Monday, 30 January 2017
at 6.00 pm

EASTBOURNE
Borough Council
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Scrutiny Committee

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

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19 Minutes of the meeting held on 5 December 2016.

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

20 Matters Arising.

The Local Democracy Officer updated the committee regarding the progress of the A27 Review and advised that the final report of the Task Group would be presented to the 5 June Scrutiny Committee. The invitation to Jon Wheeler, Team Manager for Strategic Economic Infrastructure at East Sussex County Council and Lead for the A27 Reference Group, and Highways England would be extended to the same meeting.

NOTED.

21 Apologies for absence.

Councillor Belsey.

22 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.

23 General Fund 2017/18 and Capital Programme 2016/20.

The committee considered the report of the Deputy Chief Executive which detailed General Fund budget proposals for 2017/2018 and the Capital Programme 2016/2021 due to be submitted to Cabinet on 8 February 2017.

Members were advised that the report set out the general fund revenue budget proposals for 2017/18 and a rolling three year capital programme 2016/21.

The budget proposals included:

- 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

The budget represented 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

Members were reminded that the underlying methods of Local Government financing had 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 and the Homelessness grant.

For Eastbourne the headline figures of the Government settlement were:

- 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 would receive the second largest reduction nationally in "spending power" in the 4 year period to 2020
- The Government headline figure was a reduction of 16.4%, however this took 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 was therefore over 40% over the period to 2020

The Government had announced that Eastbourne would receive £0.840m in total of new homes bonus (NHB) due to the growth in housing in the area (a reduction of £200k on the projection).

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

Queries were raised on the following points:

New investment income - The Deputy Chief Executive advised that income would be generated as part of the Estates function of the Council. Further investment opportunities were being considered across Eastbourne, a strategy the Council had been pursuing for the last 18 months. An update was reported to Cabinet in December.

Contingency budget for Risk; specifically breaches of legislations such as Health and Safety and Human Rights - The Deputy Chief Executive advised that this historically related to discrepancies in benefits payments and subsequent fines imposed by the Department of Work and Pensions (DWP). A great deal of work had been undertaken to resolve this matter and it was now considered that the allocated contingency was sufficient.

Business rate appeals – The Financial Services Manager advised that this had now been reduced to a total of approximately 150 appeals outstanding; however, the 1 April 2017 would see the introduction of a new rating system which would likely open a new raft of appeals.

Capital Programme; the differences between the committed and uncommitted sums and the expectations of Capital Receipts – the Deputy Chief Executive advised that committed spend referred to items where contracts were in place. In addition Members were advised that the expectation of capital receipts was unchanged from the programme adopted by Full Council in 2016.

RESOLVED: That the following be noted:

1) The General Fund budget for 2016/17 (Revised) and 2017/18 (original) as set out Appendix 1 of the report including growth and savings proposals for 2016/17 as set out in Appendix 2 of the report.
2) 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.
3) General Fund capital programme 2016/21 as set out in Appendix 3 of the report.
4) Section s151 Officers sign off as outlined in 1.6 of the report.

24 Housing Revenue Account 2017/18.

The committee considered the report of the Deputy Chief Executive (Chief Finance Officer) and Director of Direct Services which detailed the Housing Revenue Account (HRA) budget proposals, rent levels, service charges and heating costs for 2017/18, and the HRA Capital Programme 2016/20. The 2017/18 budget was attached at Appendix 1 of the report.

The 2017/18 budget showed a surplus of (£449k) from (£292k) in 2016/17, a change of (£157k) which was mainly due to the factors listed below.

The major changes between the 2016/17 and the 2017/18 budgets were:

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 form new support charge £42k
- Depreciation £94k

Members noted that the HRA budget was 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. Members were requested to consider this with caution however, as the financial consequences of the high value council house levy were still unknown. Currently the government's intention in regrading this scheme was unclear and the Council was still waiting for details. The cost had been estimated at around £6m per year for four years.

The underlying HRA surplus had 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. The levels of HRA balance and Housing Regeneration and Investment Reserve as at 31.3.18 were forecast to be £5m and £1.8m respectively. The Major Repairs Reserve was forecast to breakeven as expenditure was expected to equal contributions for 2017/18.

The committee noted that the rent levels had 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. Service charges, heating and water charges were fixed weekly amounts set at a level to recover the expected actual cost to be incurred for the respective properties in the forthcoming year. The Support charge was recommended to be retained at the 2016/17 level and Garage rents would not be increased.

The total budgeted expenditure on the HRA Capital Programme was planned at £4.2m for 2017/18. All new capital expenditure was solely on major repairs, which was funded from cash backed depreciation, as borrowing would have reached the maximum allowed within the self-financing settlement. The Major Repairs programme was in line with the Asset Management Plan and HRA business plan model.

Queries were raised on the following points:

Garage Rents and voids – the Financial Services Manager advised that the reason for the voids was unknown; however it may be contributable to the poor state of repair in some areas. The Deputy Chief Executive advised that the Asset Management Plan would be undertaking a review of the current garage provision to consider the options available. The Financial Services Manager agreed to advise the committee regarding the number of Council owned garages following the meeting.

Eastbourne Homes Management fee – The Deputy Chief Executive advised that the fee had not changed for the last 6 years and that the fee not only covered the management and administration of the stock but repairs and maintenance of the housing stock. The HRA was benchmarked against other similar authorities including Wealden and Lewes. Eastbourne Homes were also included in the Joint Transformation Programme and the Board had agreed that staff would be shared between Eastbourne and Lewes to improve efficiency.

RESOLVED: That the following be noted.

1) The HRA budget for 2017/18 and revised 2016/17 as set out in Appendix 1 of the report.
2) That social and affordable rents (including Shared Ownership) be decreased by 1% in line with a change in government policy.
3) That service charges for general needs properties be increased by 2.49%.
4) That service charges for the Older Persons Sheltered Accommodation be decreased by 7.14% to reflect a reduction in actual costs as well as notification of a reduction in heating and water costs.
5) That the Support charge for Sheltered Housing Residents remained at £7.50 per unit, per week.
6) That heating costs be set at a level designed to recover the estimated actual cost.
7) That water charges be set at a level designed to recover the estimated cost of metered consumption.
8) Garage rents would not be increased this year, to improve increasing garage voids.
9) That delegated authority be given 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.
10) The HRA Capital Programme as set out in Appendix 2 of the report.

The meeting closed at 6.37 pm

Councillor di Cara (Chairman)