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| Report to | - | Overview and Scrutiny Committee |
| Date | - | 28 January 2019 |
| Report of the | - | Executive Director |
| Subject | - | Draft Revenue Budget 2019/20 |

The Cabinet, at its meeting held on Monday 19 December 2018, considered a report on the Draft Revenue Budget 2019/20. 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 2019/20 Draft Revenue Budget at its meeting on 11 February 2019.

CB18/51. **DRAFT REVENUE BUDGET 2019/20**

Consideration was given to the report of the Executive Director on the preparation of the draft Revenue Budget for 2019/20. 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. On 5 December 2018, the Government announced that the actual 2019/20 settlement would be delayed until BREXIT proposals were known. It was therefore assumed that the proposed settlement would be in accordance with the original four year deal. Appended to the report were details of the summary draft Revenue Budget, the summary information for each service area, main changes from the 2018/19 budget, the Council's revenue reserves and identified savings and additional income.

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.

In 2019/20, the Council would no longer receive the Revenue Support Grant and would be reliant solely on income from business rates, council tax, charges for services and income generation.

The Medium Term Financial Strategy made provision for a small overall increase in the amount of business rates (£3m) retained by the Council. The Government had invited local authorities to submit proposals to pilot a 75% business rates retention scheme in 2019/20. As part of the East Sussex Business Rates Pool (ESBRP), the Council had expressed an interest to participate in the scheme. The pilot would enable the Council to retain a greater share of any business rates growth, as currently only 50% was retained. The Assistant Director Resources advised that, since publication of the report, the Government had confirmed that the ESBRP's application had been

successful. Information on the scheme was subject to a separate report on the Agenda (Item 6.4 – see Minute CB18/54 below).

The New Homes Bonus (NHB) was currently funded from the redistribution of business rate income. The five year forecast assumed that reliance on NHB would be reduced from £714,000 in 2019/20 to nil by 2022/23 as detailed at Appendix A to the report.

The Council Tax Collection Fund was expected to be in a surplus of £0.125m with the Council's share being £270,000 by the end of the financial year. The Council Tax base was calculated at 38,054.10 and showed an increase of 327 Band D equivalents over the 2018/19 figures. The increase was due to the number of properties on the ratings list and changes to discounts.

It was assumed that the Government's referendum limit would remain as £5 or 3%, resulting in a 2.99% increase Council Tax charge of £179.55. This increase equated to additional income of approximately £0.200m based on the 2019/20 tax base and in total would deliver £6.8m of income. The application of the referendum limits was queried in relation to a recent Government publication. Subsequent to the meeting, it was clarified that for 2019/20 a referendum would be required for increases of 3% or more. In addition a referendum would be required if the planned increase equated to more than £5 over the 2018/19 charge.

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

Several uncertain financial 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 would require compensatory savings to be identified due to the expected shortfall over the next five years.

As a result of reduced Government funding, the Council was expected to deliver significant cashable and non-cashable savings. Appendix E to the report 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 net Revenue Budget before Government grants, use of reserves and other funding was expected to be £16.36m, an increase of £1.9m 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 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. The minimum level of reserves and balances was considered to be £5m.

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.

Details of the Budget consultation would be reported to the Overview and Scrutiny Committee meeting on 28 January 2019. Thereafter, the results would be presented to Cabinet and full Council in February 2019.

Cabinet agreed that up to £40,000 be made in the draft Revenue Budget for 2019/20 only to meet the cost charged by East Sussex County Council for maintaining the number of grass verge cuts.

(Cabinet Agenda Item 6.1).

Malcolm Johnston
Executive Director

Appendix 1: Cabinet Report 19 December 2018 – Draft Revenue Budget 2019/20

Appendix 2: Draft Revenue Budget 2019/20 – Update