

Report to	-	Cabinet
Date	-	6 November 2017
Report of the	-	Executive Director of Resources
Subject	-	Medium Term Financial Strategy 2018/19 to 2022/23

The Overview and Scrutiny Committee meeting held on 16 October 2017, considered a report on the Medium Term Financial Strategy 2018/19 to 2022/23. The recommendation and minute arising is reproduced below.

Recommendation to COUNCIL: That the revised Capital Programme at Appendix C to the report be approved.

AND

It be **RESOLVED:** That Cabinet be requested to approve that:

- 1) the financial considerations considered in the report be reflected in the Council's Medium Term Financial Strategy; and
 - 2) the Council maintain its policy of maximising the annual increase in Council Tax within the Government's referendum limit.
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OSC17/28. **MEDIUM TERM FINANCIAL STRATEGY 2018/19 TO 2022/23**

Members considered the report of the Executive Director of Resources which set out the main financial issues affecting the Council's Revenue Budget, Capital Programme and Reserves. All updated information had been incorporated into the Medium Term Financial Strategy (MTFS) appended to the report which set the financial framework for the next five years. Members noted that the strategy would be modified as the financial situation of the Council changed over the five year period. It was important that the MTFS supported the delivery of the Council's aims and objectives set out in the Corporate Plan.

The Committee's views were sought on the Council's new MTFS 2018/19 to 2022/23 and the following was noted:

- Revenue Support Grant (RSG) and News Homes Bonus Grant (NHBG): Immediate concern for the Council was the Government's withdrawal of the RSG, as well as the potential to remove the NHBG by 2019/20. Therefore forward planning would be essential to ensure that any funding gap was met.
- Business Rates: In September, the Government announced that they were expanding the 100% retention in business rates council pilot schemes to two tier areas. Discussion had been held between the councils to consider the re-establishment of the East Sussex Business Pool (ESBP) and, in particular volunteering to be a pilot

area. The pilot scheme was not supported however, if financially sensible, re-establishment of the ESBP would be made in early 2018. The revaluation of business rates came into effect in April 2017; the amount under appeal for Rother and the trend for settlement rates were currently not known and therefore making provision for appeals would be difficult.

- Council Tax: If Council Tax was increased by £5 per annum (maximum below the referendum rate) then an additional £1.1m of income would be achieved on the 2017/18 tax base.
- Council Tax Reduction Scheme: Following discussions across the county, it was proposed to maintain the current and develop a new simplified scheme for 2019/20 onwards. Options for the new scheme would be developed in partnership with the East Sussex councils. A consultation period would commence during summer 2018 for final approval in December 2018. It was assumed that the amount of relief given would be similar to what was currently granted.
- Property Investment Strategy: In December, the Council would be considering adopting a Property Investment Strategy to deliver an annual financial return of approximately £350,000 to support the Revenue Budget based on the £7m initial investment.
- Inflation: Expected to rise during 2018/19 (CPI 3% and RPIx 4%).
- Pay Inflation: £89,000 additional income would be required should a 1% increase be applied in 2018/19.
- Funding Gap: Rother 2020 Programme had been developed to support the MTFS. The Programme formed the basis of the Sustainability and Efficiency Plan and described how the Council would be operating by 2020. The Programme mirrored the Government funding settlement and was a requirement to secure funding and would seek to meet the forecast funding gap of £1.7m by 2021/22. The main work streams within the plan were all underway, some of which would require investment and had been reflected in the Capital Programme. An additional £100,000 had been secured from the Council's investment of surplus cash with the Churches, Charities, Local Authorities' (CCLA) Property Investment Fund. It was anticipated that the Revenue Budget would be in surplus by 2021/22 should the 2020 Programme deliver planned income and savings; if not further use of reserves was likely. To achieve a balanced budget over the next three financial years, £1.229m of reserves would be required. Members would be kept abreast of any developments.
- Capital Programme: The Capital Programme reflected the initial investment requirements for Rother 2020 and the Property Investment Strategy of £7m. The Programme included the following projects: Bexhill Leisure and Swimming Centre; Rother 2020 ICT Investment; Community Housing Funding; Waste Contract; and Project Property Assets Sales which would require some external capital funding. Future funding would need to focus on a multitude of different sources including grants, community infrastructure levy, internal and external borrowing.
- Reserves: From April 2017, the Council had £14.9m of Earmarked Reserves (£5.6m related to the MTFS Reserve) and £2.5m of Capital Reserves.

The MTFS highlighted the challenges the Council continued to face due to the reduction in central Government support. The Rother 2020 Programme was designed to meet this challenge and see the Council achieve financial sustainability. The level of Council reserves was an enabler to ensure the MTFS was delivered over the next five years despite the uncertainty beyond 2019/20.

(Overview and Scrutiny Committee Agenda Item 5.2).

Malcolm Johnston
Executive Director of Resources