

Rother District Council

Report to	-	Council
Date	-	22 February 2021
Report of the	-	Cabinet
Subject	-	References from Cabinet Meetings

The Council is asked to consider recommendations arising from the Cabinet meeting held on 8 February, as set out below and to note that there were no recommendations to Council arising from the Cabinet meeting held on 11 January 2021.

CABINET – 8 February 2021

CB20/98. DRAFT REVENUE BUDGET 2021-22

Members gave consideration to the Finance Manager's comprehensive report and appendices on the draft Revenue Budget proposals for 2021/22. The budget proposals had been scrutinised by the Overview and Scrutiny Committee (OSC) on 25 January 2021 and a copy of the Minutes arising from the OSC meeting had been appended to the report for Cabinet's consideration. It was noted that the budget had been prepared ahead of the finalisation of the Council's new Corporate Plan and it was likely that the Council's finances, staffing and physical resources may need to be redirected into new priorities and services over the coming months. Appendix A to the report summarised the draft Revenue Budget; Appendix B the detailed budgets over the various services the Council provided, Appendix C detailed the proposed Special Expenses for 2021/22, Appendix D the Earmarked Reserves, Appendix E the Minutes from the OSC meeting held on 25 January 2021 and Appendix F the Budget consultation report.

Members were reminded that the Council no longer received any Revenue Support Grant from the Government and would be wholly reliant on revenue from business rates, council tax, charges for services, income generation and specific grants for discreet services. Whilst at the time of writing the settlement was still draft, it was not anticipated that it would change when it was finalised.

The draft settlement did however confirm a specific additional COVID-19 grant of £519,000 to support the ongoing effects of the pandemic in 2021/22. The announcement also included grant to extend the help for residents through the Council Tax Reduction Support scheme (CTRS). Based on the provisional numbers, this was approximately £146,000 for Rother, £1.46m in total including preceptors. This funding only effected the Collection Fund and did not meet the loss of income due to the increase in the number of households claiming CTRS.

Other Government grants included £271,770 New Homes Bonus which was higher than the previous forecast. This had been incorporated into the draft budget to reduce the use of reserves as previously agreed by

Members, however, as this was a one-year grant, no ongoing reliance of this income could be assumed, pending the outcome of the review of this grant.

The Council Tax Referendum principles that applied to the Council for 2021/22 allowed an increase of up to 2% or £5 whichever was the greater. To ensure the Council remained within this limit (after taking account of the increase in Special Expenses), the budget assumed an increase of £4.61 (2.5%) to £188.71 at Council Tax Band D for 2021/22. This brought a total Council Tax income for the Council of £7.1m.

The Council remained in the East Sussex 50% Business Rate pooling arrangement for 2020/21. An assessment had been undertaken of the risk due to the financial impact of the pandemic on the local economy and on balance it was expected that it would still benefit the County as a whole to remain pooled.

The Council's Capital Programme totalled some £187m with £80m currently without secured funding. A significant part of the programme related to the Council's approved Property Investment Strategy. To date, £14.8m had been expended or committed on seven properties/sites. Income secured to date was in excess of £911,000 per annum with a further £846,00 expected once developments at Beeching Road and Barnhorn Green were delivered.

The draft Capital Programme also sought to reduce the use of Revenue (including Revenue Reserves) to fund capital expenditure. For 2021/22 some £619,000 of reserves was planned to be used, which was higher than previously forecast due to slippage in the 2020/21 Capital Programme and did not represent an overall increase in the use of reserves.

The net Revenue Budget before Government grants and other funding was expected to be £16.374m. This included revenue support for the capital programme of £619,000 which was funded from reserves. The underlying revenue spend was therefore £15.755m. The draft Revenue Budget included inflation and necessary growth. In preparing the draft Revenue Budget a number of financial issues were still uncertain, as follows:

- Other savings/income– the draft budget included a target to deliver an additional £632,000 of income and savings over that already achieved.
- Managing homelessness – homelessness continued to be a considerable social and financial challenge for the Council.
- Delivering efficiencies – the realisation of savings identified through the work of the Financial Stability Programme (see below) was essential. It was likely that to release savings would require investment in technology and ultimately may enable a reduction in the workforce.

Currently for the Council Tax part of the Collection Fund, a deficit was predicted for 2020/21 with the Council's share estimated to be £81,000. As a result of the Government extending the amount of business rate

relief during 2020/21 there was an £11.5m deficit predicted for Business Rates in 2020/21. However, after taking account of the additional compensating grant funding received from the Government, the Council's share was estimated to be £322,000. As these losses were greatly affected by the pandemic, the Government had also allowed Councils to spread the impact over three years. For Council Tax, this equated to a Rother share of £27,000 per annum and for Business Rates this was £107,000 per annum.

