

Overview and Scrutiny Committee
20 NOVEMBER 2023

Present: Councillors: Paul Clarke (Chairman), Anthony Frankland (Vice-Chairman), Sam Bateman, Tony Bevis, Philip Circus, Mike Croker, Len Ellis-Brown, Nigel Emery, Alex Jeffery, Dennis Livingstone, Jonathan Taylor, Belinda Walters and Mike Wood

Apologies: Councillors: Malcolm Eastwood and Liz Kitchen

SO/32 **MINUTES**

The minutes of the meeting held on 25 September 2023 were approved as a true record and signed by the Chairman.

SO/33 **DECLARATIONS OF MEMBERS' INTERESTS**

There were no declarations of interest.

SO/34 **ANNOUNCEMENTS**

The Chairman announced at the commencement of the meeting that works to Swan Walk car park would be considered under 'Urgent Business'.

SO/35 **REPORT ON THE COUNCIL'S FINANCE AND PERFORMANCE**

The Chairman welcomed the Cabinet Member for Finance and Resources to the meeting.

The Director of Resources introduced the report on the Council's finance and performance. The report identified the revenue position as at month six, capital expenditure as at month seven, and performance for quarter two.

In terms of revenue performance, an overspend of £250,000 was forecasted as at month six.

In terms of the capital programme, expenditure as at month seven was £9.5 million, which was considerably higher than the total expenditure for the previous year which was £5.2 million. Forecasted expenditure for the year was £14.8 million, which equated to approximately 87%. This compared to 43% the previous year. The Council's Finance team had challenged that forecast and it was considered to be realistic. The position was helped significantly by the Local Authority Housing Fund (LAHF) spend, for which the budget was £7.65 million. Of the £9.3 million which did not relate to the LAHF, forecasted expenditure for the year was £7.1 million or 77%.

Key performance indicators for the second quarter (where available) were provided in Appendix A to the report. Performance had improved since the previous quarter.

Throughout the presentation, the Director of Resources answered questions that had been submitted in advance as well as those that were put to him during the meeting. Among the matters raised were:

Revenue

- How the Council planned to fix the projected deficit. The Director of Resources explained that historically budget holders had underestimated income and overestimated expenditure; if history repeated itself, the position should improve of its own accord by the end of the year. He had reminded budget holders of the importance of not being pessimistic on income and had challenged them on expenditure. If the position did not improve by quarter three, there was still time for action to be taken and, ultimately, there were reserves available to cover the overspend.
- Why there had been such a big increase in spending compared to the previous year and how the Council planned to handle this by the end of the current year and in future years. The Director of Resources advised that this was largely due to high inflation. Salaries had increased, there was continued demand for bed and breakfast and temporary accommodation, and Planning income had reduced due to water neutrality. Expenditure would increase for the rest of the current year and could also increase the following year. Increased expenditure was being offset by treasury management investment income, which presented a significant risk as a reduction in treasury management balances or the interest rate would lead to a reduction in that income. The Medium-Term Financial Strategy detailed how the Council planned to handle the situation in future years.
- Whether it was normal for debt older than 90 days to continue to increase or if this was likely to decrease. The Director of Resources assured Members that the Legal and Planning departments were working hard on resolving these matters and he was hopeful that this would yield results.

Capital Programme

- How much higher the improvement costs for Parkside were expected to be. The Director of Resources advised that the costs were expected to be over £100,000 more than the original budget of £150,000. Consideration would be given to whether or not to proceed with the project in view of the possibility that the Council could be vacating the building in the next few years.

Performance

- How the Council's performance compared with that of other councils. The Director of Resources explained that it was difficult to make direct comparisons with other councils as targets were largely locally set. The Office for Local Government (Oflog) was, however, beginning to

introduce some national targets which would make it easier to compare against other councils.

