

Report to	-	Cabinet
Date	-	11 February 2019
Report of the	-	Executive Directors
Subject	-	Draft Revenue Budget Proposals 2019/20

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**Recommendation to COUNCIL:** That consequent to the deliberations of the Overview and Scrutiny Committee:

- 1) the level of special expenses as set out in Appendix C, be approved;
  - 2) a net expenditure level for 2019/20 of £15.3m be approved;
  - 3) the amount of earmarked reserves set out at Appendix D, be approved; and
  - 4) a Council Tax for 2019/20 at Band D be increased by £4.94 (2.8%) and set at £179.26.
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**Head of Service: Robin Vennard**

**Lead Cabinet Member: Councillor Lord Ampthill**

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## **Introduction**

1. This report updates Members on the draft Revenue Budget 2019/20 following its consideration at the meeting of the Overview and Scrutiny Committee on the 28 January 2019. The minutes of that meeting (Appendix E) should be read in conjunction with this report. Details of the responses to the budget consultation are also outlined in the report. The report contains a number of Appendices as follows:

Appendix A – Revenue Budget Summary

Appendix B – Detailed Budgets for each service

Appendix C – Special Expenses

Appendix D – Earmarked Reserves

Appendix E – Minutes of the Overview and Scrutiny Committee

Appendix F – Revenue Budget consultation

## **Revenue Support Grant and Retained Business Rates**

2. The local government settlement was announced on the 13 December 2018, after publication of the draft revenue budget 2019/20 report to Cabinet. The Government's assessment of its core spending power (Revenue Support Grant, retained business rates and council tax) to be £10.5m. As the Council no longer receives any Revenue Support Grant (RSG), the settlement for Rother is solely focused on business rate retention and specific grants. The settlement does however, show that the Government funding model shows the Council is in negative RSG in the sum of £350,000. For 2019/20 the Government has not implemented recovery of negative RSG. This does

however, highlight there is a risk of further reductions in the Council's core funding in future years.

3. The Council's baseline for business rates has increased for 2019/20 to just under £2.4m. However, as the estimated retained business rate income of £3m is in excess of the baseline for 2019/20, there is no financial benefit from this increase. The Government also confirmed that East Sussex has been approved for the 75% retention pilot scheme as approved by Cabinet on the 19 December 2018 (minute ref: CB18/54). The financial impact of being in a pilot is being reviewed following calculation of the Council's NNDR1 return and Members will be updated for any material changes identified. This will use the latest rating list and take account of any other changes to reliefs and discounts (small business rate relief being the major one) that the Government have made.
4. The Fair Funding Review is planned to be implemented in 2020/21. There is an open consultation by the Ministry of Housing, Communities and Local Government which invites responses by the 12 March. There will be further consultations after this. Officers are preparing a response to the consultation which will be shared with Members. In 2020/21 the business rates baseline will be reset based on the new methodology. There is the potential for individual authorities to see significant gains/losses in resources. There may be gains from increasing population but there may be losses as growth from business rates that Rother are currently benefiting from could be added to upper tier services or re-distributed elsewhere in the country. Business rate growth in Rother has outperformed the annual RPI increase in the Government's baseline estimate.

### **Other Government Grants**

5. The Government announced the 2019/20 New Homes Bonus grant for Rother at £449,000 compared to an assumed income in the draft revenue budget of £417,000. This has been reflected in the revised Appendix. The financial forecast assumes this grant will decline to zero by 2022/23. The Government has said however, that it wants to explore how to incentivise housing growth most effectively, for example by using the Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need. The Government has said it will consult widely on any changes prior to implementation.

### **Business Rates**

6. The Government has confirmed the Business Rate Retention Baseline for the Council for 2019/20 at £2.4m. This is used by the Government in determining the safety net for the Council i.e. the minimum income the Council can retain from business rates before the Government will provide additional funding. For Rother, the safety net taking account of the East Sussex 75% business rate pilot, will be £2.3m for 2019/20. As a result of the Pilot, the Council's tariff (the amount the Government deducts from the District Council's share of business rates) has increased to £5.7m from £4.9m in 2018/19. Under the pilot there is no levy, so the Government's share remains at 25%.

7. Taking all this into account the estimated retention of business rates included in the draft Revenue Budget is £3.6m including compensatory grants in relation to additional reliefs previously granted by the Government.
8. Members will be aware that the Pilot agreement expects the additional growth in income to be directed at economic regeneration. As such it has been assumed that this funding will support the borrowing costs arising from the Council's Property Investment Strategy (see paragraph 13 below), particularly in meeting the cost of building new commercial space in the District.

### **Council Tax and Referendum Limit**

9. The Council's Medium Term Financial Strategy relies on increasing locally generated income in order to help mitigate the loss of central government funding. Council tax generates over £6.8m of income annually, twice as much as retained business rates, and therefore forms an essential part of the Council's income. Council Tax is also a relatively stable source of income for the Council and relatively cost effective to collect.
10. The 2019/20 referendum principles, allows for an increase for Shire Districts of up to 3%, up to a maximum of £5. To ensure the Council remains within this limit, the revised Appendix A assumes an increase of £4.94 for 2019/20. This brings additional income of nearly £190,000 based on the 2019/20 taxbase.

