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POLICY AND FINANCE COMMITTEE

11 December 2024 at 6.00 pm

Present: Councillors Lury (Chair), Nash (Vice-Chair), Birch, Cooper, Greenway, Gunner, Huntley (Substituting for Councillor Brooks), Pendleton and Stanley.

[Note: Councillor Stanley was absent from the meeting during consideration of the matters referred to in the following minute – Minute 324 to Minute 331 (Part)].

Councillors Goodheart and Tandy were also in attendance at the meeting.

324. APOLOGY FOR ABSENCE

An Apology for Absence had been received from Councillor Brooks.

325. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

326. MINUTES

The minutes from the last Meeting of the committee held on 24 October 2024 were approved as a correct record and were signed by the Chair at the conclusion of the meeting.

327. ITEMS NOT ON THE AGENDA THAT THE CHAIR OF THE MEETING IS OF THE OPINION SHOULD BE CONSIDERED AS A MATTER OF URGENCY BY REASON OF SPECIAL CIRCUMSTANCES

The Chair confirmed that there were no urgent items for the Committee to consider.

328. PUBLIC QUESTION TIME

The Chair confirmed that no questions had been submitted for this meeting.

329. CARBON EMISSION UPDATE - 2023-2024 FINANCIAL YEAR

The Climate Change and Sustainability Officer presented his report updating Members on the emissions (Scope 1, 2 and 3) of the Council for the 2023-2024 financial year. He provided some background to the report reminding Members that in October 2021 the Council adopted its Carbon Neutral Strategy 2022-2030 and the Climate Action and Biodiversity Work Plan 2022-2023 in February 2022. Written within the Action Plan had been a commitment to continue to monitor the emissions generated by the Council on a yearly basis to ensure that the Council could effectively monitor

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how its activities were impacting those emissions and to ensure that reductions were taking place in line with the 2030 carbon neutral target. This included Scopes 1, 2 and 3 as detailed below:

- Scope 1 – emissions directly attributed to burning of fuels for heating council buildings and running its fleet
- Scope 2 – indirect emissions from the purchase of electricity and directly controlled by the Council
- Scope 3 – from the activities of the Council but from sources not owned or directly controlled by the Council, such as purchased goods and services [procurement], staff commuting, business travel and waste generated by the Council.

It was explained that this update report provided the Committee with an overview in terms of where the Council's emissions were sitting for the 2023-2024 financial year as well as providing a comparison to the current baseline year set for the 2020-2021 financial year.

Members' attention was drawn to the Appendix figures providing detail for all previous years of monitoring, including the 2023-24 financial year. A brief overview of the results for each of the scopes was provided and it was explained that all emissions were displayed as tonnes of carbon dioxide equivalent or tco2e which was the standard unit for measuring emissions regardless of whether they were from carbon dioxide or another greenhouse gas such as methane allowing all greenhouse gases to be compared using the same unit.

In terms of the results and comparisons to the current baseline year, Scope 1 and 2 had seen a drop from 392 tonnes of co2 equivalent in the baseline year to 137 in the 2023/24 financial year meaning that Scope 1 and 2 were now sitting at roughly 0.83% of the Council's total emissions in 2023-2024. Scope 3 continued to make up most of the Council's emissions and sat at roughly 99%, with the largest single emitters remaining the same as previous years being the purchase of goods and services at 91% and the leisure centres at 6%. Scope 3 had seen a reduction in emissions dropping from 27,382 tonnes of co2 equivalent to 16,255. Looking at all three scopes together an overall reduction from 27,774 to 16,118 tonnes could be seen which was positive news. The Council had, and would continue to, undertake work around reducing emissions further and would look at improving data collection for the annual carbon audit. It was highlighted that it was extremely challenging to measure emissions, and this should very much be used to help with the direction of travel and to highlight hotspots rather than being used as an exact science.

The Committee was advised that the Climate Change and Biodiversity Action Plan would be revised in accordance with the updated results along with updates to specific actions. The updated Action Plan would be brought to the Committee's meeting to be held on 13 March 2025. At that meeting, Councillors would receive information on projects that had been undertaken to assist the Council with its emission reduction and general sustainability.