- How the improvement in the Council's performance indicators had been achieved. The Director of Resources explained that this depended on the performance indicator but often it was a combination of resourcing and circumstance. Another reason was the revision of an unrealistic target.
- Whether the target for income from Horsham District Council owned and managed commercial and industrial estate space should be reviewed, given that the Council had far exceeded it for the previous three years. The Head of Finance and Performance explained that this was due to a timing difference between rent periods and receipts of rental income. The Director of Resources advised that there would be a new performance indicator in place from the next financial year to make this clearer.
- Whether the Council had any plans to encourage more residents to pay Council Tax by direct debit. The Cabinet Member for Finance and Resources advised that Council Tax demands would be accompanied by a leaflet which could be used to encourage payment by direct debit.

Horsham Museum was congratulated on having exceeded its attendance target.

SO/36 **REVIEW OF THE COUNCIL'S MEDIUM-TERM FINANCIAL STRATEGY UPDATE**

The Director of Resources gave an update on the Council's Medium-Term Financial Strategy, in respect of which a draft report had been circulated to Members in advance of the meeting.

He advised that the Medium-Term Financial Strategy was largely based on assumptions and estimates which created uncertainty, and the figures for later years would be less accurate than those for earlier years. The figures were subject to adjustment as the Finance team continued to update the budget system and challenge budget holders.

As to the 2024/25 financial year, assumptions had been made that government funding would largely be the same as for the 2023/24 financial year and that Council Tax would increase by 2.99%. As well as significant inflationary and salary pressures, there would also be one-off items of expenditure. These included an increase in external audit fees of £100,000, which the Council had no control over. Net expenditure was expected to increase by £0.5 million compared to the 2023/24 financial year. In order to balance its budget, the Council needed to increase its income or reduce its expenditure by reshaping its services. In that regard, changes to the Council's fees and charges, including garden waste and multi-storey car park passes, were proposed. Overall, it was expected that the Council would largely be able to balance its budget in 2024/25.

As to the position beyond 2024/25, inflationary and salary pressures would continue. Other pressures included the introduction of food waste collections,

which could have an annual cost of between £1.5 million and £1.8 million in the later years, the costs of decarbonisation which were estimated to be between £10 million and £12 million, and the loss of Planning income due to water neutrality. It was also anticipated that the temporary funding guarantee grant from government would be removed, although this had not been included in the Council's revenue budget. The Director of Resources drew Members' attention to the impact that big capital projects such as updating The Capitol would have on the Council's financial position.

Following the presentation, the Cabinet Member for Finance and Resources answered questions that had been submitted in advance as well as those that were put to him during the meeting. Among the points raised were:

- What the Council's strategy was for identifying and managing demands on capital that were required to reach the Council's 2030 carbon neutrality target. The Cabinet Member advised that the strategy needed to be developed as the Council was working with imperfect data. Work was being undertaken in relation to understanding the financial costs of achieving net zero. The Capitol was being prioritised as it was also in need of refurbishment. Other assets such as leisure centres would also be addressed, although technically these were included in the Council's 2050 carbon neutrality target.
- The cost of maintaining Council Tax support at £195 for one year and over the Medium-Term Financial Strategy period. The Cabinet Member advised that the projected total cost for 2024/25 was around £0.5 million. This would be funded from the temporary funding guarantee grant due to be received from government. This grant was not included in the Council's revenue budget so that the Council did not become reliant on it. As the amount of Council Tax support would remain the same as in 2023/24 and Council Tax was expected to increase, there would be a slight reduction in real terms support. This recognised not only that the Council was funding the scheme alone but also that claimants could begin to get used to and expect the funding in future years. The future of the scheme depended largely on future financial settlements, and the Revenues and Benefits team were looking at possible options. The Finance and Resources Policy Development Advisory Group would be reported to in relation to this in early 2024.
- Why the Council intended to commit to a 1-2-3 waste collection scheme rather than a 1-2-2 waste collection scheme which cost only £300,000 more and would provide a better level of service. The Cabinet Member advised that data from the Council's trial indicated that a standard 140 litre bin provided plenty of room for waste if collected every three weeks. As well as the cost differential, there was also an environmental impact to collecting bins that were half full. Households that required more frequent collections of absorbent hygiene products would be able to sign up to these, albeit such collections would come at a cost.
- If the Council had data on whether moving to less frequent collections would result in vehicles returning to the depot more frequently, as they would fill up quicker. The Cabinet Member advised that he did not have that data to hand but would respond separately. A former Cabinet

