Improvements (Green Flag)	25,000	-	25,000	-	-	-	-
Allotments - Improvements	16,000	7,750	8,250	-	-	-	-
Seaside Rec - all weather path	50,000	-	50,000	-	-	-	-
Signage Re-branding (Parks & Open Spaces)	30,000	-	30,000	-	-	-	-
Tugwell Park - all weather path	25,000	-	25,000	-	-	-	-
Car Parking Machines	72,000	-	72,000	-	-	-	-
Public Conveniences Beachy Head	40,000	-	40,000	-	-	-	-
Public Conveniences Green St	40,000	-	40,000	-	-	-	-
Shinewater Park - Scoping	20,000	-	20,000	-	-	-	-
Air Quality Monitoring Equipment	30,500	-	30,500	-	-	-	-
Helen Gardens Play Equip	40,000	-	-	40,000	-	-	-
Chiltern Close Play Equip	25,000	-	-	25,000	-	-	-
Oak Tree Lane Play Equip	35,000	-	-	-	35,000	-	-
Mulberry Close Play Equip	30,000	-	-	-	-	30,000	-
Lower Holywell Public Con	50,000	-	-	50,000	-	-	-
Redoubt Public Convenience	40,000	-	-	40,000	-	-	-
Green Street Disabled Toilet	31,000	-	-	31,000	-	-	-
Tugwell Park - Path Phase 2	25,000	-	-	25,000	-	-	-

Scheme	Total Scheme Approved	Spend to 31.3.16	2016-17	2017-18	2018-19	2019-20	2020-21
Total Community Services			5,924,350	8,595,500	9,452,000	9,330,000	300,000
TOURISM & LEISURE							
Volleyball Court	25,000	2,000	23,000	-	-	-	-
Signage	40,000	23,917	16,100	-	-	-	-
Sports Park Flood Lights	30,000	-	30,000	-	-	-	-
Re-surface Tennis Courts	265,000	236,092	28,900	-	-	-	-
Wish Tower - Catering Outlet	40,000	36,000	4,000	-	-	-	-
ILTC - Air Conditioning	60,000	-	60,000	-	-	-	-
Redoubt - Stair Climber	20,000	-	20,000	-	-	-	-
Colonnade Removal	500,000	-	500,000	-	-	-	-
Redoubt - Asphalt Gun Platform	50,000	-	50,000	-	-	-	-
HPSC - Changing Rooms	20,000	-	-	20,000	-	-	-
New Beach Huts	235,240	164,319	70,950	-	-	-	-
ILTC Showers	25,000	-	25,000	-	-	-	-
Equipment at Devonshire Park	20,000	-	20,000	-	-	-	-
Old Ticket Pavilion refurbishment	10,000	-	10,000	-	-	-	-
Sovereign Centre	24,480,000	-	-	3,500,000	10,500,000	10,480,000	-
Changing Places	69,000	-	-	69,000	-	-	-
Devonshire Park Wash Down	20,000	-	-	20,000	-	-	-
Devonshire Park Equipment	50,000	-	-	50,000	-	-	-
Total Tourism & Leisure			857,950	3,659,000	10,500,000	10,480,000	-
CORPORATE SERVICES							
Carbon Reduction Works	467,500	144,383	323,100	-	-	-	-
Invest to Save	49,500	-	49,500	80,000	80,000	80,000	80,000
Future Model Phase 2	3,660,550	3,415,449	245,100	-	-	-	-
Investment Capital	4,600,000	-	2,300,000	2,300,000	-	-	-
IT - Block Allocation	Ongoing	-	387,650	175,000	175,000	175,000	175,000
EHIC - Loan (Gowland Ct)	1,850,000	1,560,000	290,000	-	-	-	-
EHIC - Revolving Credit	100,000	-	100,000	-	-	-	-
EHIC - Loan Facility (EBC transfers)	4,173,000	-	4,173,000	-	-	-	-
EHIC - Loan Facility (Private Properties)	5,000,000	-	1,250,000	1,250,000	1,250,000	1,250,000	-
EHIC - Victoria Mansions	6,535,000	-	5,400,000	1,135,000	-	-	-
Bedfordwell Road - Land	2,450,000	-	1,450,000	1,000,000	-	-	-
Purchase of Land on Seafront	525,000	-	525,000	-	-	-	-
JTP Programme Office	6,878,000	-	1,719,500	1,719,500	1,719,500	1,719,500	-
Total Corporate Services			18,212,850	7,659,500	3,224,500	3,224,500	255,000
Asset Management							

