

Supplementary Information

**EAST HAMPSHIRE DISTRICT COUNCIL
COUNCIL
25 February 2021**

Dear Councillor

I am now able to enclose, for consideration at next meeting of the Council, to be held on 25 February 2021 the following supplementary information that was unavailable when the agenda was printed.

Agenda No	Item
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| 6 | <u>2021-22 Revenue Budget, Capital Budget, Reserves and Balances, Capital Strategy, Treasury Management Strategy and Medium-Term Financial Strategy (MTFS)</u> |
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Amendments submitted by the Liberal Democrat group, with commentary from the Council's Section 151 Officer and the Overview & Scrutiny Committee, which considered the amendments on 23 February 2021 in accordance with the Part 3, Section A Standing Order 18.3 of the Council's Constitution.

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OVERVIEW AND SCRUTINY COMMITTEE

23rd February 2021

Response to Alternative Budget Proposals submitted by the Liberal Democrat Group (including responses from the S151 Officer)

Introduction

The EHDC Budget proposes a surplus this year and to put more than £4.4 million in reserves. Total reserves will reach nearly £16m. This gives the council room for some additional measures.

S151 response

At the time of preparing the 2021/22 Budget there was significant uncertainty surrounding what form or if any financial support would be forthcoming from Central Government to Local Authorities, the Fair Funding Review and the multi-year Spending Review had both been delayed. The draft financial settlement was received in late December 2020 and only confirmed at the beginning of February 2021.

The Cabinet and senior officers of the authority began work on the 2021/22 budget in late September 2020. With the uncertainty surrounding future financial support from central government the aim remained as in all years that the authority should fund the provision of all core services from local taxation (Council Tax, retained proportion of Business Rates and Incomes, Fees and Charges). This is in line with prudent financial management and to ensure the long-term financial sustainability of the authority.

Proposals from Portfolio Holders and Heads of Service were scrutinised extensively by the Leader, Deputy Leader, Finance Portfolio Holder, Chief Executive and s151 officer and was in a balanced position by mid-December in advance of the draft financial settlement.

As detailed within the Cabinet recommendations to full Council the Financial Settlement from Central Government provided a number of significant one off financial sums to the authority for the financial year 2021/22 which the Cabinet are recommending are treated as one off windfalls to support Corporate Strategies over the coming years providing long term benefit to residents, businesses and to leverage additional match funding for projects which would not be possible if the monies were used to support single year revenue expenditure.

These single one-off financial support packages for local authorities have been set aside and will be held in reserves to be drawn down as per the supporting policies and business cases:

- Supporting Communities Fund (£1M)
- Digital Strategy (£1M)
- Environment Initiatives Fund (£250k)
- Property Resilience Fund (£1.25M)
- Financial Stability Fund (£1.312M)

More detail on how the Cabinet are proposing these funds are used can be found in the Budget Report at section 5.5.

It is normal for all authorities to retain reserves for strong financial management, to mitigate against economic volatility (such as the pension reserve) and to set aside for future investments.

Currently within the reserve balance as at the 1st April 2021 there is estimated to be only £3.5 million which has not been earmarked for specific purposes. This is the balance of revenue funds which are there to support unexpected events or unforeseen emergencies. Examples of these events are a national/global recession impacting on our fees and income, a major unforeseen equipment or structural building failure in one of our key operational buildings (properties within the investment portfolio have a specific earmarked reserve – Property Resilience Fund).

This is the minimum that as s151 I believe is prudent to hold as general working capital for the authority and represents 30% of a single year's net expenditure for the authority, 3 months salaries or less than a month's gross trading expenditure.

I am also satisfied that all earmarked reserves have been set aside to support approved Corporate Strategies as detailed within the authorities adopted Corporate Plan or in support of prudent financial management (such as the Pension Reserve).

Proposed Amendments

The following amendments are proposed:

1. To provide additional funding to help High Street businesses recover from the Covid-19 pandemic by enabling one hour of free parking per visit to Town Centres for a 6-month period starting when all businesses are allowed to open after covid-19 restrictions.

Businesses need our help, so we are also proposing that some free high-street parking is provided to boost businesses, both shops *and* services, that operate in our town centres. As we know, out-of-town business have free parking, and indeed lower business rates. Mobile businesses like catering vans pay no business rates. Let us also remember that some services of crucial assistance to residents, such as the Citizens Advice Bureau are in Town Centre locations. EHDC should offer some free parking, in nearby Midhurst you can park for an hour for free. This must form part of our Covid-recovery plan. The detail can be worked out, but in principle we should be supporting local businesses with some free parking.

S151 Response

Income from pay and display car parks in 2021-22 is set at £2.150M (excluding season tickets). As explained above the authority uses income to ensure that core services can continue to be delivered from in year revenue income and does not rely on reserves.

The parking team have analysed usage which has estimated that to provide an hours parking for free for a period of six months would reduce income to the council by an estimated £455k.

This is a minimum figure and does not take account of other losses that could arise such as lost PCN income.

The proposal being put forward does not provide any indications as to how the loss of income and additional costs could be mitigated.

The proposal has significant implications over and above the lost parking income which members should be aware of when considering this proposal. To raise an additional £455k would require an uplift of 8.5% on Council Tax, this is outside of the referendum cap and therefore would need to be agreed through a district referendum. The cost of a referendum would have to be funded fully by the council, the estimate for this is expected to be in the region of £200k which would add an additional 2.5% increase to Council Tax. This does not take into account the cost of rebilling.

Parking charges are minimal, in most car parks £1.40 for a two-hour period.

