

Rother District Council

Report to	-	Cabinet
Date	-	2 December 2019
Report of the	-	Executive Directors
Subject	-	Medium Term Financial Plan 2020/21 to 2024/25

Recommendation to COUNCIL: That:

- 1) the current Council Tax Reduction Scheme be affirmed and continue for the 2020/21 financial year.

AND

It be **RESOLVED**: That the:

- 2) financial issues considered in this report be reflected in the Council's Medium Term Financial Plan;
 - 3) Council maintain its policy of maximising the annual increase in Council Tax within the Government's referendum limit; and
 - 4) Council continues to be part of the East Sussex Business Rate pool in 2020/21 and that the Assistant Director, Resources be given delegated authority to finalise the necessary agreement with the Member authorities in consultation with the Cabinet Portfolio Holder for Finance.
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Assistant Director: Robin Vennard
Lead Cabinet Member: Councillor Oliver

Foreword

This report was considered by the Overview and Scrutiny Committee at its meeting held on 25 November 2019. The report has been reproduced in full for Cabinet; the comments of the Overview and Scrutiny Committee will be tabled at the meeting.

Introduction

1. This document sets out the latest forecast budget for 2020/21 and updates the Medium Term Financial Plan (MTFP) for the period 2020/21 to 2024/25 (Appendix A). This is the latest view of the Council's likely finances over this five year period, ahead of confirmation of Government funding and a number of other factors that will affect the Council's finances.
2. Members will be aware that since 2010 the Council has made significant savings to enable it to manage increased demand for vital services such as homelessness and central Government's continued real terms reduction in funding across local government. The financial challenges continue and the

Council will be required to take measures, set out in this document, to create a balanced budget as required by law. A balanced budget is where the Council's expenditure is able to be met from its income. This includes the use of reserves to help meet this expenditure.

Budget Process

3. The budget process follows three main phases. The first phase is to update the MTFP which sets out the areas of budgetary pressure and estimates the size of the budget deficit over the next five years.
4. The second phase of the budget process will be the detailed draft budget report to Cabinet on 18 December 2019, which will bring forward further details of the proposals to deliver a balanced revenue budget over the next five years.
5. The third phase will commence in January 2020, once the Government settlement has been announced. Any proposed savings brought forward in December will need to be agreed and the Capital Strategy and Revised Capital Programme will be prepared and incorporated into the MTFP for approval by Cabinet and Full Council in February 2020.

Local Government Settlement 2020/21

6. To remind Members, since 2010 the Council has seen a substantial fall in funding. Taking both Revenue Support Grant and share of business rates, this was at £6.6m in 2010. The Council no longer receives Revenue Support Grant and is budgeting for a net retained income from business rates for 2020/21 of £3.5m. This is a fall of £3.1m in cash terms and ignores the effects of inflation on the Council's costs.
7. The Government have confirmed that the Spending Review and Business Rates reset are being delayed for one year. The expectation is that the 2020/21 settlement will see a rollover of existing funding levels, including any specific grants such as the Homelessness Support Grant. It is not known at this stage whether there will be any redistribution of resources within local government. The date of the settlement may be delayed due to the General Election. However, based on information received from Ministry of Housing, Communities & Local Government (MHCLG), it is likely that grants received for 2020/21 will be the same as 2019/20, save for New Homes Bonus which is expected to continue to reduce.
8. At the time of writing this report, the MHCLG were conducting a technical consultation on the settlement. This is shown at Appendix E together with the officer's response that had to be submitted prior to this meeting. There are a number of issues contained in the consultation, in particular the proposed council tax referendum limit for 2020/21. The Government are suggesting a 2% limit (from 3%), but also asking if there is support for a concession for District Councils to increase up to £5 whichever is the greatest.

Non Domestic Rates (Business Rates)

9. The Council is currently part of the East Sussex 75% business rate retention pilot. The Government have said that nationally the 75% pilots will end this

financial year ahead of the business rates reset in 2021/22. The Council can, however, be part of a reformed East Sussex 50% Business Rate Pool which enables the normal Government levy on business rate growth to be retained in the East Sussex area. A draft agreement between the Councils is currently being drawn up and a final decision will be required in December, once the draft settlement is known. It is likely that the final decision to be part of the Pool will not coincide with a meeting of Cabinet and therefore it is proposed that authority to make the final decision be delegated to the Assistant Director, Resources in consultation with the Cabinet Portfolio Holder for Finance.