Scheme	Total Scheme Approved	Spend to 31.3.16	2016-17	2017-18	2018-19	2019-20	2020-21
Devonshire Park Redevelopment Project	44,000,000	567,866	5,434,150	17,806,000	16,877,000	2,994,000	321,000
Congress Theatre redesign & restoration	1,950,000	1,803,467	146,550	-	-	-	-
Spinnakers Café	200,000	-	-	200,000	-	-	-
Princes Park Fit Out	260,000	-	-	260,000	-	-	-
Hampden Pk Com Centre Fire Alarm & Light	18,150	-	18,150	-	-	-	-
Royal Hippodrome Theatre (Phase 2)	127,000	-	127,000	-	-	-	-
Devonshire Park Theatre - rendering & Towers	995,500	623,179	371,850	-	-	-	-
Town Hall Community Hub	20,000	-	20,000	-	-	-	-
Shinewater Boiler replacement	45,000	33,845	11,150	-	-	-	-
Hide Hollow Lay By	34,000	-	34,000	-	-	-	-
Car Park lighting adj SWA works	13,600	-	13,600	-	-	-	-
Seafront Lighting	36,500	-	36,500	-	-	-	-
Asset Disposal costs		56,781	112,260	-	-	-	-
Asset Management - Block Allocation	Ongoing		-	500,000	500,000	500,000	500,000
Total Asset Management			6,325,210	18,766,000	17,377,000	3,494,000	821,000
Grant Funded Schemes							
Wish Tower Restaurant	1,200,000	31,180	10,000	1,158,820	-	-	-
Replace staircase to Camera Obscura	90,000	-	90,000	-	-	-	-
Statue Sculpture Installation	22,000	-	22,000	-	-	-	-
Princes Park - Café Refurbishment	609,000	277,479	331,521	-	-	-	-
Princes Park - Public Realm Work	664,600	108,521	556,079	-	-	-	-
Sea Houses Sq - Plaza Improvements	157,000	44,154	112,846	-	-	-	-
Sea Houses Sq 1-5 Seaside Refurb	88,000	231	87,769	-	-	-	-
Seaside Rd - 67-69 Seaside refurb	149,000	5,581	143,419	-	-	-	-
Refurbishment of Council Building	85,000	-	85,000	-	-	-	-
			1,438,634	1,158,820	-	-	-
Total General Fund			32,758,994	39,838,820	40,553,500	26,528,500	1,376,000

- BODY:** Scrutiny
- DATE:** 30 January 2016
- SUBJECT:** HRA Revenue Budget and Rent Setting 2017/18 and HRA Capital Programme 2016/20
- REPORT OF:** Deputy Chief Executive (Chief Finance Officer) and Director of Direct Services
- Ward(s):** All
- Purpose:** To note the detailed HRA budget proposals, rent levels, service charges and heating costs for 2017/18, and the HRA Capital Programme 2016/20
- Contact:** Pauline Adams, Financial Services Manager
Tel 01323 415979 or internally on ext 5979
- Recommendations:** Members are asked to note the following recommendations being considered by Cabinet on 8 February 2017:
- i) The HRA budget for 2017/18 and revised 2016/17 as set out in **Appendix 1**.
 - ii) That social and affordable rents (including Shared Ownership) are decreased by 1% in line with a change in government policy.
 - iii) That service charges for general needs properties are increased by 2.49%.
 - iv) That service charges for the Older Persons Sheltered Accommodation are decreased by 7.14% to reflect a reduction in actual costs as well as notification of a reduction in heating and water costs.
 - v) That the Support charge for Sheltered Housing Residents remains at £7.50 per unit, per week.
 - vi) That heating costs are set at a level designed to recover the estimated actual cost.
 - vii) That water charges are set at a level designed to recover the estimated cost of metered consumption.
 - viii) Garage rents are not increased this year to improve increasing garage voids.
 - ix) 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.
 - x) The HRA Capital Programme as set out in **Appendix 2**.

