

Report to	-	Overview and Scrutiny Committee
Date	-	29 January 2018
Report of the	-	Executive Director of Resources
Subject	-	Draft Revenue Budget 2018/19

The Cabinet, at its meeting held on Monday 18 December 2017, considered a report on the Draft Revenue Budget 2018/19. 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 2018/19 Draft Revenue Budget at its meeting on 12 February 2018.

CB17/57. **DRAFT REVENUE BUDGET 2018/19**

Consideration was given to the report of the Executive Director of Resources on the preparation of the draft Revenue Budget for 2018/19. The report outlined the likely financial position and key issues that Members needed to consider as part of the budget setting process. In 2016/17, the Government offered the Council a four year grant settlement, which was accepted. It was therefore assumed that the proposed 2018/19 settlement would be in accordance with agreed methodology announced at that time. 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 2018/19 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 amount of the Revenue Support Grant which the Council would receive during 2018/19 (final year). By 2019/2020, the Council would be reliant solely on income from business rates, council tax, charges for services and income generation.

The Government had issued the provisional business rate multipliers for 2018/19 which were 48p for small and 49.3p for larger businesses. The Government had announced that it was committed to working with local authorities to ensure 100% business rate retention. Members noted that the East Sussex Business Rate Pool would be reforming in 2018/19; Rother would be re-joining. 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 2018/19 was estimated as £2.29m. The net income, based on actual business rate income for the current year, was estimated to be £2.98m for 2018/19.

The business rates collection fund was predicted to be in deficit by approximately £0.336m however this would be recovered in 2018/19. The deficit was attributed to a large number of appeals settled during the year and the amount of relief given to small businesses which was higher than expected and compensated by section 31 grants. Based on the predicted deficit/surplus, the Government would meet/retain 50%, Rother District Council 40% (£0.134m), 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 in April 2017 and the estimated retention was £2.98m which included compensatory grants in relation to additional reliefs previously granted by the Government. Nationally, it was anticipated that overall rateable values would reduce by 4.7% as a result of settling appeals and this had been factored into the forecast income.

The New Homes Bonus (NHB) was currently funded from the redistribution of business rate income. The actual baseline for 2018/19 would not be announced until the provisional settlement was known. At present, due to uncertainty of how it would be calculated no increase in income for NHB had been assumed in the 2018/19 budget.

The Council Tax Collection Fund was expected to be in a surplus of £0.603m, with the Council's share being £0.077m by the end of the financial year. The Council Tax base was calculated at 37,726.98 and showed an increase of 466 Band D equivalents over the 2017/18 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 Government had reaffirmed the referendum limit as £5 or 2%, £5 would deliver a £186,305 increase, resulting in a 3% increase Council Tax charge of £174.32. A 1.94% increase could deliver £122,395 income based on 2017/18 tax base, with an average annual Council Tax charge increase from £169.32 to £172.60, an increase of £3.28 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.

Uncertainty remained over the Government's proposal to allow councils to increase their planning fee charges by 20%. If applied, the Council could achieve additional income of £130,000.

The report also detailed budget assumptions which included inflation index rates, a 1% pay award from September 2018, predicted growth and income and transfers between budgets.

The net Revenue Budget before Government grants, use of reserves and other funding was expected to be £12.336m, a decrease of £538,000 over 2018/19. 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 2018/19 utilised £728,000 of reserves to meet specific costs. Of this £438,000 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 in lieu of delivering an equivalent amount of savings.

The total predicted Earmarked Reserves by the end of March 2018, was estimated to be £14.3m plus a £1m General Fund balance. The minimum level of reserves was considered to be £5m.

The draft Revenue Budget showed an increase of £304,000 in the cost of services over the 2017/18 position. It was acknowledged that the Council had already achieved significant savings through the Council's 2020 programme and a further £290,000 additional income was projected by year end.

The Financial Services Manager advised that 73 responses so far had been received during the Budget Consultation process. The results identified that 70% supported a £5 rise, 22% supported no change and 8% supported no rise at all. Details of the full consultation would be reported to the Overview and Scrutiny Committee meeting on 29 January 2018. Thereafter the results would be presented to Cabinet and full Council in February 2018.

(Cabinet Agenda Item 6.1).

Malcolm Johnston
Executive Director of Resources

Appendix 1: Cabinet Report 18 December 2017 – Draft Revenue Budget 2018/19