10. The financial forecast assumes that the Council will be in the business rate pool from 2020/21. The forecast also assumes that the Council's share in the growth of business rate income since 2013/14 continues. There is however, no certainty that this income growth will continue to be kept in part or its entirety, when the Government reset how Business Rates is shared between Councils from 2021/22. It is expected that as a minimum, there will be some redistribution to the County Councils to help support the cost of social care. If growth is reset to the 2019/20 business rate baseline this would result in a £1.2m reduction in the Council's income. Background information on the current business rate arrangements can be found at Appendix D.

New Homes Bonus Grant

11. The New Homes Bonus grant (NHB) was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas and is funded through a top slice of non-domestic rate income. In December 2016, the Government announced a reduction of the number of years NHB is paid to five in 2017-18 and four in 2018-19. They also introduced a national baseline for growth of 0.4% of council tax base and payments of the bonus would only be made above this level. It is the Government's intention to explore how to incentivise housing growth most effectively, for example by using the Housing Delivery Test results to reward or incentivise plans that meet or exceed local housing need. Government will consult on any changes prior to implementation. The Government's technical consultation on the 2020/21 settlement suggests that there may be a further round of NHB grant under the current scheme. However, the five year forecast currently assumes that the Council will not achieve any additional grant and that reliance on this funding will be removed from the base revenue budget.

Council Tax and Council Tax Base

12. As Council Tax is a major source of income to the Council, the MTFP assumes that the Council will increase Council Tax by the maximum allowed before a referendum is required. The Government's technical consultation suggested the referendum limit will revert to 2% from 3% in 2019/20. They are however asking for comment whether districts and borough councils should be allowed to go to 2% or £5 whichever is the higher. The forecast currently assumes an annual increase of 2% which generates additional income of £137,000. An increase of £5 would generate a further £54,000 of income.
13. Based on recent trends, the taxbase has been increased by around 200 "band D" equivalent properties each year. The actual taxbase for 2020/21 will be calculated at the beginning of December as required by legislation. The taxbase is affected by many factors, including the number of new properties

built each year, the changes in those households in receipt of Council Tax Reduction (CTR) and the number of single person households in receipt of a 25% discount on the Council Tax charge.

14. For the purposes of the financial forecast, it is assumed that whatever CTR Scheme is in place for 2020/21 onwards, the amount of relief given will be similar to that currently granted. There are no proposals to change the CTR scheme at present and due to the amount of work and consultation requirements, no changes can be implemented until April 2021 at the earliest.

Cost Pressures

15. **Waste Collection and Street and Beach Cleaning** – in June this year the Joint Waste contract was retendered and awarded to Biffa and this has resulted in significant cost increases, particularly in relation to garden waste collections. An over spend of £327,000 has been reported in the Quarter Two revenue monitoring forecast, which increases to £1.042m in a full year and this has been factored into the five year forecast.
16. **Homelessness Demands** – the Council continues to experience pressure on this budget as a result of an increase in the number of cases and a £200,000 overspend has been reported to Cabinet in the Quarter Two revenue monitoring report. To mitigate this, a budget of £3m has been included in the approved capital programme to purchase high quality temporary accommodation and alleviate budget pressure by reducing the use of more expensive private rented accommodation. The purchase programme will commence in the current financial year and it is expected that cost savings of £36,000 will be generated in 2020/21 and £72,000 in a full year. These have been built into the five year forecast. Furthermore, the Government recently announced further funding to address Homelessness as part of its 2020/21 spending review. The impact of this has been estimated at £33,000 and built into the forecast from 2020/21 onwards.
17. **Staffing Costs** – the forecast assumes an increase of 2% each year for annual pay award, estimated to add £188,000 to the overall budget requirement. Staff budgets are calculated at 100% of the total cost per post including on costs, but a decrease of 3% has also been applied to the overall cost of salaries, which allows for staff turnover. This reduces the budget requirement further by £282,000 each year. The five year forecast also assumes there will be a reduction in posts by £500,000, as explained in paragraph 23 (v) below and shown at line 32 of the forecast at Appendix A.
18. **Non Pay Inflation** – a global increase of 2% has been applied to non-pay and income budgets, which is estimated to add a further £51,000 to the budget. This excludes budgets such as the Joint Waste Contract where inflationary increases are already built into the base contract figures.

