



OVERVIEW AND SCRUTINY COMMITTEE

25 January 2021

Minutes of the Overview and Scrutiny Committee meeting held at the Remote Meeting on Monday 25 January 2021 at 6.30pm.

Committee Members present: Councillors P.N. Osborne (Chairman), Mrs V. Cook (Vice-Chairman), J. Barnes, J.J. Carroll, C.A. Clark, P.C. Courtel, B.J. Drayson (ex-officio), Mrs D.C. Earl-Williams, S.J. Errington, P.J. Gray, C.A. Madeley, C.R. Maynard and M. Mooney.

Other Members present: Councillors C.A. Bayliss, K.P. Dixon, K.M. Harmer, Mrs E.M. Kirby-Green and D.B. Oliver.

Advisory Officers in attendance: Chief Executive, Assistant Director Resources, Finance Manager and Democratic Services Officer.

OSC20/37 **MINUTES**

The Chairman was authorised to sign the Minutes of the meeting of the Overview and Scrutiny Committee held on 23 November 2020, at a later date, as a correct record of the proceedings.

OSC20/38 **APOLOGIES AND SUBSTITUTES**

There were no apologies for absence.

OSC20/39 **DISCLOSURE OF INTERESTS**

There were no Declarations of Interest.

OSC20/40 **DRAFT REVENUE BUDGET 2021/22**

Members gave consideration to the report of the Assistant Director Resources on the draft Revenue Budget, which outlined the likely financial position and key issues that Members needed to consider as part of the budget setting process. The Committee had been requested to consider the draft budget and make recommendations to Cabinet, to be considered at its meeting on 8 February 2021.

Appended to the report were details of the summary draft Revenue Budget (Appendix A), the summary information for each service area (Appendix B), main changes from the 2021/22 budget (Appendix C), the Council's revenue reserves and identified savings and additional income (Appendix D).

All budgets were shown as "Net Operational Expenditure Levels" which excluded capital charges, central costs and support service recharges. In addition, budgets were shown on a departmental basis which provided Members with a clear identifiable cost for each service.

The following key issues were highlighted:

- as the Council no longer received any Revenue Support Grant it was wholly reliant on revenue from business rates, council tax, specific grants, charges for services and income generation in meeting its net budget;
- the draft settlement announced by Government in December confirmed that the Council's share of business rates remained unchanged from 2020/21, a specific additional COVID-19 grant of £519,000 to support the ongoing effects of the pandemic in 2021/22 would be received and additional support to extend the extra support for residents through the Council Tax Reduction Support Scheme (CTRS) amounting to approximately £146,000;
- New Homes Bonus grant was expected to be £271,770 and would be incorporated into the draft budget to reduce the use of reserves, with no ongoing reliance;
- further work to refine the business rate estimate in time for the final approval of the Revenue Budget in February was on-going;
- the 2021/22 council tax base had been calculated at 37,606.6 and showed a reduction of 518 Band D equivalents, mostly due to an increase in the number of CTRS claimants expected in 2021/22 as a result of the pandemic; the in-year recovery rate for Council Tax had reduced to 98.2% from 98.5%, taking into account the increased risk of non-payment due to the effects of the pandemic on employment;
- the council tax referendum principle for Rother would allow an increase in council tax of £5 or 2% whichever was the highest; it had been assumed that the Council would increase Council Tax by the maximum allowed before a referendum was required;
- for 2021/22, to ensure the Council remained within the referendum limit, it was assumed that an increase of £4.94 to £189.04 would be agreed for a Band D property, resulting in additional income of £90,000; and
- the Chartered Institute of Public Finance and Accountancy (CIPFA) considered an authority to be at high risk if the reserves were at less than 5% of net spend; the Council was a long way from this position.

The financial risks that may affect the Council's finances were highlighted within the report and these included homelessness demands, staffing costs, the impact of COVID-19 on the Council's commercial tenants, leisure, swimming centres, cultural services delivered through two charitable trusts (Freedom Leisure and the De La Warr Pavilion Trust) and the emerging new Corporate Plan, which aspired to accelerate the development of new housing in Rother, both market and affordable, deliver on the commitment to be a carbon neutral district by 2030 and regeneration of the local economy through investment.

The following assumptions had also been made in calculating the draft Revenue Budget:

- a. inflation of up to 1.5% had been applied, except for contracts where specific indices were applied;
- b. salaries had been assumed to increase by 2% from September 2021;

- c. Appendix C to the report included details of any growth built into the base budget;
- d. the use of transfers between existing budgets had been encouraged to help enable funding to be re-directed into priority areas; and
- e. where the Council had discretion to increase income, increases should be in line with the increase in costs.