The draft Revenue Budget for 2021/22 utilised a total of £3.3m of earmarked reserves (net of contributions to reserves) to meet specific costs including supporting the Capital Programme. Some £2.7m of this was estimated to be used to balance the overall Revenue Budget. Details of the use and contributions to reserves were set out in Appendix D, as amended, to the report.

The Council's budget and council tax consultation with residents and businesses closed on the 18 January 2021. There was a total of 343 responses, of which 333 were from residents. A summary of the results was shown at Appendix F. The full detail and analysis of the consultation would be available to Members separately.

The five year financial forecast to 31 March 2026 included a number of assumptions, the main one being the future delivery of recurring savings of £632,000 in 2021/22 rising to around £2.2m per annum from 2024/25. For the purposes of the forecast, the taxbase had also been projected to increase over the period by 2% per annum. This may have been optimistic and the actual change largely depended on the delivery of new developments in the north of Bexhill. This would continue to be monitored closely and the financial forecasts updated as necessary. The forecast did, however, assume that the New Homes Bonus would be phased out by 2022/23. In addition, the forecast assumed an annual 2% increase in Council Tax each year from 2022/23. Clearly this would be affected by local and central government policy and therefore may not have been achievable.

Assuming the Council was able to deliver the identified savings, the forecast showed that over the five years nearly £7.4m of reserves would be used including £1.5m to support the Capital Programme. However, if delivery of income and savings was achieved in line with the forecast (both timing and amount), by 2024/25 it would be possible to make small contributions to reserves. If further savings or income could be achieved over the period, then this would reduce the call on reserves. It was proposed that the Council's Medium Term Financial Strategy be updated to reflect the latest financial forecast.

To ensure organisational focus was maintained on the delivery of extra income and cost savings, a financial stability programme was being finalised. This replaced the previous Rother 2020 Programme and would be supported by a small board of Members and officers to consider proposals, oversee progress and to manage any hurdles to achieving the Corporate Plan objective of financial stability for the Council by March 2026 financial year. The programme board would report progress regularly to Cabinet.

The draft Revenue Budget had been balanced for 2021/22. To achieve this, the Council had set itself ambitious but achievable savings and additional income targets. However, in addition, £2.7m of reserves were expected to be needed to achieve a balanced budget. Without action, the financial forecast showed reserves would be under considerable pressure and may fall below acceptable levels over the next five years. This also increased the Council's vulnerability to being able to cope with unexpected costs that arose.

RECOMMENDED: That:

- 1) the level of Special Expenses as set out in Appendix C to the report be approved;
- 2) the net expenditure of £16,374,225 for 2021/22 be approved;
- 3) the amount of reserves set out in Appendix D to the report be approved, and;
- 4) the Council Tax for 2021/22 at Band D be increased by £4.61 (2.5%) and set at £188.71.

(Councillors Byrne, Drayson and Timpe declared a Personal Interest in this matter in so far as they were committee members of Light Up Bexhill and in accordance with the Members' Code of Conduct remained in the meeting during the consideration thereof).

(Councillor Drayson declared a Personal Interest in this matter in so far as he was a member of the Police and Crime Panel responsible for setting the Police council tax precept, and in accordance with the Members' Code of Conduct remained in the meeting during the consideration thereof).

(Cabinet Agenda Item 6)

CB20/99. **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY**

The Treasury Management Statement set out the Council's treasury issues and looked to ensure that the Council met its spending obligations. The Council was required to receive and approve a minimum of three main reports each year to include:

- 1) Prudential and Treasury Indicators and the Treasury Strategy;
- 2) a Mid-Year Treasury Management Report; and
- 3) an Annual Treasury Report.

These reports incorporated a number of policies, estimates and actuals which were scrutinised by the Audit and Standards Committee prior to making recommendations to Council.

The Treasury Management Strategy detailed the Council's capital issues and reviewed the position regarding investments, borrowing strategy, economic outlook and policies on the creditworthiness of counterparties.

The Annual Investment Strategy detailed the Council's investment priorities, promoting security, liquidity and investment return. In order to minimise risks, the Council stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list.

The 2021/22 draft Revenue Budget presumed an income of £326,000 from treasury activities, which assumed a return of 0.018% from deposit type investments and 4.08% return from property fund investments. The forecast for the next five years continued to see low returns, based on the forecast use of cash reserves to support the Revenue Budget. The expectation was that 2021/22 would remain a very difficult investment environment, however the strategies proposed in the report, together with the interest rates forecast, were in line with the assumptions made when preparing the 2021/22 Revenue Budget. The costs of treasury operations were contained within the 2021/22 draft Revenue Budget.