1.0 Introduction

- 1.1 The HRA is a statutory ring-fenced account that represents all landlord functions. The HRA is required to be self-financing, which means that expenditure has to be entirely supported from rental and other income. The main tool for the future financial management of the HRA is the 30 year Business Plan.
- 1.2 The Business plan was last reported to Cabinet at the December 2015 meeting and at that time outlined the financial implications of the Housing and Planning Act 2016 and the Welfare Reform and Work Act 2016. This included the proposals for a 4 year 1% decrease in rents, pay to stay and high value council house levy. The Business plan has since been updated to reflect the 2016/17 approved budget.
- 1.3 At the time the business plan was updated there was still considerable uncertainty over the pay to stay and high value council house levy. A ministerial statement made on 21 November 2016 announced that the government had reviewed the pay to stay policy and decided that it will not be introduced on a compulsory basis as originally planned.
- 1.4 The budget proposals do not include the impact of the high value council house levy, as the government have not yet issued any consultation proposals or a start date on which to model potential impacts. Government messages on this policy have been mixed, but it would appear unlikely that this will be implemented before the end of this financial year. The impacts of this policy are substantial and should the government bring forward proposals, the Business Plan will be updated and reported back to members.
- 1.5 This report reflects the recommendations made by Eastbourne Homes Limited in relation to the increase in rent levels, service and other charges.

2.0 2017/18 HRA Revenue Budget

- 2.1 The 2017/18 budget has been prepared following the principles adopted within the HRA 30 year Business Plan and is attached at **Appendix 1**.
- 2.2 The 2017/18 budget is showing a surplus of (£449k) from (£292) in 2016/17, a change of (£157k) which is mainly due to the factors listed below.

- 2.3 The major changes between the 2016/17 and the 2017/18 budgets are:
- Income increases and expenditure reductions:
- Support charge (offset by increase in management fee) (£86k)
 - Reduction in the transfer to the Housing Regeneration and Investment Reserve (£424k)
- Increase in expenditure and income reductions:
- 1% rent reductions £116k
 - Interest payments £64k
 - Management fee from new support charge £42k
 - Depreciation £94k
- 2.4 The HRA budget is performing better than expected in the 30 year business plan due to various initiatives to control expenditure below that assumed in the business plan, lower than anticipated interest rates and higher rental income from affordable rents.
- 2.5 The 30 year business plan and the HRA budget policy allows for a contribution into the Housing Regeneration and Investment Reserves to meet future major works demands and other strategic housing related outcomes. This was set at £924k for 2016/17, and £500k for 2017/18. This will be reviewed again when the business plan is updated in the autumn.
- 2.6 The Major Repairs Reserve is funded from cash backed depreciation of £4m plus inflation per year and is expected to breakeven in the short term, but should start to exceed capital spending requirements in the medium term, in order to provide sufficient resources to fund the demands of the asset management plan in the longer term.
- 2.7 The HRA debt outstanding at 31.3.16 was £41m rising to £42.9m by 31.3.18 which is the maximum borrowing permitted under the self-financing settlement. The majority of the new borrowing of £1.5m will be completed by 31.3.17 and will be external debt at fixed interest rates, leaving just a balance of £0.4m to be taken in 2017/18. The increase in borrowing is to support the HEDP programme. The additional interest payable from this borrowing will be funded from the additional rental as the properties are let. The Council's treasury management advisors are predicting that the current low levels of interest rates will continue into 2017/18 and the interest budget has been prepared on this basis.
- 2.8 The original 30 year business plan assumed from 16/17 to 28/29 that an average debt repayment of £2.8m per annum is funded from the HRA Revenue Account. This is no longer viable due to the rent decrease however, if possible when opportunities arise, consideration will be given to using any surplus funds for the repayment of debt or to be used to reinvest in housing properties in lieu of new borrowing.