The net Revenue Budget before Government grants, use of reserves and other funding was expected to be £16.206m, an increase of £604,000 over the revised 2020/21 Revenue Budget. There had been a positive change of £1.6m between the financial forecast presented to Cabinet on the 2 November and the latest forecast, which was welcome.

The draft Revenue Budget for 2021/22 utilised £3.2m of reserves in order to meet specific costs (capital and service expenditure). Savings and increased income of £0.956m (excluding the reduction in use of revenue reserves to fund capital) had been assumed and if these were not delivered, further use of reserves may be required to balance the budget. Over the five-year financial forecast, earmarked reserves were predicted to fall to a minimum of £3.2m, rising to £3.8m by 2025/26, in excess of the minimum level of cash backed reserves and balances promoted by the Council's external auditors. However, it was below the minimum level previously agreed by Members at £5m and did not provide for any revenue reserves required to support the future Corporate Plan.

Members had an opportunity to put forward questions and the following points were noted during the discussion:

- concerns were raised that the homelessness budget had been underestimated when assuming an increase of £299k over the current year budget;
- there was a £3m scheme in the Capital Programme to purchase properties which would offset the cost of temporary accommodation, which explained the homelessness budget figure. Several properties had already been purchased;
- the 2% assumed salary increase was yet to be agreed. The Government had announced a pay freeze of public sector salaries for 2021/22, but the Council was not part of the national pay negotiations and could set its own pay award. Discussions with UNISON and the Licensing and General Purposes Committee would take place later in the year;
- applications for business grants were in the final stages of being processed and payments had commenced the previous week. All three grants were being combined into one payment;
- Members requested a breakdown of COVID related costs which the Finance Manager agreed to circulate after the meeting;
- the Community Led Housing project had been ceased as this had been a one-off payment paid over two years to kick-start the project; and

- it was noted that in the table at paragraph 17 on page 9 of the Agenda, the column 'Draft Budget 2021/22' for 'Other' should have read 62 not N/A.

In conclusion, it was noted that the Revenue Budget included a number of assumptions relating to income generation and savings, which if not delivered, would result in an increased call on reserves. Members would work with officers to look at service budgets line by line to identify potential savings, some of which would be difficult to deliver.

RESOLVED: That the comments of the Overview and Scrutiny Committee be considered by Cabinet when setting the 2021/22 Draft Revenue Budget at its meeting on 8 February 2021.

OSC20/41 **REVENUE BUDGET AND CAPITAL PROGRAMME MONITORING - QUARTER 2 2020/21**

Members received and considered the report of the Finance Manager on the Revenue Budget and Capital Programme Monitoring Quarter 2 2020/21 that had been considered by Cabinet on 14 December 2020. The report updated Members on the Council's finances as at the end of September 2020 and projected a provisional outturn for 2020/21. A comparison of Quarter 1 to Quarter 2 figures had been disseminated to Committee Members before the meeting and was available on the website.

Since the Quarter 1 Monitoring Report, there had been one reportable virement regarding the transfer of a Business Support officer from Housing and Community to Resources.

At the end of Quarter 2, the Council was predicted to incur a deficit of £2.788m of which £1.871m was unplanned. This represented an improvement of £97,000 since Quarter 1. The cost of services showed a deficit of £3.595m and non-service budgets increased the forecast overspend to £4.692m. This was reduced by £2.821m mainly due to additional grant income from the Ministry of Housing, Communities and Local Government (MHCLG).

The Council's response to the COVID-19 pandemic had inevitably put the budget under enormous pressure despite some costs being partially offset by non-ringfenced grants from the MHCLG. The net impact of the virus was forecast to be £1.767m at the end of Quarter 1. Quarter 2 forecast showed a net reduction of £658,000 to £1,109m.

Since the last report, the forecast for non-COVID related costs had increased by £561,000. Overall, the £3.595m deficit on the cost of services was attributed to various overspends/deficits including staff restructuring, vacancies, reduced planning fees and land charge income, consultancy advice, grants, purchase of new car parking equipment and signage, supporting leisure services, housing benefit overpayments and additional accountancy services.

It was noted that a provision for property rental income shortfall of £200,000 had been included in the forecast due to the impact of the pandemic; to date no rents had been written off.

Cabinet had previously agreed to provide financial support to Freedom Leisure until 31 March 2021; the estimated cost to a maximum of £415,000 was included in the forecast. The Department for Digital, Culture, Media and Sport would be making £100m available for local authority leisure services via an application process and Rother would be applying.

Interest income from investments was expected to be £98,000 below budget (an improvement of £50,000 on the previous forecast). Further lockdowns may mean that returns would fall again and result in a further reduction of income.