### **Rother 2020 Programme - Efficiency Savings**

11. At its December meeting, Cabinet noted a number of efficiency savings were identified as part of the Rother 2020 programme. These have now been built into the various services in the draft Revenue Budget shown at Appendix A and Appendix B.
12. The previous target of achieving £1.8m of savings will need to increase to deal with the additional costs of dealing with homelessness and the new waste collection and street cleaning contract. Following consideration of the final bids (reported to Cabinet on 3 December 2019 (Minute CB18/41 refers) the new waste collection and street cleaning contract is approximately £1.5m more than the 2018/19 budget in a full year. This adds considerable financial pressure on the Council and further work is required during 2019/20 to identify how this funding gap will be met.

### **Impact of Capital Programme on the Revenue Budget**

13. The Council's capital programme (reported elsewhere on this agenda) totals some £63m, although £15m is yet to have funding secured. A significant part of the programme, £35m, relates to the Council's approved Property Investment Strategy (PIS - minute ref: C18/13). The PIS envisages £35m of borrowing to deliver its economic regeneration aspirations as well as generating a revenue stream for the Council. The forecast shows that once fully invested, £2.2m of income could be generated annually but this is offset by approximately £1.4m of interest and repayment costs. The capital programme also envisages utilising £1.7m of reserves in 2019/20 to support

expenditure. This will reduce the investment earnings of the Council through its treasury activities.

## **Final Draft Budget**

14. The net Revenue Budget before Government grants and other funding is expected to be just under £15m. This includes revenue support for the capital programme of £1.7m which is funded from reserves. The underlying revenue spend is therefore £13.3m which compares to £12.1m for 2018/19. The draft Revenue Budget includes inflation and necessary growth. Members are aware that the new waste collection and street cleaning contract due to commence from late June 2019 will cost significantly more than the current contract. Following consideration of the final bids (reported to Cabinet on 3 December 2019 (minute ref: CB18/41) it has been necessary to increase the 2019/20 budget by £1.15m (£1.5m in a full year). Whilst it is hoped that this additional cost can be reduced, it is prudent to assume this will not be achieved when setting the 2019/20 revenue budget.
15. In preparing the draft Revenue Budget there are a number of financial issues that are still uncertain. In 2019/20 around £500,000 of income (net after borrowing costs) will be delivered through the Property Investment Strategy in support of the Rother 2020 programme. This is dependent on a number of purchases currently in progress and therefore there is a risk that they will not be delivered. The forecast budget further increases the income expectation in subsequent years to approximately £0.9m (net of borrowing costs) per annum, which if not achieved represents a significant risk.
16. The last year has been particularly challenging for councils, as the number of homeless households up and down the country has grown substantially. Rother has seen a significant increase in households presenting themselves as homeless to the Council. The Council's gross cost of providing emergency and temporary accommodation has risen from £0.261m in 2015/16 to £0.670m in 2017/18. The gross cost of accommodation, storage and related management contracts is now predicted to be over £1m in 2019/20 albeit this is reduced through recovery from housing benefit to a net cost of around £700,000. The Council is undertaking and considering a number of measures to improve the outcome for the homeless and reduce the Council's costs.
17. Currently for the Council Tax part of the Collection Fund, due to a higher taxbase than estimated, a surplus of £1.2m is predicted for 2018/19 and the Council's share is estimated to be £154,000. A deficit is predicted for Business Rates in 2018/19 of £1.2m and the Council's share is estimated to be £490,000.
18. Appendix A to the report summarises the draft Revenue Budget. Appendix B to the report shows the detailed budgets over the various services the Council provides. Appendix C to the report details the proposed Special Expenses for 2018/19.

## **Reserves**

19. The draft Revenue Budget for 2018/19 utilises a total of £3m of earmarked reserves (net of contributions to reserves) to meet specific costs including supporting the Capital Programme. Some £1.6m of this is estimated to be

used to balance the overall Revenue Budget. Details of the use and contributions to reserves are set out in Appendix D.

20. The total predicted Earmarked Reserves, by the end of March 2020 is estimated to be just under £10.7m (Appendix D). However, the financial forecast predicts that earmarked reserves will reduce to just under £5.9m by 2023/24. This is due to having to increase the utilisation of reserves to meet increased costs discussed earlier in the report and the timing of delivering savings and extra income. If the Rother 2020 savings are not delivered then the level of reserves is predicted to be below the minimum acceptable level previously agreed by Members. The Council has been able during austerity to maintain and increase its reserve levels through operating a robust financial regime and increasing its income levels. Therefore the forecast position is hoped to be the worst case scenario and that through the Rother 2020 programme, the use of reserves to support the revenue budget can be reduced.

### **Budget Consultation**

21. The Council commenced its consultation with residents and businesses on 12 November 2018 over its proposals for the Revenue Budget and Council Tax. This year there was a lower response from residents. The results of the survey show a majority support for raising Council Tax by £5 based on a Band D property. The analysis of the consultation is shown at Appendix F.

### **Revenue Budget - Financial Forecast**

22. The five year financial forecast to 31 March 2023 has been updated and is included as part of Appendix A. The forecast includes a number of assumptions, the main one being the future delivery of recurring savings of £400,000 in 2020/21 rising to £800,000 per annum from 2021/22 in line with the approved target savings set out in the Rother 2020 programme. However as outlined above, due to the financial impact of the new waste collection and street cleaning contract, this target needs to be increased to reduce the reliance on reserves over the next five years.
23. For the purposes of the forecast, the taxbase has also been projected to increase over the period by 2% per annum. This may be optimistic and the actual change largely depends on the delivery of new developments in the north of Bexhill. This will continue to be monitored closely and the financial forecasts updated as necessary. The forecast does, however, assume that the New Homes Bonus will be phased out by 2021/22. In addition, the forecast assumes an annual £5 increase in Council Tax each year. Clearly this is affected by local and central government policy and therefore may not be achievable.
24. Assuming the Council is able to deliver the above savings, the forecast shows that over the five years, £7.8m of reserves will be used including £2.9m to support the capital programme. By 2023/24 the Revenue Budget will still be supported by reserves and the remaining reserves are estimated to be £6.9m (including General Fund balance of £1m). If further savings or income can be achieved over the period then this will reduce the call on reserves. It is proposed that the Council's Medium Term Financial Strategy be updated to reflect the latest financial forecast.