2.9 The HRA outturn for 2016/17 is expected to deliver a (£426k) surplus, a positive variance of (£133k) over the original budget (0.80% of gross expenditure). This is mainly as a result of the decrease in the take up of the under occupation scheme (£46k), a reduction in the provision required for bad debts (£45k) and the net effect of the new support people charge (£19k).

2.10 The HRA Business Plan is based on a policy for a minimum level of HRA balance of £1m to maintain a prudent level of reserve to ensure that the HRA remains sustainable in the longer term and is able to deal with any risks posed by the current economic climate.

The Balances on HRA and Reserves are as follows:

	HRA	MRR	Housing Regeneration & Investment Reserve
	£'000	£'000	£'000
Balance at 1.4.16	3,678	0	1,752
Surplus/(Deficit)	416		
Revenue Contribution			924
Depreciation		4,113	
Major Works expenditure		(4,113)	(866)
Estimated Balance 31.3.17	4,094	0	1,810
Surplus/(Deficit)	449		
Revenue Contribution			500
Depreciation		4,206	
Major Works expenditure		(4,206)	
Estimated Balance 31.3.18	4,543	0	2,310

These are within the HRA strategy and policy expectations of the Business Plan.

3.0 Rent Levels for 2017/18

3.1 The Council has been following the Government's guidance for rents for social housing since December 2001. In May 2014, the Government issued new guidance setting out its policy on rents for social housing from April 2015 (increase rents by September CPI + 1.0%).

3.2 The Welfare Reform and Work Act 2016 suspended this policy from 2016/17 and rents on social housing properties are to be reduced by 1% a year for a four year period.

3.3 The financial year commencing 3rd April 2017 is the second year that the rent reduction is to be applied to all socially rented and affordable rented properties.

3.4 Rents for Shared Ownership properties are excluded from the Welfare Reform and Work bill guidance. However, the terms of the lease for these properties determine that we should reduce their rents in line with the socially rented properties. Therefore, it is recommended that rents for all Shared Ownership properties are reduced by 1%.

4.0 Service Charges

4.1 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 include On-Site Co-ordinators, 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 apply.

4.2 For general needs properties in blocks, the average service charge increase is 2.49% to ensure that costs relating to communal areas are reasonably recovered. This is an average increase in amount of 7p per unit, per week. To ensure that tenants do not experience an extreme rise in service charges any individual block increase has been capped at 10%.

4.3 For Retirement Court properties in blocks, the average service charge increase is 7.14% to ensure that costs relating to communal areas are fully recovered. This is an average increase in costs of £2.72 per unit, per week.

5.0 Support charge

5.1 In May 2016, Supporting People withdrew their funding from EBC's Sheltered Housing units. As a result of this, the On-site Co-ordinators service was at risk of not being able to continue the vital work within its Sheltered Housing blocks.

5.2 Consultation was carried out with residents, who voted to reduce the On Site Co-ordinator service by 1 member of staff and pay an additional cost of £7.50 per unit per week, to keep the service running.

5.3 Following the cabinet decision in March 2016, it is recommended that the current support charge of £7.50 per unit per week remains at that level for 2017/18.

6.0 Heating costs - Older Persons Sheltered Accommodation

6.1 These charges are set in line with known price decreases predicted by the Department of Energy and Climate Control. For 2017/18, it is recommended that the average charge decrease is 9.25%. This is an average decrease of 61p per week for tenants who pay these charges.

7.0 Water Charges

7.1 These charges are also set in line with the known price decrease predicted by the Department of Energy and Climate Control. For 2017/18, it is recommended that the average charge increase is 1.07%. This is an average increase of 5p per week for tenants who pay these charges.

8.0 Garage Rents

8.1 Following the previous year's rent increase, garage void debt is slowly increasing again and the number of garage voids has started to increase, rising from 50 garages at the start of 2015/16 to 70 as at week 34 in 2016/17.

8.2 Void works upon garages are taking longer due to the nature of the repairs that are needed.

8.3 A desk top appraisal completed by Eastbourne Homes Ltd shows that the rent currently being charged is sufficient to cover the annual garage repairs expenditure on a yearly basis.

8.4 When benchmarking garage rent costs with other authorities, it was found that the garage rents that EBC charge are slightly above the average rent charged for garages amongst the other authorities.