The Chair then invited questions from Members. In terms of the figures that had been provided and looking at the 41.4% decrease it was questioned if offsetting would be needed to ensure that the Council's target would be reached, and as the report had mentioned that dialogue was already underway with West Sussex County Council (WSSC) and other West Sussex District and Boroughs to determine the best offsetting option. The Climate Change and Sustainability Officer was asked to provide further detail on this. It was explained that conversations had taken place with the South Downs National Park and the Polladium Group and that the Council was working with them to determine what the total price would be for offsetting emissions. The viewpoint of WSSC, Arun and other District and Boroughs was that it was likely that Councils would need to have to bulk buy offset credits due to the minimum purchase requirements. The Climate Change Officer highlighted further that there would also be a possibility to offset some emissions using tree plants on land currently owned by the Council, if it would be certified by the Woodland Trust. Having received this response, it was queried whether sufficient research had been undertaken regarding the value of offsetting. It was explained that the Council's approach would be to reduce as many emissions as possible so that the offsetting requirement would then be as low as it could be. With most of the emissions coming from the Council's purchasing of goods and services, it would be very challenging to reduce these to zero by 2030 as this work would be reliant upon the Council's suppliers reducing their emissions. The Climate Change and Sustainability Officer confirmed that he was aware of the challenges surrounding offsetting and that if this was relied upon too heavily, it could result in little being progressed. He was asked how the Council was able to influence suppliers to reduce emissions and if any positive results could be seen from such work. He confirmed that the strongest way in which the council could move forward was by incorporating methods to reduce emissions into new contracts as a requirement, this included reporting Arun's specific emissions as well as incorporating sustainability. This had been the case in procuring the Council's Combined Cleansing Services Contract which included strong sustainability aspects within it. He was also liaising with suppliers in terms of what they could and could not report and what sustainability actions they could confirm they were undertaking.

A query was raised in relation to the 41.4% reduction figure mentioned earlier in that it was not an accurate like for like comparison and that the correct figures was 9.7%, could this be confirmed? It was explained that this was correct when looking at the current baseline for the 20/21 financial year where different methodology had been used. It was more accurate to compare the 2022/23 to the 2023/24 financial years which was why looking the baseline year would be updated to the 2023/24 financial year.

330. CONSOLIDATED COUNCIL AND POLICY & FINANCE COMMITTEE BUDGET MONITORING REPORT TO 30 SEPTEMBER 2024

The Group Head of Finance and Section 151 Officer introduced his Budget Monitoring Report covering Quarter 2 for the financial year 2024/25 and the period up to 30 September 2024, appraising the Committee of the Council's consolidated General Fund Revenue, Capital and Housing Revenue Account forecast against the 2024/25 budgets approved by Council on 21 February 2024. The Committee was being asked to consider the report and provide Officers with any comments.

The first part of the report presented the Quarter 2 forecast for the financial year 2024/25 and included a consolidated Revenue Budget summary; Housing Revenue Account (HRA) summary; and Consolidated Capital Programme summary. The Committee's financial report as of 30 September 2024 for the Quarter 2 period had been attached to the report at Appendix 1.

The following highlights were reported:

- The anticipated contribution from reserves was forecast lower than budget by £165k in the current financial year, however, Councillors were reminded that it would still be necessary to draw down £3.4m from reserves.
- The net forecast below did show some slight improvement and included some budget pressures around homelessness and savings that had been built into the forecast.
- The forecast end of year HRA reserve balance showed an increase to £981k from an operating position of £482k. Appendix A to the report provided a detailed summary. It was stated that the HRA was starting to experience more stability with regards to the inhouse repairs and maintenance service and that volatility around that forecast was starting to steady.
- The General Fund Capital programme showed a reprofiled capital programme and no changes in the budget totals. The additional funding of £3m approved by Full Council on 6 November 2024 for the Alexandra Theatre had not been included due to timings as this quarter 2 report included everything up to the end of September 2024. This would be added to the Quarter 3 report.
- Pages 8 to 9 provided more detail about the reprofiled capital budgets against the forecast figures. This did not include the original budgets, but did include a commentary on capital slippage
- On the HRA capital programme - £6.7m had been moved from the stock development budget. Members would be advised later as to how that money would be spent.
- The Sheltered Housing and Decarbonisation schemes had all been moved into future years to align with new commencement dates.