## **Conclusion**

25. The draft Revenue Budget has been balanced for 2019/20. To achieve this, savings and additional income have been identified but in addition, £1.6m of reserves are expected to be needed to achieve a balanced budget. Due to the significant cost increase in the waste collection and street cleaning contract the amount of savings required has also increased. Without action, the financial forecast shows Reserves will be under considerable pressure and may fall below acceptable levels over the next five years. This also increases the Council's vulnerability to being able to cope with unexpected costs that arise.
26. There are many dependencies and uncertainties within the budget, in particular the risks around the impact of the Fair Funding Review from 2020/21, the delivery of planned income and cost savings and the income from business rates. Delivering the Rother 2020 programme is therefore essential if the Council is to achieve a sustainable future and continue to deliver essential services to the public.

Malcolm Johnston  
Executive Director

Dr Anthony Leonard  
Executive Director

### **Risk Assessment Statement**

The loss of all Government grant and the volatility in business rate income present a major challenge for the Council. The Council needs to deliver the actions contained in its Rother 2020 programme and Sustainability and Efficiency Plan to deal with the continued pressures on its budgets. Due to the changing nature and scale of those pressures mean that those plans need to be regularly refreshed in order to assess the impact on service delivery. To ensure a sound financial future for the Council, the financial strategy needs to be robust and current.

**Revenue Budget Summary – 2019/20 to 2023/24**

	Revised 2018/19 Budget £ (000)	2019/20 Budget £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)
Executive Directors & Corporate Core	2,060	2,084	2,070	2,072	2,073	2,075
Environmental Services	740	750	750	750	750	750
Strategy and Planning	930	961	961	961	961	961
Acquisitions, Transformation and Regeneration	375	82	83	85	86	68
Housing and Community Services	5,404	7,148	7,597	7,723	7,852	7,983
Resources	3,286	3,288	3,289	3,289	3,289	3,289
<b>Total Cost of Services</b>	<b>12,795</b>	<b>14,313</b>	<b>14,750</b>	<b>14,880</b>	<b>15,011</b>	<b>15,126</b>
Interest from Investments	(362)	(512)	(512)	(415)	(415)	(415)
Capital Expenditure Charged to Revenue	1,493	1,670	535	238	238	238
<b>2020 Savings</b>						
(i) increase income - investment in property fund £3 million	(150)					
(ii) Increase income - investment in property	(240)	(876)	(2,257)	(2,257)	(2,257)	(2,257)
(iii) MRP	0	156	291	515	527	540
(iv) Interest payments	64	220	872	865	852	839
(v) Service Based Savings			(400)	(800)	(800)	(800)
<b>Contingency</b>						
Salary Inflation			191	97	98	99
<b>Net Cost of Services</b>	<b>13,600</b>	<b>14,971</b>	<b>13,470</b>	<b>13,123</b>	<b>13,254</b>	<b>13,370</b>

	Revised 2018/19 Budget £ (000)	2019/20 Budget £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)
<b>Parish Precepts</b>	1,549	1,549	1,549	1,549	1,549	1,549
<b>Special Expenses</b>	(715)	(674)	(674)	(674)	(674)	(674)
<b>Business Rates</b>						
Local Share of business rates	(7,141)	(8,020)	(8,180)	(8,344)	(8,511)	(8,681)
s31 Grants	(1,350)	(1,297)	(1,323)	(1,349)	(1,376)	(1,404)
Tariff	4,926	5,715	5,829	5,946	6,065	6,186
Levy payment on account	617	0	0	0	0	0
<b>Revenue Support Grant</b>	(73)	0	0	0	0	0
<b>Non-Specific Revenue Grants</b>						
New Homes Bonus Grant	(714)	(449)	(84)	(12)	0	0
Rural services delivery grant	(38)	0	0	0	0	0
Local Council tax Support Grant	(100)	(100)	(100)	(100)	(100)	(100)
Benefits Administration Grant	(233)	(233)	(233)	(233)	(233)	(233)
Homelessness Grant - New Burdens	(41)	(43)	(43)	(43)	(43)	(43)
Flexible Homeless Support Grant	(203)	(275)	(275)	(275)	(275)	(275)
<b>Council Tax Requirement (Parishes and Rother)</b>	(8,129)	(8,369)	(8,699)	(9,039)	(9,389)	(9,759)
<b>Other Financing</b>						
Collection Fund (Surplus)/Deficit	(5)	336	0	0	0	0
Contributions to/(from) Earmarked Reserves	(1,950)	(3,111)	(1,914)	(1,236)	(968)	(650)
Contributions to/(from) General Fund Balance	0	0	0	0	0	0
<b>Total Income</b>	<b>(13,600)</b>	<b>(14,971)</b>	<b>(14,147)</b>	<b>(13,810)</b>	<b>(13,955)</b>	<b>(14,084)</b>
<b>Funding Gap</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