Summary Estimated Revenue Budget 2020/21

19. The table below shows how the overall revenue budget position for 2020/21 has moved from that reported to Council in February 2019, taking account of the budget pressures detailed above and changes to council tax, business rates and grant income.

	2020/21 Budget February 2019 £ (000)	2020/21 Budget Latest Forecast £ (000)
Net Cost of Services	13,470	13,470
Joint Waste Contract cost increase		1,075
Temporary Accommodation - net cost increase		64
Non Pay & Income Inflation at 2%		48
Increase income - Property Investment Strategy		1,130
Increase income (net) - other		-94
Lean and Demand		-90
Service Prioritisation		-100
Reduced Staffing Structure		-500
Impact on Revenue Budget of increased Capital Expenditure Charged to Revenue		645
Other Changes to the Base Budget		-125
Net Cost of Services	13,470	15,523
Total Income	-12,243	-12,243
Council Tax		142
Business Rates		154
Other Income		-25
Contributions from Reserves to fund capital expenditure		-1,359
Total Income	-12,243	-13,331
Funding Gap	1,227	2,192

Rother 2020 Programme – Income Generation and Cost Savings

20. The Rother 2020 programme had a number of workstreams designed to deliver an overall reduction in the base revenue budget of £1.8m in line with the financial forecast at the time. The programme has broadly delivered or identified the £1.8m of additional income and savings that was envisaged. Those savings identified but not delivered will need to move to being implemented. Further details of the income and savings are shown at Appendix C.

Five Year Forecast

21. Taking the above into account, the MTFP has been updated to show the financial forecast for the next five financial years. The forecast includes many assumptions regarding future savings and new income. Taking these into account the following table summarises the remaining shortfall each year:

	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)
Net Funding Gap	2,192	1,559	598	430	(3)

22. If the savings and additional income identified below are delivered, there will still be a need to support the revenue budget from reserves by about £4.8m until it achieves balance in 2024/25. In addition, an estimated £2.5m of reserves will be used to support the Capital Programme. The detailed forecast is shown at Appendix A.

Cost Saving and Income Generation (Rother 2025)

23. There are five main workstreams designed to deliver the income and savings required and minimise the amount of reserves used to balance the budget over the next five years:
- i. **Further Lean and Demand** – the work so far on Lean and Demand has implemented a number of improvements, for example a document image processing system, which has improved efficiency and reduced costs in Revenues and Benefits. There is further work the Council can do to improve its efficiency, some of which will require investment in technology, e.g. use of AI software to minimise contact with the Council and better designed office accommodation.
 - ii. **Service Prioritisation** – this workstream is looking at how each service supports the Council's aims and objectives and will need to align with the new Corporate Plan. This workstream is not necessarily looking to stop services being provided, but will consider who is best to deliver them (including in partnership) and review the scope of services (statutory/non statutory/quality). An important part of this work is to consider the implications on users of these services if they are no longer provided by the Council.
 - iii. **Devolution** – for the purposes of this report, it has been assumed that a number of services will be devolved to the Town and Parish areas, including a new Bexhill Town Council, if ultimately agreed. The services include parks and open spaces (including sports pitches and facilities), public conveniences, Museums and bus shelters. The annual direct cost (excluding salaries) for these activities is budgeted in the region of £1.3m albeit that some £0.6m of the costs are currently offset by special expenses levied on Bexhill and Rye. The forecast assumes Special Expenses will end as a result of the devolution process. In overall terms the net cost reduction would be almost £0.7m. As the Community Governance Review of Bexhill is yet to complete, if the scope of services that are devolved is limited, then these non-statutory services will have to be considered as part of the Service Prioritisation workstream.
 - iv. **Income Generation** – the forecast includes income from the Council's Property Investment Strategy (PIS) which rises to a peak of £2.2m in 2024/25 before borrowing and other costs. This represents a significant challenge based on progress to date. Whilst the projects involving new construction or refurbishment will deliver income towards the end of the financial planning time horizon, there is a risk that additional income will be difficult to deliver for 2021/22 and 2022/23. The forecast assumes an increase in fees and charges income, primarily through increased garden waste income from increasing the annual charge by £5 for the next three years. This will mean the charge per bin per property will reach £50 by 2023/24. No change in income from off-street carparks is currently being

assumed in the forecast arising from the decriminalisation of on-street parking offences. The effect could be either positive or negative depending on how driver behaviour changes as a result of decriminalisation. This will be considered alongside the proposals East Sussex County Council makes regarding the charging regime they adopt for on-street charging.