- On the consolidated revenue budget summary - £165k less drawdown from usable reserves was a positive sign and had been due to having additional unexpected income from business rates. A further £100k had been received from non ring-fenced grants for new burdens funding received in year. On the cost of service, the forecast outturn suggested a £163k overspend against budget including pressures around temporary accommodation and approved savings, which were forecast to be £564k less than anticipated.
- The savings progress by Committee had been provided at Page 6 of the appendix. It was reported that there were some areas of concern, but it was anticipated that most of these would be delivered in the 25/26 budget
- The HRA reserve forecast showed an increase to £989k from £482k. The expectation was to achieve a surplus of around £1m which should be realistic as the main risk areas were settling down.
- General Fund capital programme – the 24/25 programme forecast expenditure was £14.2m against a reprofiled budget of £13.8m. Details had been included in Appendix A.

The Chair before inviting questions from Members, stated that the Council was eagerly awaiting the Local Government Finance Settlement which was due on 19 December 2024. He had attended a recent webinar with the Ministry of Housing Communities and Local Government [MHCLG] but could not confirm the likely settlement figure that the Council would receive. The Settlement would be discussed as part of the next item on the agenda.

The Chair then invited questions from Members. The first question related to the presentation of the forecast figures being listed as budget for 2024/25. Looking at sheltered accommodation for 2024/25, no figure had been provided. Concern was expressed that Councillors had approved that £2m would be spent during 2024/25 on these schemes and this had not taken place. Concern was also expressed over the fact that some projects required feasibility studies to be undertaken to allow those projects to be profiled. This meant that the figures should have never been in the budget in the first place as the feasibility work had not been undertaken to do them.

Reference was again made and concerns raised over project slippage. This was a concern that had been repeatedly raised covering the last few cycles of meetings and the Interim Chief Executive Officer had confirmed that this was untrue. There had been multiple projects that had run over time and budget and so confirmation was sought that the concerns that had been raised were legitimate. The Chair agreed that some projects had not progressed at the speed they should have and that there were sound reasons to explain that and, in some instances, this had been due to circumstances that were beyond the Council's control. The Section 151 Officer stated that he accepted the points that had been made in terms of how the budget figures had been illustrated within the report but referred Members to Page 7 of the Appendix which was a new page designed to capture this information and to make the report easier for Members to

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understand. He confirmed that if Members decided that they wished to have more information added regarding original budgets, he would be happy to incorporate the request in producing the Quarter 3 budget monitoring report.

The Chief Executive in contributing to the debate on project slippage and budget overspending stated that she agreed with the comments made by the Chair recognising that projects did sometimes slip and often that this was beyond the Council's control or was because the Council had insufficient resources available to take a project forward. The Councillor who had raised this as a concern stated that it was important to discuss so that Councillors had full understanding in setting the budget. He also added that it had been disappointing to be told the concern raised had not been accurate, but it was pleasing to have on record that the correction had been made.

Approval was given by the Committee for a non-Committee Member to address the meeting. Concern was expressed regarding the savings progress made by committee and in relation to the Environment and Housing & Wellbeing Committees. The first concern was over car parking income as this showed an underperformance of £196k in terms of income targets. The second related to the fact that £205k temporary accommodation savings were unachievable. They stated that these were startling under achievements and warranted further investigation and scrutiny.

In response, the Group Head of Finance and Section 151 Officer confirmed that he would happily provide a detailed response outside of the meeting. He also reminded Members that when the savings were presented, he was clear that there was a level of risk around the delivery of some savings.