	<b>Revised 2018/19 Budget £ (000)</b>	<b>2019/20 Budget £ (000)</b>	<b>2020/21 Budget £ (000)</b>	<b>2021/22 Budget £ (000)</b>	<b>2022/23 Budget £ (000)</b>	<b>2023/24 Budget £ (000)</b>
Council tax Requirement	(6,580)	(6,820)	(7,150)	(7,490)	(7,840)	(8,210)
Divided by Council Tax Base (Band D Equivalent)	37,726.98	38,054.10	38,815.20	39,591.50	40,383.30	41,191.00
<b>Council Tax Charge</b>	<b>174.32</b>	<b>179.26</b>	<b>184.26</b>	<b>189.26</b>	<b>194.26</b>	<b>199.26</b>

## Appendix B

Revenue Budget Summary – Cost of Services	Revised Budget 2018/19	Budget 2019/20		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Acquisitions, Transformation and Regeneration	375,230	1,438,610	(1,356,590)	82,020
Environmental Services, Licensing and Community Safety	739,520	2,487,280	(1,737,590)	749,690
Executive Directors and Corporate Core	2,059,890	2,501,860	(418,220)	2,083,640
Housing and Community	5,404,390	10,398,300	(3,250,480)	7,147,820
Resources	3,285,960	26,461,310	(23,172,940)	3,288,370
Strategy and Planning	930,120	2,058,610	(1,097,500)	961,110
<b>Total</b>	<b>12,795,110</b>	<b>45,345,970</b>	<b>(31,033,320)</b>	<b>14,312,650</b>

Executive Directors and Corporate Core	Revised Budget 2018/19	Budget 2019/20		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Administrative Offices – Print Room	12,580	11,520		11,520
Administrative Offices – Rear Depot	3,850	2,680		2,680
Administrative Offices – Town Hall	180,580	197,010		197,010
Administrative Offices – Town Hall Annex (not CHP)	(27,340)	31,020	(62,510)	(31,490)
Committee Services	169,500	174,660		174,660
Communications	50,810	50,810		50,810
Communications – Postages	80,220	80,220		80,220
Corporate Policy Making	4,640	2,130		2,130
District Council Elections	7,220	7,220		7,220
Electoral Registration	159,150	163,830	(1,500)	162,330
Emergency Planning	32,260	30,700		30,700
Executive Directors office	357,330	331,660	(130)	331,530
Facilities Management	84,230	122,420		122,420
Human Resources	207,330	302,000	(22,090)	279,910
Internal Audit	144,030	146,350		146,350
Joint Waste Contract Client Unit including contract procurement	3,700	232,240	(231,390)	850
Legal Services	265,600	265,600		265,600
Representing Local Interest	260,110	273,700	(100)	273,600
Sussex Training Partnership	64,090	76,090	(100,500)	(24,410)
<b>Total</b>	<b>2,059,890</b>	<b>2,501,860</b>	<b>(418,220)</b>	<b>2,083,640</b>

Environmental Services, Licensing and Community Safety	Revised Budget 2018/19	Budget 2019/20		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Alcohol Licencing	(23,500)	64,940	(87,000)	(22,060)
Animal Welfare	1,180	1,160		1,160
Caravan Licences and Travellers	29,460	28,520		28,520
Community Safety	16,070	16,070		16,070
Crime and Disorder Initiatives	8,300	31,750	(23,450)	8,300
Dog Control	41,470	36,140		36,140
Environmental Services – Admin	17,190	17,190		17,190
Food and Safety Team	6,590	793,550	(647,990)	145,560
Food Hyg/Idc/Water Purity	135,320	126,870	(900)	125,970
Head of Service Environmental Services	8,950	88,200	(79,780)	8,420
Health and Safety and ID's	90,320	85,150		85,150
Houses Multiple Occupation	(1,000)		(1,000)	(1,000)
Licences and Registration	34,400	70,400	(35,000)	35,400
Licensing Team	(2,470)	363,430	(374,410)	(10,980)
Pest Control	10,020	22,150	(10,000)	12,150
Pollution	384,890	680,560	(395,060)	285,500
Private Sector Housing	1,700	1,700		1,700
Sub Standard Housing	230	230		230
Taxi and Private Hire Licences	(23,560)	55,310	(83,000)	(27,690)
Watercourses, Ditches and Drains	3,960	3,960		3,960
<b>Total</b>	<b>739,520</b>	<b>2,487,280</b>	<b>(1,737,590)</b>	<b>749,690</b>

Strategy and Planning	Revised Budget 2018/19	Budget 2019/20		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Building Control	51,530	70,150		70,150
Complaints, Compliance, Enforcement	128,530	110,730		110,730
Conservation and Preservation	11,200	11,200		11,200
General Planning Expenses	8,230	8,230		8,230
Head of Service Strategy and Planning	83,540	87,950		87,950
Land Charges	(95,720)	136,280	(232,000)	(95,720)
Local Development Framework	150,000	150,000		150,000
Planning Appeals	4,500	4,500		4,500
Planning Applications	154,800	973,960	(785,500)	188,460
Planning Business Support	237,010	252,010	(20,000)	232,010
Planning Department E-Government	4,000	4,000		4,000
Planning Enquiries	(52,000)	8,000	(60,000)	(52,000)
Planning Policy	244,500	241,600		241,600
<b>Total</b>	<b>930,120</b>	<b>2,058,610</b>	<b>(1,097,500)</b>	<b>961,110</b>