RECOMMENDED: That:

- 1) the Treasury Management Strategy as set out at Appendix A to the report be approved and adopted;
- 2) the Annual Investment Strategy as set out at Appendix B to the report be approved and adopted;
- 3) the Minimum Revenue Provision Policy Statement 2021/22 be approved;
- 4) the Prudential and Treasury Indicators as set out in Appendix A to the report be approved; and
- 5) authorised limits in this report be approved.

(Cabinet Agenda Item 7)

CB20/100. **CAPITAL STRATEGY 2021/22 TO 2025/26**

In accordance with the CIPFA 2017 codes for Prudential and Treasury Management, the Council was now required to have a Capital Strategy. The draft Capital Strategy was attached at Appendix A to the report and gave a high-level overview of how capital expenditure, capital financing and treasury management activities contributed to the provision of local public services, along with an overview of how associated risk was managed and the implications for future financial sustainability. The Strategy was intended to be a longer term view of investment and go beyond the detailed five year Capital Programme. However, it was recognised that the strategy was likely to change in the near future to reflect the Corporate Plan which was currently out to consultation.

From the 26 November 2020, the Government confirmed the introduction of new lending criteria from the Public Works Loan Board (PWLb) designed to prevent councils accessing low cost finance for investments made purely for financial return. This was a prospective change and did not affect any previous investment made by the Council

prior to this date. A preliminary review of the draft Capital Programme indicated that all loan funded projects remained eligible for PWLB support, but further work was being undertaken to ensure this was the case.

The Council's Capital Programme at Appendix B to the report totalled some £186.7m, although £80.0m was currently unfunded and showed the investment in approved schemes over the next five years. A significant part of the programme related to the Council's approved Property Investment Strategy (PIS) and capital support to the Council's company Alliance Homes (Rother) Ltd. Income of approximately £1m was included within 2021/22 the Revenue Budget for PIS assets that have been acquired.

The draft Capital Programme continued to minimise the use of Revenue (including Revenue Reserves) to fund capital expenditure. For 2021/22, some £0.619m was planned to be used, but this reduced thereafter. Largely this would be replaced by low cost borrowing where appropriate which, whilst having a revenue impact, was spread over a longer time period.

The Programme was broadly the same as that reported in November 2020, save for the re-phasing of expenditure in line with the latest information. The Programme now included the cost of improvements being made to Sidley Recreation Ground, which were being funded externally in addition to the Council's own contribution to the scheme.

The draft Capital Programme showed that, despite the continued impact of the pandemic and Government austerity measures, the Council aimed to make a significant commitment to invest in the district to improve it economically and socially, to ensure it remained an outstanding place to work and live in.

RECOMMENDED: That:

- 1) the Draft Capital Strategy 2021/22 to 2025/26 be approved and adopted, as submitted; and
- 2) the updated Capital Programme 2020/21 to 2025/26 at Appendix B to the report be approved.

(Councillor Bayliss declared a Personal Interest in this matter in so far as she was a convener for the Skate Park Action Group and in accordance with the Members' Code of Conduct remained in the meeting during the consideration thereof).

(Cabinet Agenda Item 8)

CB20/101. **DEVELOPMENT OF A LOCAL LOTTERY TO SUPPORT COMMUNITY FUNDING**

Members received the report of the Head of Acquisitions, Transformation and Regeneration detailing how the establishment of a local lottery could support community projects in the district, on the principle of raising

money within the community for the community. A lottery could be an alternative income stream for the Voluntary and Community Sector by directly benefitting from a percentage of lottery ticket sales when their cause was selected by lottery players, whilst at the same time supporting the Community Grant Scheme budget at a time of financial challenges. Members gave consideration to two options for the delivery of a lottery scheme: establish an in-house lottery at an estimated set-up cost to the Council of £80 - £100k, with the financial risk if the lottery were not successful to be borne by the Council; or appoint an External Lottery Manager (ELM) at a set-up cost of approximately £10k, with the financial risk passed to the provider. The preferred option was to use an ELM, as this mitigated the Council's financial risk.

The expected set up cost of £10,000 would include, but not limited to, the appointment of an ELM, Gambling Commission Licence fee, Lotteries Council Membership and marketing costs. On-going costs could be expected to be approximately £1,200 per annum, plus an element for marketing. There was no annual cost for the ELM as this would be covered by the administration element on ticket sales. It was expected that most of the officer time would be upfront in the set-up of the lottery.