8.5 It is therefore recommended that no increase is applied to garage rents for 2017/18 in an effort to improve garage take-up.

9.0 HRA Capital Programme 2017/18 to 2019/20

9.1 Capital Programme as set out in Appendix 2 has been prepared to meet the Council's strategies, as adjusted to reflect the availability of resources. Total budget expenditure for 2017/18 is £4,206,300.

9.2 The major works element of the programme is in line with the asset management plan and the self-financing business plan model. Funding is from the Major Repairs Reserve.

9.3 Cabinet has agreed a total budget of £14m for the Housing and Economic Development Programme. All schemes are expected to be completed by the end of the current year, but any slippage to this programme will be re-profiled as part of the year end process. This programme will be funded from borrowing, capital receipts and HCA grant. This programme has now come to an end as there are no further HRA resources available, any new schemes will be undertaken by the Eastbourne Housing Investment Company.

10.0 Eastbourne Homes Management Fee

- 10.1 The Management Fee covers both operational and administration costs as well as responsive and cyclical maintenance.
- 10.2 The fee for 2016/17 was originally set at £7,319,500; this was then increased to £7,361,000 following the Cabinet approval of the new support charge in March 2016. It is proposed that the management fee will remain the same in 2017/18, the Board of Eastbourne Homes Ltd is considering whether it can be reduced.
- 10.3 To formally agree the management fee Members are asked to delegate this responsibility to the Chief Executive, in consultation with the Cabinet portfolio holders for Community Service and Finance Services and the Financial Services Manager.

11.0 Consultation

- 11.1 The rent decrease reflects the requirements under the Welfare Reform and Work Act 2016. Additional consultation is carried out by engaging with Residents Panels.
- 11.2 The Council is obliged to ensure that all tenants are given 28 days notice of any changes to their tenancy including changes to the rent they pay.
- 11.3 A copy of this report will be considered by the next meeting of the Scrutiny Committee on 30 January 2017. Any feedback will be reported verbally.

12.0 Implications

12.1 Financial and Human Resources

There are no staffing implications arising out of this report.

12.2 Environmental

Eastbourne Homes is committed to delivering energy efficiency improvements in its maintenance and modernisation programme to help reduce heating costs in all homes.

12.3 Economic

The Council, in partnership with Eastbourne Homes, will make every effort to identify tenants who may face additional financial hardship as a result of rent or service charge increases in order to offer appropriate support and advice.

Anti-poverty activity by Eastbourne Homes Ltd takes place routinely throughout the year to maximise household income. This includes advice on benefits and arrears management. This targeted use of

resources assists greatly in ensuring housing remains affordable

13.0 Conclusions

- 13.1 The HRA Revenue Budget has been produced based on the policies set out in the HRA 30 year business plan and is showing an overall surplus of (£449k) for 2017/18.
- 13.2 The underlying HRA surplus has decreased between 2016/17 and 2017/18 due to the 1% rent decrease of £116k, increased borrowing costs resulting from the capital programme spending for 2016/17 of £64k and increase in the depreciation charge of £94k.
- 13.3 The levels of HRA balance and Housing Regeneration and Investment Reserve as at 31.3.18 are forecast to be £5m and £1.8m respectively. The Major Repairs Reserve is forecast to breakeven as expenditure is expected to equal contributions for 2017/18.
- 13.4 The rent levels have been prepared in accordance with the government's requirement to reduce rents by 1% a year for each of the four years from 2016-17 based on the rent charge as at 8 July 2015.
- 13.5 Service charges, heating and water charges are fixed weekly amounts set at a level to recover the expected actual cost to be incurred for the respective properties in the forthcoming year.
- 13.6 Support charge is recommended to be retained at the 2016/17 level.
- 13.7 Garage rents are recommended to receive no increase.
- 13.8 Total budgeted expenditure on the HRA Capital Programme is planned at £4.2m for 2017/18. All new capital expenditure is solely on major repairs, which is funded from cash backed depreciation, as borrowing will have reached the maximum allowed within the self-financing settlement. The Major Repairs programme is in line with the asset management plan and HRA business plan model.