Acquisitions, Transformation and Regeneration	Revised Budget 2018/19	Budget 2019/20		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Ancient Monuments and Gazebo	5,460	5,460		5,460
Business Improvement	283,900	291,140		291,140
18/40 Beeching Road	0	21,720	(101,360)	(79,640)
Committee Property Account	(32,970)	33,300	(92,940)	(59,640)
Community Strategy	8,570	8,570		8,570
Cultural Development	23,340	23,340		23,340
Economic Development	344,020	319,140	(55,000)	264,140
E-Government	21,500			0
Elva Business Centre, Bexhill	(150,590)	74,510	(248,650)	(174,140)
Head of Service Acquisitions, Transformation and Regen	61,440	84,200		84,200
Housing Policy, Strategy and Development	30,310	30,310		30,310
Investment Properties	(193,720)	14,110	(207,830)	(193,720)
Miscellaneous Land and Buildings	(16,520)	2,660	(19,180)	(16,520)
NLPG – Street Naming	(11,000)		(11,000)	(11,000)
Peasmarsh Workshops	(5,110)	13,190	(17,900)	(4,710)
Performance Management	15,390	13,790		13,790
Programme and Policy Office	242,770	248,930		248,930
Property Management	12,850	12,850		12,850
Regeneration	54,440	57,240	(2,800)	54,440
Residual Housing Land	(530)		(530)	(530)
Tourism	127,850	127,850		127,850
Udimore Workshops	(1,740)	4,680	(6,340)	(1,660)
Watch Oak Estate	(39,500)	500	(40,000)	(39,500)
West Trading Estate	(404,930)	51,120	(553,060)	(501,940)
<b>Total</b>	<b>375,230</b>	<b>1,438,610</b>	<b>(1,356,590)</b>	<b>82,020</b>

Housing and Community	Revised Budget 2018/19	Budget 2019/20		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Allotments – Bexhill	2,720	3,580	(1,800)	1,780
Amenities Administration Account	2,000	2,050	(50)	2,000
Battle Community Help Point	19,550	19,420		19,420
Battle Sports Centre	6,000	6,000		6,000
Bexhill Leisure Centre	7,270	9,330	(2,000)	7,330
Bexhill Leisure Pool	8,200	35,160	(26,960)	8,200
Bexhill Parks and Open Spaces	770,310	836,920	(55,210)	781,710
Bexhill Promenade and Foreshore	24,520	104,130	(77,200)	26,930
Camber Beach and Foreshore	100,860	132,520	(26,660)	105,860
Car Parks	(955,020)	443,800	(1,600,400)	(1,156,600)
Care In The Community	5,100	5,100		5,100
Cemeteries	(43,020)	141,370	(180,000)	(38,630)
Churchyards	9,670	9,760		9,760
Coast Protection	39,970	42,480	(2,500)	39,980
Customer Services and Development	487,590	454,970		454,970
De La Warr Pavilion – Client	502,750	502,750		502,750
Head of Service Housing and Community	65,090	86,980		86,980
Housing Administration Account	442,630	443,220		443,220
Housing Needs	442,710	1,092,750	(369,500)	723,250
Maintenance Services	35,350	35,350		35,350

Housing and Community	Revised Budget 2018/19	Budget 2019/20		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Neighbourhood Services	751,600	745,230		745,230
Property Maintenance Team	210,140	216,260		216,260
Public Conveniences	404,500	406,340		406,340
Recycling	(606,750)	2,420		2,420
Refuse Collection	1,469,230	3,169,810	(790,000)	2,379,810
Residual Highway Services	23,260	26,330	(3,000)	23,330
Rother Museum Services	25,010	32,460	(7,450)	25,010
Rural Open Spaces and Amenities	32,590	33,180	(90)	33,090
Rye Area Parks and Gardens	88,380	98,450	(8,650)	89,800
Rye Community Help Point	11,350	9,590		9,590
Rye Sports Centre and Pool	4,370	4,440		4,440
Sports Development	210	41,440	(40,610)	830
Street and Beach Cleansing	1,016,250	1,170,310	(24,000)	1,146,310
Syrian Refugee Support	0	34,400	(34,400)	0
<b>Total</b>	<b>5,404,390</b>	<b>10,398,300</b>	<b>(3,250,480)</b>	<b>7,147,820</b>



Resources	Revised Budget 2018/19	Budget 2019/20		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Accountancy	358,820	347,900	(200)	347,700
Benefit Investigation	(12,290)		(12,290)	(12,290)
Communications – Phones	110,000	110,000		110,000
Computer Services	879,420	836,030	(5,000)	831,030
Corporate Management	111,000	111,000		111,000
Cost of Collection	(139,530)	179,470	(319,000)	(139,530)
Financial Services	20,610	4,340		4,340
Assistant Director Resources	97,900	106,600		106,600
Internal Drainage Boards	122,000	122,000		122,000
Printing Services	23,190	154,060	(129,280)	24,780
Procurement	25,000	25,000		25,000
Public Accountability – Resources	6,000	6,000		6,000
Reliefs and Benefits – Council Tax	83,220	95,800	(12,580)	83,220
Reliefs and Benefits – Housing Benefit	(334,370)	22,066,760	(22,465,650)	(398,890)
Revenue and Benefits	1,118,450	1,199,310		1,199,310
Risk Management/Insurance	0	233,330	(228,940)	4,390
Support to Elect Bodies/Grant	140,300	140,300		140,300
Treasury Management	8,500	8,500		8,500
Unapportion Central Overheads	667,740	714,910		714,910
<b>Total</b>	<b>3,285,960</b>	<b>26,461,310</b>	<b>(23,172,940)</b>	<b>3,288,370</b>