Dependant on the model once set up, the primary role of the Council would be to complete monitoring, codes of practice and social responsibility requirements by the Gambling Commission, authorisation of payments and acceptance of new community and voluntary groups to the scheme, and marketing and promotion of the scheme. From research, the officer time commitment estimation was one day a month.

An analysis to assess the position for implementing a Rother Community Lottery was available at Appendix A to the report.

RECOMMENDED: That:

- 1) a Rother Community Lottery be established;

Cabinet also **RESOLVED:** That:

- 1) the income generated from the Rother Community Lottery central fund be apportioned to the Rother Community Grants Scheme; and
- 2) the Head of Acquisitions, Transformation and Regeneration be granted delegated authority to:
 - a. procure and appoint an External Lottery Manager to run the day-to-day operations of the lottery; and
 - b. develop and complete the works as set out in this report as necessary for the completion of establishing a Rother Community Lottery.

(Cabinet Agenda Item 9)

CB20/102. TOWN HALL REDEVELOPMENT PROPOSALS

In February 2019, Cabinet approved a budget of £250,000 for the development of housing projects on Council-owned sites. The land to the rear of the Town Hall was identified as one of those sites to be explored. Following the change in administration in May 2019, it was made clear to officers that options for the future of the Town Hall were also to be considered. Subsequent discussions with the Leader had reinforced that position and therefore investigations into the rear of the site had incorporated the Town Hall and ancillary buildings.

The existing Town Hall was clearly an asset of historical significance for Bexhill and therefore all scenarios explored sought to retain and refurbish the core elements of the existing property. It was clear that the carbon performance of the existing buildings was very poor and needed to be a consideration for any works that were sought to be undertaken. In addition, the current building did not offer the attractive modern working environment expected by many employees.

A full options analysis had been undertaken, attached at Appendix B to the report. Option 4, 'Whole Site Development', presented the opportunity for works to be cost neutral in the longer-term, would regenerate a central area of Bexhill, and would provide Rother District Council (RDC) and other public sector organisations a fit for purpose, modern working environment into the future. East Sussex County Council (ESCC) was also consulting on plans that could be transformational for the Town Hall Square; the two schemes would be complementary and therefore the proposals made would incorporate the ESCC work.

A design team had been appointed to undertake a high-level concept feasibility options study for the whole site development, with an initial view to delivering housing on the site. The feasibility study showed that, with the right mix of housing and commercial space, it was possible to deliver a scheme that would be revenue neutral, in that the income earned through rent and capital receipts could offset the cost of borrowing for the scheme.

A staff survey had been carried out to understand how officers were likely to wish to work in the future given the precedent that had been set by the organisation's response to flexible and home working during the COVID-19 pandemic. The results of this survey showed that, whilst the staff had adapted well to home working, most would anticipate still working in an office environment between one and three days a week 'Post COVID'. Based on this, it was estimated that RDC would have an ongoing space requirement to accommodate 120 full time equivalents. Discussions had also been had with a number of other public sector bodies who potentially required workspace for staff.

Next steps would be to appoint the relevant architects, engineers, consultants, surveyors and other professionals to work up detailed proposals and achieve planning permission on the site. Consultations with staff would continue throughout the process.

Members raised some concerns about agreeing to grant delegated authority to the Head of Services Acquisitions, Transformation and Regeneration to procure the services required, and enter into contracts as necessary, for the completion of detailed designs before the budget had been agreed by full Council. Therefore it was recommended and agreed to insert the words 'subject to Council approval of the budget...' to the resolution.

RECOMMENDED: That the scheme be included on to the Council's Capital Programme and a budget of £460,000 be agreed to progress detailed designs for the future of the Town Hall, Bexhill site;

Cabinet also **RESOLVED:** That subject to Council approval of the budget, the Head of Acquisitions, Transformation and Regeneration be granted delegated authority to procure the services required, and enter into contracts as necessary, for the completion of detailed designs.

(Councillor Prochak declared a Personal Interest in this matter in so far as she was Vice-Chairman of the Planning Committee and in accordance with the Members' Code of Conduct left the meeting during the consideration thereof).

(Councillor Timpe declared a Personal Interest in this matter in so far as she was a member of the Planning Committee and in accordance with the Members' Code of Conduct left the meeting during the consideration thereof).

(Councillor Vine-Hall declared a Personal Interest in this matter in so far as he was Chairman of the Planning Committee and in accordance with the Members' Code of Conduct left the meeting during the consideration thereof).

(Cabinet Agenda Item 11)

Councillor D.B. Oliver
Leader of the Council