331. MEDIUM TERM FINANCIAL FORECAST 2025-26 TO 2029-30

The Group Head of Finance and Section 151 Officer presented to Members his report providing an update on the Council's Financial Forecast for 2025/26 to 2029/30 and economic prospects arising from the main issues affecting the Council and their impact. As identified as part of the discussion on the last item, there was much uncertainty around the budget figures at this time due to the pending Local Government Finance Settlement.

The report was also asking Members to note the financial parameters for the preparation of the 2025/26 revenue budget, and it provided updates on the public budget consultation, Members Budget Working Group and future participation in the West Sussex Business Rates Pool.

The main highlights brought to the attention of Councillors by the Group Head of Finance and Section 151 Officer were:

- The detail surrounding the 2025/26 budget which was still work in progress

- The Council was looking at a £2.5m deficit which was anticipated to peak to around £6.5m by 2028/29 if the Council took no further action in cutting costs. It was emphasised that this was unlikely to happen, but that it was necessary to continue to outline the dangers and that this strong warning needed to be highlighted.
- After 2025/26 it was expected that some external funding would reduce substantially
- The provisional Local Government Finance Settlement announcement was due on 19 December 2024. This included a range of unknowns which had been detailed in Paragraphs 4.3 to 4.10 of the report for Members to review.
- The major items to be aware of were; Employers' National Insurance contributions to increase by 1.2% and the threshold at which NICs would be payable would reduce from £9.1k to £5k which would add a cost of around £350k to the Council's revenue budget.
- Having attended the Webinar referred to earlier by the Chair, the MHCLG had confirmed that it would cover those costs, but no details had been provided whether the funding would be sufficient. Confirmation as part of the Settlement was awaited.
- An additional £1.3 billion had been allocated to local government of which £600 million would be allocated to authorities responsible for adult and social care provision. The other £700m would be allocated to councils on a deprivation-based approach. No further information about what this meant had been provided and so the Section 151 Officer, stated that caution needed to be applied as it could be the case that Arun might not receive any of that funding.
- The Government had confirmed that it would commence the Fair Funding Review which would impact 2025/26 budgets to begin with and then implementing further resource redistribution in future years to address an imbalance in Local Government funding. It was not clear if there would be any transitional funding to soften any reduced impact for the Council.
- The broad principles for setting the budget for 2025/26 had been illustrated in paragraphs 4.10 to 4.28 of the report. It was confirmed that all assumptions in the report would remain under review until the budget was completed.
- An assumption of an annual increase of 2% for staff pay awards had been forecast for future years from 2025/26, this would be kept under review
- The table at paragraph 4.13 set out the forecast net changes in grant allocations against the 2024/25 base budget. Current modelling assumptions showed that the Council's grant share would increase by £462k but this needed to be confirmed following the webinar referred to earlier as this had made an inference that those figures might be frozen.
- There was a firm assumption that New Homes Bonus (NHB) would disappear after 2025/26 and there was no confirmation that there would be anything to replace it.

- The Funding Guarantee Grant also provided a degree of uncertainty as current modelling assumed that it would reduce without anything to replace it
- In terms of council tax, the same referendum principles as in previous years applied to Arun as a district council with a maximum increase of 3% or £5 permitted. The MHCLG had indicated that they would consider bigger increases but only by exception which was unlikely to apply to this Council as it had a good level of reserves.
- The Council would continue with its participation in the West Sussex Business Rates Pool for 2025/26
- Appendix B to the report set out the impact on the Council's Usable Revenue Reserves based on the updated forecasts. As mentioned earlier, if the Council failed to deliver the objectives of its Financial Strategy, it would exhaust these by 2028/29.
- The table at Paragraph 4.25 set out the impact of recent decisions by Members in terms of foregone income opportunities. The Section 151 Officer stated that he understood the difficulty for Councillors in making some of those decisions but had to re-emphasise the point that it was very necessary to make those difficult decisions at some point in the future
- Another headline item not featured within the report, was an announcement that had been received following agenda publication regarding extended producer payments where the Government would charge producers the costs of disposal associated with packaging. The Council would receive a guaranteed payment of £1.4m in 2025/26 which was good news albeit there were caveats attached to this receipt which would be closely monitored when confirmed.
- In finalising his presentation, the Section 151 Officer explained again the highlighted risks being the impacts from the fair funding review remaining as the most serious concern. The view was that the council's share of business rate income would reduce even though there was no detail to confirm that at this point. Continuing cost increases around temporary accommodation and what, if anything, would replace NHB minimum funding guarantee grants remained as significant concerns.