## Special Expenses 2019/20

	2018/19 £	2019/20 £
<b>Bexhill</b>		
Bexhill Parks	673,110	567,480
Bexhill Allotments	2,720	1,780
Christmas Lighting	15,000	15,000
Bexhill Museum	9,540	9,540
Bus Shelters	14,660	14,660
Bexhill Town Forum	4,270	4,270
Less: saving target	-54,300	0
<b>Special Expenses for Bexhill</b>	<b>665,000</b>	<b>612,730</b>
<b>Rye</b>		
Rye Parks	50,680	59,020
Rye Christmas Lights	1,500	1,500
Rye Museum SLA	640	640
Bus Shelters	340	340
Less: Council Tax Support Grant	N/A	
Less; saving target	-3,160	
<b>Special Expense for Rye</b>	<b>50,000</b>	<b>61,500</b>
<b>Total Special Expenses (excl. Parish Precepts)</b>	<b>715,000</b>	<b>674,230</b>

**Reserves and Balances**

	Balance 1 April 2018	Change	Balance 31 March 2019	Change	Balance 31 March 2020	Change	Balance 31 March 2021	Change	Balance 31 March 2022	Change	Balance 31 March 2023	Change	Balance 31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Medium Term Financial Strategy Reserve	-3,661	-67	-3,728	2134	-1,594	644	-950	935	-15	-355	-370	-458	-828
Economic Development Fund	-30		-30	-289	-319		-319		-319		-319		-319
Risk Management Fund	-195		-195		-195		-195		-195		-195		-195
Repairs and Renewals Reserve	-1,383		-1,383	444	-939	245	-694	276	-418	298	-120	108	-12
Corporate Plan Projects Reserve	-1		-1		-1		-1		-1		-1		-1
Affordable Housing Reserve	-921		-921		-921		-921		-921		-921		-921
Corporate Development Reserve	-321		-321		-321		-321		-321		-321		-321
Planning Improvement & LDF Reserve	-265		-265		-265		-265		-265		-265		-265
Homelessness Reserve	-226		-226		-226		-226		-226		-226		-226
Grants Reserve	-1,711		-1,711	822	-889	25	-864	25	-839	25	-814		-814
Treasury Investment Reserve	-7,017	2017	-5,000		-5,000	1,000	-4,000		-4,000	1,000	-3,000	1,000	-2,000
<b>Total</b>	<b>-15,731</b>	<b>1,950</b>	<b>-13,781</b>	<b>3,111</b>	<b>-10,670</b>	<b>1,914</b>	<b>-8,756</b>	<b>1,236</b>	<b>-7,520</b>	<b>968</b>	<b>-6,552</b>	<b>650</b>	<b>-5,902</b>
General Fund Balance	-1,000		-1,000		-1,000		-1,000		-1,000		-1,000		-1,000
<b>Total Usable Reserves</b>	<b>-16,731</b>	<b>1950</b>	<b>-14,781</b>	<b>3,111</b>	<b>-11,670</b>	<b>1,914</b>	<b>-9,756</b>	<b>1,236</b>	<b>-8,520</b>	<b>968</b>	<b>-7,552</b>	<b>650</b>	<b>-6,902</b>

**Minutes of the Overview and Scrutiny Meeting – 28 January 2019****OSC18/39. DRAFT REVENUE BUDGET 2019/20**  
**(5.1)**

Members gave consideration to the report of the Executive Director on the draft Revenue Budget, which outlined the likely financial position and key issues that Members needed to consider as part of the budget setting process. The Committee had been requested to consider the draft budget and make recommendations to Cabinet, to be considered at its meeting on 11 February 2019. To ensure that Members were provided with a clear identifiable core cost for each service, all budgets were shown at “Net Operational Expenditure Levels”, excluding capital charges, central costs and support service recharges.

The Assistant Director Resources provided an updated outline of the budget and Members noted the main considerations, constraints and variations within the budget setting process.

The Government settlement was announced on the 13 December 2018. As the Council no longer received any Revenue Support Grant, the settlement was solely focused on business rate retention and specific grants. The Government confirmed the business rates baseline had increased for 2019/20. However, as the estimated retained business rate income of £3m was in excess of the baseline for 2019/20, there was no financial benefit from this increase. The Government also confirmed that East Sussex had been approved for the 75% retention pilot scheme as approved by Cabinet on the 19 December 2018.

Rother’s New Homes Bonus (NHB) would be £449,000, compared to an assumed income in the draft revenue budget of £417,000. The financial forecast assumed this grant would decline to zero by 2022/23.

Several issues were highlighted which included income delivered via the Council’s Property Investment Strategy; decreased planning fees during 2018/19; increased homelessness applications; and continued funding of East Sussex County Council’s grass verge cutting in Rother. The grass cutting cost was anticipated to be in the region of £40,000, which Cabinet had agreed at their meeting on 19 December 2018 would be made in the draft Revenue Budget for 2019/20.

Due to estimated inflated costs as a result of the new waste contract, it would be necessary to increase the draft Revenue Budget provision for this item by a further £750,000 to £1.5m.

As a result of reduced Government funding, the Council needed to deliver significant cashable and non-cashable savings. Appendix E to the report that was put before Cabinet identified these savings which included £100,000 through the Lean Programme; shared Procurement Service hosted by Wealden District Council; and Service Prioritisation.

It was clarified that the external funding for a Syrian Refugee Support Worker was as a result of a Government country-wide initiative.