Member who had responsibility for recycling and waste explained that a 1-2-3 waste collection scheme should not lead to residual waste vehicles becoming overloaded as around 40% of waste in residual waste bins was food waste, which would be collected separately, and additional items could also now be recycled.

- Whether the Cabinet Member would create a budget of around £150,000 to be used to support local businesses in the event of major disruption, such as that caused by the closures of the A29 at Pulborough and the A272 at Midhurst. The Cabinet Member advised that further budget could be added during the year if required. His preference was to utilise reserves rather than to create a budget that was regularly not spent or spent on other things. In response to a comment made in relation to the time it took for funds that were not budgeted for to be made available, the Cabinet Member advised that an emergency Council meeting could be arranged at short notice. The Director of Resources reminded Members about the delegation that he had been granted which enabled him to authorise expenditure up to £100,000 that had not been budgeted for, subject to the check and balance of the Leader, the Cabinet Member and the Chairman of the Overview and Scrutiny Committee.
- Whether the above-mentioned delegation threshold could be increased in certain situations. The Director of Resources explained that he was more comfortable that Full Council made the decision as this would enable different viewpoints to be considered.
- Whether, as part of the constitutional review, consideration could be given to empowering the Cabinet to make decisions in emergency situations. The Cabinet Member advised that there would be a working party on the constitution and that suggestion could be made to it.

SO/37 **UPDATE FROM TASK AND FINISH GROUPS**

Councillor Bateman provided an update on the progress of the Fair Space Task and Finish Group. She advised that she had been asked to chair the Group and the Group had started working through its terms of reference. The Group had identified which policies it might like to review and would be meeting in early January to decide what improvements and adaptations might be required to be made to them. The Group also intended to look at equalities impact assessments in the context of policy implementation.

The Chairman advised that he was considering setting up a Task and Finish Group looking at the monitoring of section 106 agreements, including matters such as the transfer of public open spaces. He had been advised that the Council's internal audit team was looking at the section 106 system and he was waiting to hear what their remit was in order to avoid duplicating work. He agreed to come back to the Committee with his proposals.

The Chairman also advised that he was in discussions with the Chair of the Governance Committee in relation to other matters that might be considered by either an Overview and Scrutiny Task and Finish Group or the Governance Committee. He agreed to keep the Committee informed.

SO/38 **WORK PROGRAMME**

The Overview and Scrutiny work programme was noted.

SO/39 **CABINET FORWARD PLAN**

Members considered the Cabinet Forward Plan and raised the following points:

- The creation of a new Head of Service post and the Shelley Memorial Partnership were welcomed.
- A point was made in relation to avoiding local government jargon when naming posts.
- Clarity was sought on the correct contact officer for the review of polling districts and polling places. The Democratic Services Officer advised that the reason Jane Eaton was the contact officer was because she was the Returning Officer.
- It was considered that the name 'Wells Cottages Conservation Area' was misleading as the conservation area did not only protect Wells Cottages. It was also noted that historical photographs of the affected roads were shown at the last Cabinet meeting where the item was considered, and it was thought to be more logical for up-to-date photographs to be shown. The Chairman agreed to contact the Head of Strategic Planning and the Cabinet Member for Planning and Infrastructure in relation to these points.