- v. **Reduced Staffing Structure** – the Council’s Rother 2020 programme envisaged delivering ongoing service based savings and it was forecast in the financial plan that this would need to include a contraction of the workforce. Members will be aware that the Council is currently seeking voluntary redundancies which will be assessed for their impact on the Council’s ability to deliver on its priorities. Vacant posts are also being reviewed as to whether they can be deleted. Should these two actions not deliver the target saving, then it will be necessary to make compulsory redundancies. This may also arise from the service prioritisation and devolvement workstreams, although it is more likely that this will result in the transfer of staff to new organisations under TUPE arrangements.
- vi. **Shared Services** – sharing the provision of services with other local authorities can reduce costs, largely through the sharing of management. The savings can, however, be modest in reality and will in the early stages be offset by an investment requirement, e.g. in harmonising IT software. Sharing services does however build service resilience and its appropriateness will be considered as part of the service prioritisation process. A specific target saving has not been set at this stage for new shared services. Any savings achieved would reduce the funding gap.

24. The expected savings from each of the work streams is summarised in the table below:

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Lean and Demand	(90)	(180)	(180)	(180)	(180)
Service Prioritisation	(100)	(250)	(250)	(310)	(370)
Devolvement net of Special Expenses		(663)	(663)	(663)	(663)
Income generation (net of PIS Borrowing)	(368)	(322)	(1,109)	(1,027)	(1,204)
Reduced Staffing structure	(500)	(500)	(500)	(500)	(500)
Share Services	TBD	TBD	TBD	TBD	TBD
TOTAL	(1,058)	(1,915)	(2,702)	(2,680)	(2,917)

Revenue Reserves and General Fund Balance

25. The forecast assumes the useable revenue reserves and General Fund balance will be £14.8m as at the end of this financial year, excluding specific grants and contributions. However, the latest financial monitoring for 2019/20 suggests there will be an overspend by £1.2m at outturn and if this happens then revenue reserves will fall to £13.6m. The MTFP estimates that £4.8m of reserves would be needed to support the revenue budget over the next five years. In addition, a further £2.5m of reserves were allocated to support the Capital Programme. The Capital Programme and its funding have been

reviewed and it has significantly reduced its reliance on reserve funding. The reserve funding has largely been replaced with borrowing. The forecast shows that Capital Receipts will be expended by 2022, but no assumption has been made for future receipts.

26. By the end of the five year forecast revenue reserves and balances would be between £5.3m and £6.5m depending on the final outturn for 2019/20. Should the Council's share of Business Rates falls to the current baseline from 2021/22, then unless there is growth in business rates or additional savings are delivered, a further £4.8m of reserves would need to be used to support the Revenue Budget. Appendix B provides further details.

Budget Consultation

27. The Council is required to consult on its budget and council tax proposals with its residents and local businesses. The opinions of residents, partner organisations, businesses and other interested parties are an important part of the budget setting process. It is planned to consult between 3 December 2019 and 31 January 2020 and a draft consultation will be presented to Cabinet at their meeting on the 2 December 2019. An interim report on the consultation will be reported to this Committee on the 27 January 2020.

Conclusion

28. Despite the many pressures, the Council has been able to deliver a balanced budget via sound financial management and an imaginative programme to deliver extra income and cost savings. With the level of reserves and a commitment to sensible borrowing in line with CIPFA's Prudential Code, the Council has created an ability to invest in its area, transform the delivery of its services and find new ways of working to create a sustainable budget. However, this report shows that to meet the latest challenge, the Council does have to continue to deliver on the income and savings targets. Failure to do so will impact on the Council's ability to meet its statutory obligations.

Malcolm Johnston
Executive Director

Dr Anthony Leonard
Executive Director

Risk Assessment Statement

The MTFP is now focused on achieving financial self-sustainability for the Council. If the Council is to achieve this, particularly through investment in the local economy, then its risk appetite will need to continue to increase. This brings the prospect of achieving greater returns on investments, but also the potential for losses. With sound and robust investment appraisal processes these risks can be minimised, but will not be eliminated.