The report also detailed budget assumptions which included inflation index rates, a 2% pay award from September 2019, predicted growth and income and transfers between budgets.

The Committee was supportive of an increase in Council Tax of up to 3% per annum, to a maximum of £5. To ensure the Council remained within this limit, an increase of £4.94 for 2019/20 was assumed, which would deliver additional income of approximately £0.200m based on the 2019/20 tax base; an average annual charge of £179.26.

The draft Revenue Budget for 2019/20 utilised £5m of reserves to meet specific costs. Of this, £2.6m would be used to support capital expenditure. The draft Revenue Budget identified savings in excess of £600,000; in order to balance the budget, further use of reserves might be required.

The total predicted earmarked reserves by the end of March 2019 was estimated to be £16.1m plus a £1m General Fund balance. Over the five year financial forecast, earmarked reserves were predicted to fall to £6.3m. The minimum level of cash backed reserves and balances were considered to be £5m, although if below £10m there would be negative implications for the current Council's treasury management strategy. Members raised concerns regarding any such negative implications and suggested that consideration should be given to the reserves policy.

The draft Revenue Budget showed an increase of £1.6m in the cost of services over the 2018/19 position. It was acknowledged that the Council had already achieved significant savings through the Council's 2020 programme.

The budget consultation, which had closed in early January 2019 had received 93 returns from private individuals, which had been generally supportive.

Members had an opportunity to put forward questions and the following points were noted during the discussion:

- due to the increased costs of the new waste contract, Members raised the possibility of increasing the charge for garden waste collection. The Assistant Director Resources confirmed that Members would have the opportunity to review all discretionary fees and charges when considering the Financial Plan later in the year;
- planning income had fallen in 2018/19 and was projected to be under budget by the financial year end. This had not been reflected in the draft Revenue Budget, but a further review would be undertaken to understand whether this would be likely to continue into 2019/20 and whether there would be any impact on associated staffing resources; and

- discussions were ongoing between Rother District Council and the Parish Councils concerning grass cutting requirements and further consideration was to be given to the funding arrangements.

The Council faced major challenges with the significant reduction of Government funding and volatility in business rate income. To ensure a sound financial future, Members noted that the Council would need to uphold a robust financial strategy.

**RESOLVED:** That Cabinet receive the comments made by the Committee when formulating its proposals to Council on the 2019/20 draft Revenue Budget, at its meeting on 11 February 2019.

(Councillor C.R. Maynard declared a personal interest in this matter in so far as he was an elected Member of East Sussex County Council and in accordance with the Members' Code of Conduct remained in the room during consideration thereof).

## CONSULTATION ON ROTHER DISTRICT COUNCIL'S REVENUE BUDGET 2019/20

### 1. **Consultation Period and Invitations to Consult**

This consultation opened on 12 November 2018 and closed on 18 December 2018. An invitation was sent out in 'My Alerts' during the consultation period. Personal invitations to consult were emailed to the Rother Citizens Panel and local business organisations, parish and town councils and local organisations that support those on low incomes. Notifications and updates were included on the Council's Facebook and Twitter accounts.

### 2. **Responses**

The Council received only 93 individual responses. Most of the responses (96%) were from local residents. We heard from Beckley Parish Council, Christians Against Poverty and the Rother Citizens Advice Bureau. The breakdown of respondents is:

- 54% were male and 42% were female. The remaining 4% preferred not to say.
- 54% of respondents were of working age (18-64) and 47% were over retirement age.
- 11% of respondents were disabled.
- 90% were white British, 6% were from another white background and 4% were from any other ethnic group.

3. This is the second year in a row that we have had a significant decrease in the number of participants in this consultation.

4. All but three submissions had used the online response form. We received four emails with questions about the consultation and three emailed responses to the consultation.

### 5. **The Options for Council Tax in 2019/20**

Overall, 62% of the respondents supported raising Council Tax by an average of £5 based on a band D property (and proportionately to the other bands). This is the exactly the same result as the previous two consultations.

6. Men were more likely to disagree with raising Council Tax compared to women. 40% of men disagreed with raising the Council Tax compared to 29% of women.

7. Those over retirement age were more likely to support a rise in Council Tax than residents of working age: 71% of people aged 65 to 79 agreed to raise Council Tax. This is a similar result to last year.

8. The unchanged results compared to last year and the previous year suggests this sample has been large enough for some confidence these results may reflect the opinions of the general population of Rother.

## 9. **Responses to the First Phase of the Budget Proposals**

We asked for free text comments on phase one of the budget proposals. Please note the following comments have been edited and re-organised into groups of comments. A summary of the main points follows:

- 1) General support:
  - a) Reasonable.
  - b) Sensible.
  - c) Fair.
  - d) Workable.
  - e) Best that can be done with resources available.
  - f) No alternative.
- 2) Council Tax should go up:
  - a) By more than 2.99% considering the shortfall.
  - b) Providing it is levied on people who can afford to pay it.
  - c) This is forced upon us.
  - d) The alternative options are a worse solution.
  - e) Suggest by £3 a month.
- 3) Keep services in general:
  - a) A small rise, people would pay a bit more if it kept services we can't afford to lose.
  - b) It should be made plain to Council Tax payers if you don't pay enough you will lose the services you need and want.
  - c) Further cuts in services will not be a helpful solution to the community.
- 4) Take money from reserves:
  - a) Take some, not all.
  - b) Needed for future years.
  - c) Thank heaven Rother has been prudent with reserves but document makes clear is eating seed corn.
  - d) Very worried about using your savings to plug gaps in the budget as this will have long term unsustainable effects on the council's finances.
  - e) As a short term measure only it is sensible to take a limited sum from reserves. There may never be a small surplus but whenever that occurs it should go to the reserves.
  - f) Public spending is reduced to the level where all of us are affected.
  - g) Using reserves short term would be helpful but, in the longer term, we all need to look at finding smarter, more efficient ways of working.
  - h) Use council reserves as we are always expected to use our savings to pay for the increases.
  - i) There must be a plan to restore the reserves.
- 5) Central government
  - a) Pushed austerity down to local government, which has responded well.
  - b) Until government changes austerity policy citizens have no choice but to contribute what they can.