The Council had received a total of £2,372,000 to date from the Government to fund the cost of the pandemic impact. An additional £22,000 had recently been received to help fund the administration costs of the Council Tax hardship and Business Rates reliefs. It was not known at this stage whether further Government funding support would be forthcoming as the national pandemic situation continued.

The net impact on Reserves was forecast to be a reduction of £4.627m against the planned figure of £2.276m.

The Council Tax part of the Collection Fund (CF) was currently 2.28% lower than the same point last year and Business Rates was 4.59% lower. These represented a marked decrease from the Quarter 1 forecast. Based on the current collection rates, it was expected that the CF would be in deficit by the end of the financial year. Members were advised that the Government was allowing councils to spread deficits over a 3-year period with effect from 2021/22, so there would be no impact on the Council's financial position in 2020/21.

A summary of spend by capital project for 2020/21 and financing sources was shown at Appendices A and B to the report, with the additions of the office development at North East Bexhill and the purchase of 35 Beeching Road. Spending remained low at £2m and a comprehensive review would be carried out for Quarter 3, which was likely to result in a reprogramming of the capital spend into future years.

The Quarter 2 forecast out turn for 2020/21 was an unplanned deficit of £1.871m and included the impact of the COVID-19 pandemic.

Members welcomed the decrease in the Public Works Loan Board interest rates which would help the capital programme. Members requested further analysis on the spending on homelessness, which was likely to be due to high numbers in temporary accommodation following the 'no-one-out' initiative during the first lockdown and self-contained accommodation being used rather than shared. Further information was to be circulated to Members after the meeting.

RESOLVED: That the report be noted.

OSC20/42 **WORK PROGRAMME**

Consideration was given to the Overview and Scrutiny Committee's Work Programme, and the following additions were made:

- Review of the Disabled Facilities Grant Policy – 15 March 2021.
- East Sussex County Council Nurseries in Bexhill – Items for Consideration.
- Post-COVID Recovery Plan – Items for Consideration.

RESOLVED: That the Work Programme attached at Appendix A, as amended, be agreed.

CHAIRMAN

The meeting closed at 7.46pm.

OVERVIEW AND SCRUTINY COMMITTEE

WORK PROGRAMME 2020 – 2021		
DATE OF MEETING	SUBJECT – MAIN ITEM IN BOLD	Cabinet Portfolio Holder
15.03.21	<ul style="list-style-type: none"> • Progress on the Environment Strategy • Crime and Disorder Committee: to receive a report from the Community Safety Partnership • Performance Progress Report: Third Quarter 2020/21 • Revenue Budget and Capital Programme Monitoring – Quarter 3 2020/21 • Review of the Disabled Facilities Grant Policy 	Field Dixon
26.04.21	<ul style="list-style-type: none"> • Report of the Off-Street Car Park Task and Finish Group • Report of the Anti-Poverty Task and Finish Group • Call-in and Urgency Procedures • Draft Annual Report to Council 	Field Byrne
WORK PROGRAMME 2021 - 2022		
07.06.21	<ul style="list-style-type: none"> • Performance Progress Report: Fourth Quarter 2020/21 • Annual Work Programme 	
19.07.21	<ul style="list-style-type: none"> • Revenue Budget and Capital Programme Monitoring Quarter 4 2020/21 	
13.09.21	<ul style="list-style-type: none"> • Performance Progress Report: First Quarter 2021/22 • Revenue Budget and Capital Programme Monitoring – Quarter 1 2021/22 	
18.10.21	<ul style="list-style-type: none"> • Medium Term Financial Plan 2022/23 to 2026/27 	
22.11.21	<ul style="list-style-type: none"> • Performance Progress Report: Second Quarter 2021/22 • Revenue Budget and Capital Programme Monitoring – Quarter 2 2021/22 	
24.01.22	<ul style="list-style-type: none"> • Draft Revenue Budget Proposals 2022/23 	
14.03.22	<ul style="list-style-type: none"> • Crime and Disorder Committee: to receive a report from the Community Safety Partnership • Performance Progress Report: Third Quarter 2021/22 • Revenue Budget and Capital Programme Monitoring – Quarter 3 2021/22 	
25.04.22	<ul style="list-style-type: none"> • Call-in and Urgency Procedures • Draft Annual Report to Council 	
ITEMS FOR CONSIDERATION		
<ul style="list-style-type: none"> • Regeneration incl Leisure Centre, Fountains, Skate Park and Accessibility of Green Spaces across the district • Corporate Plan review – referred back by Cabinet • Review of the Tourism Strategy • Review of the Economic Regeneration Strategy • Peer Review • East Sussex County Council Nurseries in Bexhill • Post-COVID Recovery Plan 		

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