SO/40 **URGENT BUSINESS**

The Property Management Team Leader gave an update on the works to the Swan Walk car park. The membrane that had been removed from the top floor of the car park needed to be replaced. This matter had become reasonably urgent due to the change in temperature, which affected the ability to undertake repairs, and the fact that the surface was now exposed to rain. The Council would also be able to generate revenue from the area once it was operational again. The Council had been out to tender for the remainder of the works and a further budget of £298,845 to that which had previously been agreed was required. The tender price was fixed for 30 days.

Following the update, the Property Management Team Leader took questions from Members. Among the matters raised were:

Swan Walk car park maintenance

- Whether the car park had been deemed unsafe. The Property Management Team Leader advised that the car park was not unsafe but there was potential for further deterioration.
- In relation to the timescale for completing the works, the Property Management Team Leader advised that a period of ten weeks had been given but the contractor and their manufacturer believed that the works could be completed two weeks before Christmas.

- The expected loss of revenue and whether it was worth pushing to get the works finished before Christmas, given that it was a busy period. The Director of Resources advised that revenue of up to around £180,000 could be lost in a worst-case scenario. The Council would do everything it could to try to mitigate this, including opening up other areas for car parking. He acknowledged that there was a trade-off between spending more but reducing the timescale and not spending more but losing revenue if the works took longer. He added that he did not, however, think that the Council could afford to wait until the temperature had risen in April to undertake the works, as the price could have increased by then.
- What the Council could do to address residents' concerns. The Director of Resources advised that 'park and ride' was operating at Hop Oast and there were other car parks available. Whilst residents might be inconvenienced, he did not think that car parking would be a significant issue.
- Whether there was a risk that the Council was paying a premium due to the short lead time. The Property Management Team Leader advised that a minor amount of the tender price reflected the short lead time.
- On what basis the contract was awarded. The Property Management Team Leader advised that it was awarded based on price.
- Whether the damage would have been minimised, and the repair costs would have been much less, had the membrane been replaced eight years ago, which was when its guarantee had expired. The Property Management Team Leader advised that the membrane would have deteriorated more over those eight years, but it was able to be used for a further eight years. As to the repair costs, the Director of Resources highlighted that had the membrane been replaced eight years ago, it would be due a further replacement in two years' time. It was a case of managing the risk and trying to extract as much value as possible out of the asset.
- Whether the damage had been known about earlier. The Property Management Team Leader explained that engineers had determined that the membrane was completely intact until around 18 months ago when some deterioration on the driving areas was noticed and repaired. In response to a further question asked in relation to the frequency of inspections, the Property Management Team Leader advised that inspections were carried out as part of the Council's annual maintenance plan and experts were consulted for further information if required.
- The cost of not undertaking the work at the present time. The Property Management Team Leader explained that there would be further deterioration, which would result in a greater area needing repair.
- Whether the anti-jump fencing would be retained whilst the works were being undertaken. The Property Management Team Leader confirmed that the edge of the car park would be attended to first and barrier fencing would be erected within the first week of work.

Other maintenance

- Whether the Council had other facilities that would soon be requiring maintenance. The Property Management Team Leader advised that the

Council's car parks were subject to a life-care plan. The Council undertook planned preventative maintenance on its properties annually and also had a five-year fabric maintenance plan, which it was looking to renew. In addition, the team would be looking at The Capitol in more detail in view of the possible refurbishment.

- The risk associated with maintenance of the Council's leisure centres being the responsibility of the operator. The Property Management Team Leader acknowledged that this was a risk but with the lease coming up for renewal in 2027, arrangements would be made for a condition report to be undertaken and the operator would be called to task on any areas that had not been maintained appropriately.
- Whether those facilities that were subject to an annual review were able to be reviewed more or less frequently if required. The Property Management Team Leader explained that programmed maintenance was reviewed and was adjusted to reflect need.

The Chairman raised the matter of setting key performance indicators in relation to property maintenance. He had not been able to come up with a meaningful key performance indicator but he encouraged Members to email him should they have any ideas.

The meeting closed at 7.10 pm having commenced at 5.30 pm

CHAIRMAN