- c) Need a better deal for local government from a change of government.
  - d) Increases are tax hikes for the government, indirectly gathered by local councils.
  - e) The government should be doing more rather than wasting it on HSL and similar projects.
- 6) Electors need to face reality that county and district are bust.
- 7) Not getting value for money from Council Tax now:
- a) Don't agree with a raise in rates. Our roads are still not well maintained and there seems to be poor accounting and waste of resources.
  - b) Although understanding the problems caused by government cuts it seems we are to be paying more and more for less and less, not a good outcome.
  - c) CT already too high for the services that we receive.
  - d) Do not understand why you need to spend more to get same result. What is wrong with your budgeting?
  - e) We have less police and bad roads.
- 8) Those who are genuinely unable to pay (a very small proportion) must be supported through other means.
- 9) Suggestions to save or raise money (please note, suggestions for other authorities are not included i.e. parking, children's services):
- a) Rubbish & recycling must be a priority - do you really need to empty the rubbish bins along the sea front 3 or 4 times a day even in the winter when only a few people use the promenade.
  - b) In the winter brown bins could be collected less often to save money.
  - c) Use the Town Hall for civil ceremonies, weddings etc. Stunning building not fully used.
  - d) The future Community Support budgets should be pared back (last year £10k allocated for Royal Wedding events, really).
  - e) Approve more housing developments because will get more Council Tax. Speed up pace of approvals.
  - f) Get rid of overpaid staff and cut back on expenses.
  - g) Perhaps it is also worth to think more outside the box. Get some outrageous ideas and see whether any of them make sense. Run a competition to encourage people to come up with solutions for savings, efficiencies and new ways of working.
  - h) Do own events in the Polegrove to make money.
  - i) Put greatest effort into raising revenues from untapped sources and greater emphasis on cutting costs.
  - j) Go after non-payers more.
  - k) Charge for extra services, extra rubbish collections, etc.
  - l) A number of addresses in our area have two black rubbish bins. There is no justification for this and clearly further savings could and should be made by removing these. Quite apart from savings this encourages low recycling levels.
  - m) Stop giving the De la Warr Pavilion £500,000 per year in subsidies.
  - n) District councillors to take a cut in their remuneration, ie do it for nothing like parish and town councillors.

- o) Look at money wasted on personal expenses and make transparent for everyone to see.
  - p) Invest £1 per household on Christmas lights and fireworks.
  - q) services aimed at children that parents should provide should be looked at.
- 10) Don't raise Council Tax because:
- a) Cut back expenditure in other areas rather than increase the Council Tax.
  - b) The proposed increase in Council Tax is above the current rate of inflation and above the 2% pay increase for Council staff and represents a real increase in tax.
  - c) Further rises in council tax will place a burden on many households.
  - d) Seem to be relying too much on raising Council Tax to help solve the financial shortfall.
  - e) Late collection of waste bin 12 times this year and this is most important service the council delivers.
  - f) Putting up Council Tax by 2.99% is sneaky because government cap is 3%. Will be unpopular.
  - g) Have a lot of families struggling to make ends meet. Will have more families on the breadline.
  - h) Very worrying for those on a limited income.
  - i) Can't afford another rise:
    - i) I live alone and have single occupancy but even so simply cannot afford to pay any more on CT. Currently pay £202 a month, when moved to Bexhill 4 years ago paid £174, which was a struggle then. Not a wealthy pensioner. Careful monitoring of monthly expenditure, being penalised for saving and moving to a nice area. If goes up any further, will have to consider moving home. Pension won't go up by this amount.
    - ii) As a council tax payer who still has to work in order to pay the tax, I am hoping the tax will not go up much more as most of my occupational pension would have to go to pay it instead of coming out of my salary, I would then be faced with, in all probability, having to sell my home that I have spent a lifetime working for.
    - iii) Christians Against Poverty: massive impact this will have on clients who are already struggling to pay Council Tax bills.
    - iv) Christians Against Poverty: concern about support for those more vulnerable residents who struggle to organise their finances, read and understand their mail and are fearful about what action to take - and may do nothing, resulting in penalties they struggle to meet. Also those who get into problems through failure to pay Council Tax or changes in Housing Benefit, some of which are due to changes in benefit income, specifically those whose hours of work vary causing their wages and benefits to vary.
    - v) For those of us on a low income as wages are not rising with inflation, doesn't help!
    - vi) Our pensions do not increase at the same rate.
- 11) Doubts over RDC's ability to maximise revenues:
- a) from the Capital Investment programme.

b) Colonnade – investment vs loss of revenue

- 12) Any larger increase will not make any difference anyway as there is still a large amount (£46m) to be cut from the county council budgets over the coming three years, which will have a knock-on effect on local councils.

## **Conclusion**

10. In conclusion, the majority of respondents supported the use of reserves and a rise in Rother District Council's part of the Council Tax by 2.99% based on the average band D property.