Appendix A

Line	Financial Forecast 2021/22 to 2024/25	2019/20 Revised £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)
1	Head of Service Departmental Budgets						
2	Executive Directors & Corporate Core	2,084	2,084	2,084	2,084	2,084	2,084
3	Environmental Services	750	750	750	750	750	750
4	Strategy and Planning	961	961	961	961	961	961
5	Acquisitions, Transformation and Regeneration	82	82	82	82	82	82
6	Housing and Community Services	7,365	7,365	7,365	7,365	7,365	7,365
7	Resources	3,264	3,264	3,264	3,264	3,264	3,264
8							
9	Base Budget Adjustments						
10	Joint Waste Contract cost increase	0	1,075	1,075	1,075	1,075	1,075
11	Temporary Accommodation costs	0	100	100	100	100	100
13	Temporary Accommodation Savings from self provision	0	(36)	(72)	(72)	(72)	(72)
14							
15	Non Pay & Income Inflation at 2% Salaries pay award inflation @ 2% of 2019/20 Base	0	51	51	51	51	51
16	Budget	0	188	188	188	188	188
17	Salaries turnover @ 3% of 2019/20 Base Budget	0	(282)	(282)	(282)	(282)	(282)
18							
19	Total Cost of Services	14,506	15,602	15,566	15,566	15,566	15,566
20							
21	Interest from Investments	(512)	(469)	(169)	(169)	(169)	(169)
22	Capital Expenditure Charged to Revenue	704	1,359	291	291	291	291
23	MRP and Interest - Property Investment Strategy	335	853	1,236	1,243	1,259	1,259
24	MRP and Interest - Other	25	88	125	125	125	125
25							
26	Savings and Income generation						
27	(i) Increase income - Property Investment Strategy	(673)	(1,127)	(1,371)	(2,070)	(2,004)	(2,181)
28	(ii) Increase income (net) - other		(94)	(187)	(282)	(282)	(282)
29	(iii) Lean and Demand		(90)	(180)	(180)	(180)	(180)
30	(iv) Service Prioritisation		(100)	(250)	(250)	(310)	(370)
31	(v) Devolvement			(1,350)	(1,350)	(1,350)	(1,350)
32	(vi) Reduced Staffing Structure		(500)	(500)	(500)	(500)	(500)
33	(vii) Shared Services		TBD	TBD	TBD	TBD	TBD
34							
35	Net Cost of Services	14,385	15,522	13,211	12,424	12,446	12,209

Line	Financial Forecast 2021/22 to 2024/25	2019/20 Revised £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)
36	Special Expenses	(674)	(687)				
37	Business Rates						
38	Local Share of business rates 44% 2019/20 and 40% thereafter	(8,020)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)
39	s31 Grants	(1,297)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)
40	Tariff	5,715	5,100	5,100	5,100	5,100	5,100
41	Pooling Levy	0	380	380	380	380	380
42	Transition grant	0	0	TBD	TBD	TBD	TBD
43	Revenue Support Grant	0	0	0	0	0	0
44	Non-Specific Revenue Grants						
45	New Homes Bonus Grant	(449)	(84)	(12)	0	0	0
46	Rural services delivery grant	0	0	0	0	0	0
47	Local Council tax Support Grant	(100)	(102)	(104)	(106)	(108)	(110)
48	Benefits Administration Grant	(233)	(238)	(223)	(223)	(223)	(223)
49	New Burdens Grant & other non-specific Grants	0	0	0	0	0	0
50	Homelessness Grant - New Burdens	(43)	(43)	(43)	(43)	(43)	(43)
51	Flexible Homeless Support Grant	(275)	(275)	(275)	(275)	(275)	(275)
52	Brexit preparations Grant	0	(18)	0	0	0	0
53	Council Tax Requirement (Rother only)	(6,830)	(7,004)	(7,184)	(7,368)	(7,556)	(7,750)
54	Other Financing						
55	Collection Fund (Surplus)/Deficit	336	0	0	0	0	0
56	Contribution from reserves to fund capital expenditure Contributions to/(from) General Fund Balance and Reserves	(704)	(1,359)	(291)	(291)	(291)	(291)
57		(1,811)					
58	Total Income	(14,385)	(13,330)	(11,652)	(11,826)	(12,016)	(12,212)
59	Funding Gap	0	2,192	1,559	598	430	(3)
60							
61	Council Tax Base - Properties per CTR form	38,054.10	38,266.10	38,478.10	38,690.10	38,902.10	39,114.10
62	Average Council Tax Charge (Band D)	179.45	183.04	186.70	190.43	194.24	198.13

