

Report to	-	Cabinet
Date	-	13 January 2020
Report of the	-	Executive Directors
Subject	-	Draft Revenue Budget 2020/21

Recommendation: It be **RESOLVED:** That the draft Revenue Budget for 2020/21 be considered by the Overview and Scrutiny Committee at its meeting on the 27 January 2020.

Assistant Director Resources: Robin Vennard
Lead Cabinet Member: Councillor Oliver

Introduction

1. The Council is required to set a balanced budget each year. The Local Government Finance Act 1992 requires the Council to estimate revenue expenditure and income for the forthcoming year from all sources, together with contributions from reserves, in order to determine a net budget requirement to be met by Government Grant, Business Rates and Council Tax.
2. This report updates Members on preparation of the draft Revenue Budget for 2020/21; the report outlines the likely financial position and the key issues Members need to consider. Appendix A details the summary draft Revenue Budget, Appendix B gives summary information for each service area and Appendix C details the main changes from the 2019/20 Budget. Appendix D provides details of the Council's Revenue Reserves.
3. All Budgets, for the purposes of Cabinet and Overview and Scrutiny Committee presentation, are shown at "Net Operational Expenditure Levels", that is, to exclude capital charges, central costs and support service recharges. This ensures Members are provided with a clear identifiable core cost for each service.

Government Grant Settlement

4. As Members will be aware that for 2020/21, the Council no longer receives any Revenue Support Grant and will be wholly reliant on revenue from business rates, council tax, charges for services and income generation. The settlement was announced by the Government on the 20 December 2019. As part of the settlement indicative New Homes Bonus grant was confirmed. For Rother the total grant is expected to be £247,100 which is higher than in the previous forecast. This was due to an increase in the Council's actual taxbase at October 2019 compared to October 2018, of 273 net additional Band D equivalent properties. However as this is just a one year grant, no ongoing reliance of this income can be assumed pending the outcome of the review of this grant. The grant has been reflected in the Budget Summary at Appendix A.

Business Rates

5. Members will be aware from previous reports that the Council will revert to a 50% Business Rate pooling arrangement from April 2020 with the other East Sussex local authorities. The current arrangements for the 75% pilot retention have been abandoned by the Government ahead of the reset to the allocation of business rates from 2021/22. The projected income for next year of nearly £3.5m is analysed below:

	2019/20 75% Pilot £000	2020/21 50% Pool £000
Gross Share of business rates	8,020	7,400
Add: Estimated S31 grants	1,297	1,600
Less: Tariff	(5,715)	(5,121)
Less: Levy	0	(380)
Net Business Rates retained	3,602	3,499

6. Further work is in progress to refine the business rate estimate in time for the final approval of the Revenue Budget in February. This will include an updated estimate of the amount of S31 grants although it is not known at this stage if it will reflect the most recent announcements by Government of further reliefs for businesses.

Council Tax Base

7. The 2020/21 council tax base has been calculated at 38,124.6 and shows an increase of 70 Band D equivalents over the equivalent December 2018 figures. The main reason for the change is an increase in the number of properties on the rating list and changes to discounts. The calculation makes little allowance for potential growth during 2020/21 but for future years average growth of 2% per annum has been assumed. The in-year recovery rate has been maintained at 98.5% for 2020/21. The tax base calculation takes account of the Council Tax Reduction Scheme (CTRS) for 2020/21, agreed by Members at their full Council meeting on the 16 December 2019 (Minute C19/59 refers).
8. The draft settlement confirms the 2020/21 council tax referendum principles for Shire districts, like Rother, will allow an increase in council tax of £5 or 2% whichever is the highest. As Council Tax is a major source of income to the Council, the draft Revenue Budget and forecast assumes that the Council will increase Council Tax by the maximum allowed before a referendum is required. For 2020/21 this would result in a £5 increase to £184.45 for a Band D property (check). This increases the income from Council tax by £190,600 to an estimated total of £7,032,000.