The Chair thanked the Group Head of Finance and Section 151 Officer for his detailed presentation. He stated that what was of real concern with the Fair Funding Review where funds would be allocated on a deprivation-based account. It was the Chair's view that the South-East was not just an area of prosperity, and he hoped that the Government would take note and listen to this as it needed to be recognised that there were pockets of severe deprivation in the Arun district.

The Chair then invited questions and comments from the Committee. One observation expressed with the report and the Fair Funding Review was that levels of deprivation in some areas of Littlehampton and Bognor Regis were very high and compared with deprived areas in the north of England and this could be positive for the Council. There was a great deal of uncertainty attached to planning the Council's budget for 2025/26 and so the settlement next week was eagerly awaited. Paragraph

4.24 of the report accurately summarised the Council's position and it was acknowledged that the budget for 2025/26 would be a "standstill" budget for valid reasons and emphasised that budget decisions going forward would be unpleasant to make and would mean that unpopular cuts and savings would need to be addressed soon.

A level of criticism was made towards this "standstill" budget. Great mention had been made of the need to think about and make difficult decisions but there were no proposals to do this within the forthcoming budget. In response, the Group Head of Finance and Section 151 Officer noted the comment made. In the report he had explained the assumptions around Council Tax and increases and that his advice as Section 151 Officer was that there was a large structural budget deficit and that he could not say with any certainty that this would reduce. Councillors could vote to include uncommitted growth into the budget; however, it was his strong advice to not do this for all the reasons already outlined.

Debate continued with queries relating to Council Tax premium and the formation of a Budget Working Group. It was also queried how this budget monitoring report might be affected by the Settlement announcement next week and as this report did draw a concerning picture for the future. The Section 151 Officer confirmed that a further Members' Briefing would be held before the next meeting of the Committee in February 2025 to explain the key headlines confirmed by the settlement.

Further discussion took place on plans to establish a Budget Working Group and why there were no firm proposals to consider its establishment in planning ahead for the 2026/27 budget. The Chair reminded the Committee that the Section 151 Officer had been requested to assess the feasibility of setting up such a group, he had not been instructed to establish one. In response, the Section 151 Officer provided an explanation, reminding Councillors that this Committee had requested that he examine and consider proposals to establish a Working Group. The report presented explained why this was not proposed at this time. Looking ahead the Section 151 Officer would continue to explore ways in which engagement with Members within the budget setting process could be enhanced.

Input from other Members of the Committee praised the budget process that had been put into place under the Committee system as this had resulted in Councillors receiving more information as well as being presented with more opportunity to discuss the budget than ever before. Public consultation had been introduced for the 2023/24 budget and repeated this year receiving a significant improvement in feedback and responses compared with the previous year. In preparing the budget, Members were reminded that each Service Committee received its budget in detail providing ample opportunity for Councillors to submit proposals or suggest amendments. In addition to that, Members were also invited to attend budget briefings allowing them to shape budgets. Sadly, this was often an opportunity that Councillors just did not take ahead of the budget Policy & Finance Committee in February and then ultimately Full Council. There were Councillors who thanked the Section 151 for his caution and wished to confirm that good progress had been made in terms of the financial position of the council. The Financial Strategy had been approved in January 2024 and measures from

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that would be implemented over the coming months. This highlighted that progress in ensuring that the council was on a financially sustainable footing had been made.

A final question was asked which was what the process would be in establishing a Working Group following this year's budget for the 2025/26 budget. The Group Head of Finance and Section 151 Officer confirmed that he would inform the Committee of further proposals in due course.

332. ITEMS PUT FORWARD FROM SERVICE COMMITTEES

The Chair confirmed that there was a recommendation for the Committee to consider from the Housing & Wellbeing Committee as detailed below.