The Cabinet has recommended that £1.312m of the one-off financial grants from central government be set aside in a Financial Resilience Fund. As detailed within 5.5 of the Cabinet Report, this includes £800k to support future unforeseen Covid expenditure and also to support local recovery once current lockdown restriction are lifted.

The recovery of the local highstreets is led by the Regeneration and Economic Development Teams and a full package of recovery measures will be investigated and proposals that provide the greatest benefit will be put before Cabinet for consideration and support at the appropriate time.

The above parking proposal should be considered when there is a clear indication that lockdown restrictions will be lifted, and officers have been given the opportunity to identify a clear action plan including what the most beneficial intervention are to aid high street recovery. This work would include a more detailed consideration of options and their relative potential benefits and risks. For example an unintended consequence of this proposal might be to reduce the time visitors spend on the high street to one hour which could have a knock-on effect to local shop owners.

Response from the Overview & Scrutiny Committee

In accordance with the Constitution Part 3, Section A Standing Order 18.3, the Overview and Scrutiny Committee considered this amendment on 23 February 2021, in the context of the recommendations of Cabinet. Following debate on the matter, Overview and Scrutiny Committee decided that it was not in support of this amendment.

2. To provide additional funding to employ an assistant to the Climate and Environment Officer

We need to make sure there is sufficient support for tackling the Climate Emergency. The £250k provision for Environmental Projects included in this years' budget is welcome. However, council must make sure that the budget for the environment is actually being used and a good way to help that happen is with extra qualified staff. An assistant for the Climate and Environmental Officer would be helpful in conducting research and other activities freeing up time for our Climate and Environment Officer to move forward on projects.

S151 Response

The Cabinet is fully committed to ensuring the necessary resources are in place to support the Climate and Environment Strategy. The earmarked reserve has been set aside specifically to fund schemes that will contribute to the net zero carbon target. To maximise the impact of these limited resources it is intended to use it to develop business cases for climate projects and match fund those projects leveraging in additional funding from other bodies or organisations.

The Climate and Environment Officer is supported by officers within Corporate Support and the Regeneration and Placemaking Directorate. The organisation is expanding its opportunities for apprentices and will be seeking to offer a placement for an apprentice to work with the Climate and Environmental Officer during the next financial year.

To use one off windfalls to fund an increase in the establishment is not a sustainable solution to fund annual recurring revenue cost such as salaries.

Response from the Overview & Scrutiny Committee

In accordance with the Constitution Part 3, Section A Standing Order 18.3, the Overview and Scrutiny Committee considered this amendment on 23 February 2021, in the context of the recommendations of Cabinet. Following debate on the matter, Overview and Scrutiny Committee decided that it was not in support of this amendment.

3. To pass down to Town and Parish Councils a share of central government financial help for covid-19 that has been received by East Hampshire District Council.

EHDC has received grants to make good 75% of lost revenue. The Towns and Parishes have received nothing yet faced significant loss of income. Provision should be made to grant Town and Parish Councils the same pro-rata support. The Government aid was to support communities during the covid-19 crisis and it is our moral duty to pass this on as appropriate to our towns and villages.

S151 Response

Town and Parish Council represent 4.6% of the overall Council Tax Bill, EHDC proportion is 7.2%.

Town and Parish Councils (TPCs) have no annual referendum cap to their precepts while that of EHDC is capped at 2.99% or £5 for the next financial year. Seven of the top ten (based on tax base) TPCs this year increased their precepts by an average of 5.2%. (Full details of increases can be found on page 10 of the Council Meeting papers for the 25th February)

East Hampshire District Council as the precepting authority has ensured that Town and Parish Councils have received in full their precept for the current financial year.

Not surprisingly as a result of the pandemic collection rates have fallen on previous years representing a loss of approximately £1 million to date, this bad debt is born fully by EHDC and is not shared equitably with the other preceptors. Central government have agreed a scheme to compensate for bad debt that can be directly attributed to the pandemic but this support is spread over the next three financial years.

The pandemic has had an unprecedented impact on the national and local economy, the full impact of which will not be known for some time yet.

Without the funding from central government EHDC would be facing an end of year deficit of approximately £1.4 million, the major impact being made up of a reduction in income, fees and charges of £3.6 million of which only £2.3 million is recoverable from government grants and organisational savings of £600k. By closely monitoring and controlling spend and ensuring that claims are put through to central government the forecast to the end of year is in an almost balanced position.

The Council has continued to deliver the full range of services to its residents and businesses throughout the pandemic as well as taking on and delivering targeted services to support the most vulnerable residents, the distribution of £50 million of grants to businesses plus the administration of the Council Tax Hardship grants to over 1600 households and the Test and Trace financial support grants. The authority has also supported mobile testing centers, community testing and vaccination centers by providing premises and officer volunteers. The Covid funding from government has enabled the authority to continue to function to deliver support across all its customers without having to stop services or release reserve funding set aside for strategic investment and financial support for key corporate priorities in the District.

There is still no certainty on future funding to local authorities from central government and based on the current information the authority is forecasting within the Medium Term Financial Strategy (MTFS) that by 2023/24 the council will move from surplus to a year on year deficit position (see appendix B page 13 of Budget Report). The MTFS does not make provision with the revenue budget for any future unforeseen financial challenges (such as a major recession). The Cabinet and Strategic Management Team will continue to work to mitigate this position but currently these would be funded from the general reserve.

It would not be financially prudent or sustainable to use the general reserve to provide funding to other preceptors.

Response from the Overview & Scrutiny Committee

In accordance with the Constitution Part 3, Section A Standing Order 18.3, the Overview and Scrutiny Committee considered this amendment on 23 February 2021, in the context of the recommendations of Cabinet. Following debate on the matter, Overview and Scrutiny Committee decided that it was not in support of this amendment.