Financial Risks

9. Members are aware that there are a number of financial risks that may affect the Council's finances. These are discussed below.

10. **Waste Collection and Street and Beach cleaning** – in June 2019, 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. Work has been undertaken to review the costs arising from the new contract and it is expected that costs will rise by £876,000 in 2020/21. This is partially offset by Members decision to increase the annual garden waste collection charge by £5 which will generate approximately £80,000 of additional income.
11. **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. The Council is focusing its efforts to manage this demand led service to try to control spending. Members will recall 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.
12. **Staffing Costs** – the budget assumes an increase of 2% for the 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 for 2020/21. The budget assumes that savings of £500,000 in staffing costs will be achieved during 2020/21. Members will be aware of the recent request for voluntary redundancies and this closed on the 12 December. This will be assessed for its implications on services and meeting Council objectives before a final decision is taken.
13. **Non Pay Inflation** – inflation of 2% has been added to relevant budgets, in particular for contracts. However the actual inflation rates may differ from this depending on the anniversary date used for particular contracts. Therefore there may be variations between the estimate and actual inflation.
14. **Income** – the draft budget includes additional income from the Property Investment Strategy. Secured income has been built into the Acquisitions, Transformation and Regeneration service line in Appendix A and unsecured income is shown as a separate figure. For 2020/21 this is estimated to be £544,000 and therefore represents a significant risk if not secured. Planning income for 2020/21 has been reduced by £96,000 to reflect current performance. This will need to be reviewed again prior to finalisation of the budget.

Budget Assumptions

15. As the Section 151 Officer, the Assistant Director Resources confirms that, in accordance with Section 25 of the Local Government Act 2003, these estimates have been prepared on a robust basis. The following assumptions were made when calculating the draft budget:

- a. **Inflation** – inflation of 2% for CPI has been applied to contracts as appropriate.
- b. **Salaries** – salaries have been assumed to increase by 2% from September 2020.
- c. **Growth** – Appendix C to the report details growth included in the draft Budget.
- d. **Transfers** – the use of transfers between existing budgets has been encouraged to help enable funding to be re-directed into priority areas.
- e. **Income** – where the Council has discretion, increases should be in line with the increase in costs.

Draft Budget

16. The net Revenue Budget before Government grants, use of reserves and other funding is expected to be £15.5m before use of reserves. This is an increase of £161,000 over the revised 2019/20 Revenue Budget. This is analysed in Appendix C. The capital expenditure charged to revenue will be funded from earmarked reserves. Appendix A summarises the Budget and the Council Tax calculations.

Reserves and General Fund Balance

17. The draft Revenue Budget for 2020/21 utilises £3.3m of reserves in order to meet specific costs. Of this £1.4m will be used to support capital expenditure with the remaining £1.9m being used to support service expenditure. The draft Revenue Budget identified savings and increased income in excess of £1.3m. If these are not delivered it may be that to balance the Revenue Budget during the year, further use of reserves may be required.
18. The total earmarked reserves by the end of March 2020, is estimated to be £13.8m plus a £1m General Fund balance. Over the five year financial forecast previously reported, earmarked reserves are predicted to fall to £6.8m. The minimum level of cash backed reserves and balances are considered to be £5m.

Budget Consultation

19. The previously approved budget consultation is due to close in January 2020 and interim results will be reported to the Overview and Scrutiny Committee at their meeting on the 27 January 2020.

Conclusion

20. The draft Revenue Budget shows an increase of nearly £161,000 in the cost of services over the 2019/20 position. As explained in the report, the budget includes a number of assumptions relating to income generation and savings, which if not delivered would result in an increased call on reserves. Members are aware of the actions officers are putting in place to deliver these, some of which will be difficult to deliver. The Government's fair funding review and business rate reset coming in from 2021 add to the very uncertain backdrop to Council funding for some time to come.

