

Report to	-	Overview and Scrutiny Committee
Date	-	30 January 2017
Report of the	-	Executive Director of Resources
Subject	-	Draft Revenue Budget 2017/18

The Cabinet, at its meeting held on Wednesday 14 December 2016, considered a report on the Draft Revenue Budget 2017/18. The Minute in relation to this matter is reproduced below.

Recommendation: It be **RESOLVED:** That the comments of the Overview and Scrutiny Committee be considered by Cabinet when setting the 2017/18 Draft Revenue Budget at its meeting on 13 February 2017.

CB16/65. **DRAFT REVENUE BUDGET 2017/18**

Consideration was given to the report of the Executive Director of Resources on the preparation of the draft Revenue Budget for 2017/18. The report outlined the likely financial position and key issues that Members needed to consider as part of the budget setting process. The Government grant settlement had not been announced but it had been confirmed that it was extremely unlikely that there would be major changes to the grant amounts announced in February 2016. Appended to the report were details of the summary draft Revenue Budget, the summary information for each service area and the main changes from the 2016/17 budget.

All budgets were shown as “Net Operational Expenditure Levels” which excluded capital charges, central costs and support service recharges. In addition, budgets were shown on a departmental basis which provided Members with a clear identifiable cost for each service.

The report detailed the expected Revenue Support Grant (RSG) which the Council would receive over the next four years; by 2020, the Council would be reliant solely on income from business rates, council tax and charges for service, with no RSG being received.

The Government had previously announced that councils would be able to retain 100% of business rates by 2020 and the outcome of a recent consultation was awaited. Members noted that the rate in the pound would be determined nationally and rules on increasing rates for specific infrastructure projects would apply for cities (and possibly devolved regions) in certain circumstances. The aim being that the reform would incentivise local government to attract more business into their areas with the prospect that the growth in business rates would be retained locally. It was noted that the “safety net” which protected against large reductions in revenue and the current system of top-up and tariffs would remain, however the current levy on gains would end.

The baseline calculated by the Government for Business Rate retention in Rother for 2017/18 was estimated as £2.21m. The net income, based on actual business rate income for the current year, was estimated to be £2.6m for 2017/18.

The business rates collection fund was predicted to be in deficit by approximately £0.321m however this would be recovered in 2017/18. The deficit had been carried over from 2015/16 and partially offset in 2016/17. Based on the predicted deficit, the Government would meet 50%, Rother District Council 40% (£0.128m), East Sussex County Council 9% and East Sussex Fire & Rescue 1%. Members noted that movements in business rates would have a significant impact on the Council's income, highlighting the importance of delivering commercial regeneration.

Business Rates revaluation had been completed and the rateable value had increased from £48.6m to £54.6m, a 12.4% increase. The 2017 revaluation would be effective from April 2017 and would not be finalised until early 2017. It was likely that there would be a number of changes to the rateable values which would not occur in time for the local government financial settlement, therefore the tariff/top-up adjustments would be corrected in 2018/19.

The New Homes Bonus was currently funded from the redistribution of business rate income, with the move to 100% business rate income retention, it was expected that by 2020 the New Homes Bonus would be removed from the funding system. Based on the grant received to date, the income was projected to be £1.1m for 2017/18.

The Council Tax Collection Fund was expected to be in a surplus of £1.187m, with the Council's share being £0.152m by the end of the financial year. The Council Tax base was calculated at 37,260.97 and showed an increase of 452 band D equivalents over the 2016/17 figures. The increase was due to the number of properties on the ratings list and a reduction in the number of households claiming Council Tax Reduction Support. The report detailed a proposal for the full removal of the empty property exemption; the benefits of its removal were a predicted increase in income for the Council plus a reduction in the administration in managing the scheme. Members requested that details of all exemptions be reported at the Cabinet meeting scheduled to be held on 13 February 2017.

The Government had not reaffirmed the referendum limit at the time of the meeting. In 2016/17, the limit was £5 or 2%; should the limits be the same for 2017/18, a £5 increase would deliver a £186,400 increase, resulting in a 3% increase Council Tax charge of £169.32. A 1.94% increase could deliver £118,900 income based on 2017/18 tax base, with an average annual Council Tax charge increase from £164.32 to £167.51, an increase of £3.19 or six pence per week. Any increase above 2% or £5 would require a Referendum to be held and the cost to the Council would be approximately £60,000 to £70,000.

Members noted that Universal Credit commenced on 14 December for Rother residents who came under Hastings Job Centre Plus. The rest of Rother was expected to be implemented during the summer 2017. It

was anticipated that there would be an additional cost to the Council in relation to the provision of temporary accommodation which would now be paid at the lower Local Housing Allowance rates which were below the current charges by temporary accommodation providers.

The net Revenue Budget before Government grants, use of reserves and other funding was expected to be £12.729m, an increase of £910,000 over 2016/17. A summary of the Revenue Budget and Council Tax calculations and the net cost of services were appended to the report.

The draft Revenue Budget for 2017/18 utilised £1,114,000 of reserves to meet specific costs. Of this £925,000 would be used to support capital expenditure and £150,000 to support work on the local development framework. The draft Revenue Budget identified savings in excess of £400,000; in order to balance the budget further use of reserves might be required in lieu of delivering an equivalent amount of savings. However, if these savings could be achieved, the underlying ongoing annual support from reserves for the Revenue Budget related to Community Grant Scheme (£65,000). Contributions to reserves would be £129,000 and the net use of reserves was £986,000.

The total predicted Earmarked Reserves by the end of March 2017, was estimated to be £10.4m plus a £1m General Fund balance. The minimum level of reserves was considered to be £5m.

It was acknowledged that the Council had already achieved significant savings of £4.6m through its service resetting programme and latterly the staff restructure. The revised Medium Term Financial Strategy incorporated the Council's sustainability and efficiency plan and detailed the financial framework for increasing income and reducing costs. The draft Revenue Budget incorporated the outcome of a detailed budget review following the significant surplus the Council achieved in 2015/16, in addition to the areas where the Council had cost and growth pressures. It showed a decrease of £230,000 over the 2016/17 position and a number of savings and additional income identified had been incorporated into the budget.

Members noted that the Budget Consultation was due to close on 6 January and the final outcome would be reported to the Overview and Scrutiny Committee (OSC) meeting on 30 January 2017, along with the Government's decision on the referendum limits. Thereafter the results would be presented to Cabinet and full Council in February 2017.

After deliberation, Cabinet agreed that the OSC consider a £5 per annum Council Tax increase for 2017/18 at its meeting on 30 January 2017.

RESOLVED: That:

- 1) the draft Revenue Budget for 2017/18 including a Council Tax rise of £5 per annum be considered by the Overview and Scrutiny Committee at its meeting on the 30 January 2017; and

2) detailed empty property exemptions be reported at the Cabinet meeting scheduled to be held on 13 February 2017.

(Councillor A.E. Ganly declared a personal interest in this matter in so far as he is a landlord and in accordance with the Members' Code of Conduct remained in the room during the consideration thereof).

(Cabinet Agenda Item 7.1).

Malcolm Johnston
Executive Director of Resources

Appendix 1: Cabinet Report 14 December 2016 – Draft Revenue Budget 2017/18
Appendix 2: Revenue Budget 2017/18 – Update
Appendix 3: Revenue Budget 2017/18 – Consultation