Estimated Use of Earmarked Reserves

	General Fund Balance	Earmarked Reserves	Capital Receipts	Total
	£'000	£'000	£'000	£'000
Balance 31 Mar 19	1,000	16,362	2,902	20,264
Receipts in year			300	300
Estimated used in year		(2,515)	(1,118)	(3,633)
Balance 31 Mar 20	1,000	13,847	2,084	16,931
Estimated used in year		(3,551)	(543)	(4,094)
Balance 31 Mar 21	1,000	10,296	1,541	12,837
Estimated used in year		(1,850)	(1,537)	(3,387)
Balance 31 Mar 22	1,000	8,446	4	9,450
Estimated used in year		(889)		(889)
Balance 31 Mar 23	1,000	7,557	4	8,561
Estimated used in year		(721)		(721)
Balance 31 Mar 24	1,000	6,836	4	7,840
Estimated used in year		(288)		(288)
Balance 31 Mar 25	1,000	6,547	4	7,551

Rother 2020 Income and Savings - Project/Activity (categorised by work stream)

2018/19

2019/20

Income Generation
Budget Reviews:

Street Name and Numbering		(3,000)	
Garden Waste Containers and Bulky Waste		(50,000)	
Income from additional beach huts		(15,000)	
Rental Income		(53,460)	
Additional Car Park Income 2018/19		(100,000)	
Licences - Houses of Multiple Occupation		(1,000)	
Donations - Bexhill Park		(2,800)	
Environmental Heath Partnership - Alcohol Licencing Income		(300)	
Environmental Heath Partnership - Taxi Licensing		(5,000)	
Environmental Heath Partnership - Licences and Registration Income		(2,100)	
Sussex Training partnership		(9,960)	
CIL Admin Fees		(5,000)	
Business rates revaluation		(200,000)	
Additional Car Park Income 2019/20			(250,000)
	Budget Reviews sub-total:	(697,620)	(447,620)
			(250,000)

Work stream activity:

Investment in property funds (£8m)		(320,000)	
Property acquisition (borrow £34m - 2.5% net margin)			(361,173)
Solar Panel / Photovoltaic installation - Amherst Office & Museum			(8,881)
	Work stream activity sub-total:	(690,054)	(320,000)
			(370,054)

Increase Income Total (1,387,674)
Lean Business Process Review
Budget Reviews:

Planning notices review		(3,500)	
Communications Marketing		(5,000)	
Members costs		(1,700)	

Audit Fee		(26,500)	
Communications Costs		(56,000)	
IT Costs		(45,000)	
Stationery		(1,960)	
Neighbourhood services: Beach Hut Licence Renewals			(455)
Removal of Contingencies			(83,410)
Lean Business Process Review Total		(223,525)	
Demand Management			
Budget Reviews:			
Gas		(4,800)	
Premises - Repairs, NNDR, Water & Sewage		(10,605)	
Postage Costs – Recycling		(23,660)	
Bexhill Parks		(3,670)	
Local Council Tax Support Grant		(17,880)	
Demand Management Total		(60,615)	
Organisational Form & Culture			
Budget Reviews:			
Environmental Health Partnership		(20,150)	
Wage Costs – Camber		(15,000)	
Charging staff costs to Capital for DFG and Capital Projects		0	(101,000)
	Budget Reviews sub-total:	(136,150)	
Work stream activity:			
Investment in property funds (£8m)		(55,000)	
	Work stream activity sub-total:	(55,000)	
Organisational Form & Culture Total		(191,150)	
Savings/Income to date		(1,862,964)	
Target		(1,800,000)	
Variance		62,964	

BUSINESS RATES – BACKGROUND INFORMATION

1. Business Rates applies to any non-domestic hereditament, for example applies to all Council Buildings as well as commercial business premises.
2. Properties have Rateable Values (akin to rental values) which are set by the Valuation Office Agency, not by the Council. A ratepayer can challenge the rateable value.
3. To calculate how much rates are payable, the Rateable Value is multiplied by the Rate in the £ which is set by Government. For 2019/20 the amounts are:

Standard multiplier 50.4pence in the £
Small Business rate 49.1pence in the £

4. The rate in the £ is increased by the rate of inflation (RPI) each year.
5. The Rateable Values are reviewed periodically; the last one was in 2017.
6. The Gross Rateable Value for Rother £55.5m.
7. The Gross Rates collectable £27m.
8. There are a number of discounts and exemptions. For example if you are a charity you are entitled to 80% relief from the business rates you pay.
9. The actual amount collectable after discounts and exemptions are applied is approximately £18m.
10. For 2019/20 Rother has been part of the East Sussex business rate 75% retention pooling arrangement. This means more of the money is collected from Business Rates is kept by the Councils and less goes to the Government.
11. Rother's share of business rates under the Pilot is 44% or £8m.
12. However the Government apply a tariff (a reduction) to the amount Rother can keep. For 2019/20 this was £5.7m meaning the Net retained = £2.3m. The tariff is redistributed to other Councils.
13. On top of this the Council gets £1.3m of Section 31 Grants – these are paid to compensate the Council for some of the recent additional reliefs (e.g. extension to small business rate relief) introduced by the Government.
14. When the business rate funding was revised in 2013, the Government set a Baseline amount that the Council should expect to keep from Business Rates. This was based on 2011 figures. The Baseline has been increased each year by inflation and currently stands at £2.4m.
15. The Baseline is used to determine the Safety Net. The Safety Net is set at 92.5% of the Baseline amount, approximately £2.2m. This is the minimum amount the Council would receive if there was a significant fall in business rate income. The Government would provide a grant to cover any shortfall between Rother's share of the amount collected and the calculated Safety Net amount.

LOCAL GOVERNMENT FINANCE SETTLEMENT 2020-21: TECHNICAL CONSULTATION

Question 1 – Do you agree with the Government’s proposed methodology for the distribution of Revenue Support Grant in 2020-21?

Yes
No
No comment

Additional Comments:

It is sensible not to make any one off changes to the distribution of resources for 2021/21 ahead of the spending review. It is also important for you to provide assurance at a local authority level that other grants, such as the Flexible Homelessness Support Grant, will be maintained and not redistributed within the overall total funding envelope.

Question 2 – Should Central Government eliminate negative RSG in full through forgone business rates receipts?

Yes
No
No comment

Additional Comments:

The suggested amount of negative RSG for Rother would have a significant impact on the Council given the level of savings already required to manage a £1.5m increase in the Council’s new waste collection and street cleansing contract (on a similar minimal specification).

Question 3 – Do you think that there should be a separate council tax referendum principle of 2% or £5, whichever is greater, for shire district councils in 2020-21?

Yes
No
No comment

Additional Comments:

For Rother, a 2% increase represents an increase of 7pence per week, £3.59 for the whole year. Therefore we would want to see the ability to increase the council tax charge by £5 for District Council’s maintained.

Question 4 – Do you have views on the proposed package of council tax referendum principles for 2020-21?

Yes
No
No comment

Additional Comments:

We support the intention not to introduce referendum principles for Parish and Town Councils

Question 5 – Do you agree with the Government’s proposals for social care funding in 2020-21?

~~Yes~~
~~No~~
No comment

Additional Comments:
N/A

Question 6 – Do you agree with the Government’s proposals for iBCF in 2020-21?

~~Yes~~
~~No~~
No comment

Additional Comments:
N/A

Question 7 – Do you agree that there should be a new round of 2020-21 New Homes Bonus allocations for 2020-21, or would you prefer to see this funding allocated for a different purpose, and if so how should the funding be allocated?

Yes
~~No~~
~~No comment~~

Additional Comments:
NHB has been an important source of income for the Council and has helped maintain the breadth of housing related services provided by the Council at a time of reduced funding. The Council is now looking to take direct intervention in the local housing market to accelerate the delivery of new housing, particularly affordable housing. Going forward any NHB will be a useful enabler to kick start this policy objective.

Question 8 – Do you agree with the Government’s proposed approach to paying £81m Rural Services Delivery Grant in 2020-21 to the upper quartile of local authorities, based on the super-sparsity indicator?

~~Yes~~
No
~~No comment~~

Additional Comments:
Sparsity affects all rural authorities, districts and the Counties. Long standing evidence shows that the cost of service delivery is proportionally higher than urban areas. The scope of the grant should be expanded to include all rural authorities.

Question 9 – Do you have any comments on the impact of the proposals for the 2020-21 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

Yes

No

No comment

Additional Comments:

N/A