333. HOUSING & WELLBEING COMMITTEE - 21 NOVEMBER 2024

The Committee received the minutes from the meeting of the Housing & Wellbeing Committee held on 21 November 2024. The Chair drew Members' attention to a recommendation at Minute 292 [Local Authority Housing Fund] and he alerted Members to the Officer Report that had been provided accompanying the minutes.

The Chair confirmed that this Committee was being asked to recommend to Full Council to include this scheme within the Council's capital programme at a total cost of £3,870,600 with £1,771,000 capital funding from central government grant, £630,000 from Section 106 receipts and £1,469,600 to be funded by the Council through additional borrowing.

Prior to commencing debate on this item, Councillor Birch proposed the recommendation which was seconded by Councillor Nash.

The Committee in debating the recommendation questioned the legality of what had been resolved by the Housing & Wellbeing Committee at resolution c). This read "Approve use of £630k affordable housing S106 receipts, subject to the Group Head of Housing, Communities and Wellbeing confirming that the use of S106 receipts for temporary accommodation was lawful". There were some Councillors that wished to receive this confirmation, and the Director of Environment & Communities was asked if she could update the Committee. She stated that she could not provide this confirmation but that she would be happy to provide this outside of the meeting.

Further debate took place in terms of whether this was necessary; or whether this Committee should amend the recommendation to Council, pending receipt of this information. Disappointment was expressed by some Members of the Committee as this matter had been queried and the information requested some time ago and as it was felt to be crucial in determining whether recommendation g) should be forwarded to Council. Could this be done if taking the £630k from Section 106 was not legally allowable as previously identified by Councillors and prior to this meeting. Further advice was sought in terms of how to progress the recommendation.

Following further debate, the Director of Environment and Communities then confirmed that she had since received confirmation from the Group Head of Housing, Communities and Wellbeing, that the use of S106 receipts was lawful and he had communicated this, and that several councils were using commuted sums to prop up their LAHF delivery, which was what this scheme was.

Councillor Birch, as proposer of the recommendation, outlined that this would be an excellent use of money that would reduce the Council's temporary housing accommodation costs for the future.

The Committee

RECOMMEND TO FULL COUNCIL

To include this scheme within the Council's capital programme at a total cost of £3,870,600 with £1,771,000 capital funding from central government grant, £630,000 from Section 106 receipts and £1,469,600 to be funded by the Council through additional borrowing.

334. OUTSIDE BODIES - FEEDBACK FROM MEETINGS

The Chair provided a verbal update to the Committee reporting on the success of a visit made by the Department of Trade and Industry, organised through the Greater Brighton Economic Board, to a business in Littlehampton called GB Electronics.

335. WORK PROGRAMME

In receiving and noting the Committee's Work Programme for the remainder of the Municipal Year 2024/25, a request was made by Councillor Gunner to have added to it a report that would allow the Committee to debate the advantages and disadvantages for the Council in being a member of the Greater Brighton Economic Board and following this request being made at the last meeting of the Committee.

The Chair confirmed that the Committee's work programme had been updated following its last meeting to show that a report would be submitted to the next meeting of the Committee on 13 February 2025.

Following on from this, it was noted that there was real possibility that the Greater Brighton Economic Board could be disbanded in the future because of devolution and pending receipt of the Government's White Paper. As discussions were regularly taking place on the matter of Devolution, and in anticipation of the formation of Unitary Authorities for the region, a request was made for a Member Workshop to be organised early in 2025 to discuss the content of the White Paper and to allow all Councillors the opportunity to confirm their views.

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In response, the Chair confirmed that he would look to get this organised and he stated that having received advice from the Committee Manager in terms of available dates in the Committee Calendar, due to other meetings and briefings, that this might be difficult to arrange for early in the New Year and possibly not until early March 2024.

(During the course of the discussion on this item, Councillor Pendleton, declared a Personal Interest as a Member of West Sussex County Council).

In concluding the meeting, the Chair extended Season's Greetings to all those in attendance.

(The meeting concluded at 7.29 pm)