Pauline Adams
Financial Services Manager

Background Papers:

The Background Papers used in compiling this report were as follows:

HRA 2017/2018 Budget working papers held by Eastbourne Council and Eastbourne Homes Ltd.

HRA Self Financing 30 year Business Plan.

To inspect or obtain copies of background papers please refer to the contact officer listed above.

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HOUSING REVENUE ACCOUNT

2016-17			2017-2018
Original Budget £' 000	Revised Budget £'000		BUDGET £' 000
		INCOME	
(14,580)	(14,647)	Gross Rents	(14,489)
(1,006)	(1,012)	Charges for Services	(1,061)
(15,586)	(15,659)	GROSS INCOME	(15,550)
		EXPENDITURE	
7,319	7,361	Management Fee	7,361
1,002	955	Supervision and Management	1,023
126	81	Provision for Doubtful Debts	127
4,113	4,113	Depreciation and Impairment of Fixed Assets	4,206
12,560	12,510	GROSS EXPENDITURE	12,717
(3,026)	(3,149)	NET COST OF SERVICES	(2,833)
1,831	1,831	Loan Charges - Interest	1,895
(22)	(22)	Interest Receivable	(11)
(1,217)	(1,340)	NET OPERATING SURPLUS	(949)
924	924	Transfer to Reserves	500
(293)	(416)	HOUSING REVENUE ACCOUNT (SURPLUS) / DEFICIT	(449)
		HOUSING REVENUE ACCOUNT WORKING BALANCE	
(3,549)	(3,678)	In Hand at 1st April	(4,094)
(293)	(416)	Transfer (To)/ From Working Balance	(449)
(3,842)	(4,094)	In Hand at 31st March	(4,543)

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HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2016/17 - 2019/20							
Scheme	Total Scheme Cost	Spend to 31 March 2016	Approved Budget 2016/17	Revised Budget 2016/17	2017/18	2018/19	2019/20
Managed By Eastbourne Homes							
Major Works	Ongoing	Ongoing	4,072,650	4,892,700	4,166,300	4,250,400	4,376,200
Environmental Improvements		Ongoing	40,000	86,000	40,000	40,000	
			4,112,650	4,978,700	4,206,300	4,290,400	4,376,200
House Rescue Emergency Fund			-	200,000	-	-	-
Empty Homes Programme Ph1							
51-53 Seaside Road	343,615	315,584	-	28,061			
1-4 Arch Mews	620,480	612,166	-	8,314	-	-	-
67 Langney Road	281,147	274,693	-	6,454	-	-	-
19a Dallington	84,365	81,234	-	3,131	-	-	-
Glynde Avenue & Bungalow	1,302,501	1,241,030	-	61,471	-	-	-
3 St Aubyns Road	373,126	369,640	-	3,486	-	-	-
F2, 20 Bourne Street	111,295	107,908	-	3,387	-	-	-
New Build Phase 1							
Belmore & Longstone Road	1,431,468	1,108,669	-	322,799	-	-	-
New Build Phase 2							
Sumach Close	1,858,171	31,224	1,315,425	1,826,947	-	-	-
Rodmill			817,610	-	-	-	-
Fort Lane	1,926,085	68,854	-	1,857,231	-	-	-
Wayford Close	718,646	-	-	718,646	-	-	-
Empty Homes Programme Ph 2							
1-5 Seaside	676,127	408,766	-	267,361	-	-	-
62a Tideswell Road	542,515	149,156	-	393,359	-	-	-
Total HRA Capital Programme			7,712,285	10,679,347	4,206,300	4,290,400	4,376,200
Funded by:							
Borrowing			1,646,710	1,585,661	-	-	-
Government Grant			545,000	165,500	-	-	-
Capital Receipts inc. RTB			1,407,925	3,067,445	-	-	-
Major Repairs Reserve			4,112,650	4,112,650	4,206,300	4,290,400	4,376,200
S106 Contributions			-	882,041	-	-	-
Revenue contributions from HRA			-	-	-	-	-
Reserves			-	866,050	-	-	-
Total Financing			7,712,285	10,679,347	4,206,300	4,290,400	4,376,200

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