Malcolm Johnston
Executive Director

Dr Anthony Leonard
Executive Director

Risk Assessment Statement

The significant falls in Government support will continue and the potential volatility in business rate income present a major challenge for the Council. The Council needs to deliver its' plans to deal with the continued pressures on its budgets but 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.

Draft Revenue Budget 2020/21 - Summary

	Revised 2019/20 Budget £ (000)	2020/21 Budget £ (000)
Executive Directors and Corporate Core	2,084	2,042
Environmental Services	750	698
Strategy and Planning	961	993
Acquisitions, Transformation and Regeneration	(591)	(188)
Housing and Community Services	7,365	8,291
Resources	3,264	3,402
Total Cost of Services	13,833	15,238
Vacancy provision	0	(282)
Interest from Investments	(512)	(400)
Capital Expenditure Charged to Revenue	1,670	1,359
MRP and Interest – Property Investment Strategy	156	853
MRP and Interest – Other	220	88
Savings and Income generation		
(i) Increase income - Property Investment Strategy	0	(544)
(ii) Increase income (net) – other	0	(94)
(iii) Lean and Demand	0	(90)
(iv) Service Prioritisation	0	(100)
(v) Devolvement	0	
(vi) Reduced Staffing Structure	0	(500)
(vii) Shared Services	0	TBD
Net Cost of Services	15,367	15,528

	Revised 2019/20 Budget £ (000)	2020/21 Budget £ (000)
Special Expenses	(674)	(687)
Business Rates		
Local Share of business rates 44% 2019/20 and 40% thereafter	(8,020)	(7,400)
Section 31 Grants	(1,297)	(1,600)
Tariff	5,715	5,121
Pooling Levy	0	380
Transition grant	0	0
Revenue Support Grant	0	0
Non-Specific Revenue Grants		
New Homes Bonus Grant	(449)	(247)
Rural services delivery grant	0	(50)
Local Council tax Support Grant	(100)	(102)
Benefits Administration Grant	(233)	(238)
New Burdens Grant and other non-specific Grants	0	0
Homelessness Grant – New Burdens	(43)	(43)
Flexible Homeless Support Grant	(275)	(275)
Council Tax Requirement (Rother only)	(6,830)	(7,032)
Other Financing		
Collection Fund (Surplus)/Deficit	336	0
Contribution from reserves to fund capital expenditure	(1,670)	(1,359)
Total Income	(13,540)	(13,532)
Funding Gap	1,827	1,996

Council Tax calculation

Council Tax Base	38,124.6
Proposed Council Tax at Band D	£184.45
Total Income	£7,032,082

Revenue Budget Summary - Cost of Services	Revised Budget 2019/20	Gross Expenditure	Budget 2020/21	
			Income	Net Expenditure
	£	£	£	£
Acquisition, Transformation and Regeneration	(590,980)	1,777,900	(1,966,000)	(188,100)
Environmental Services, Licensing and Community				
Safety	749,690	1,064,280	(365,900)	698,380
Executive Directors and Corporate Core	2,083,640	2,163,390	(121,460)	2,041,930
Housing and Community	7,365,040	12,010,860	(3,719,970)	8,290,890
Resources	3,264,150	23,144,990	(19,743,550)	3,401,440
Strategy and Planning	961,110	1,983,110	(990,000)	993,110
Total Cost of Services	13,832,650	42,144,530	(26,906,880)	15,237,650

Appendix B Cont'd

	Revised Budget 2019/20	Gross Expenditure	Budget 2020/21	
			Income	Net Expenditure
Acquisitions, Transformation and Regeneration				
	£	£	£	£
Ancient Monuments and Gazebo	5,460	4,810	0	4,810
Business Improvement	291,140	340,950	0	340,950
Committee Property Account	(59,640)	43,880	(114,635)	(70,755)
Community Strategy	8,570	8,470	0	8,470
Cultural Development	23,340	23,340	0	23,340
Economic Development	264,140	273,250	0	273,250
Elva Business Centre, Bexhill	(174,140)	85,970	(249,220)	(163,250)
Environment Sustainability Strategy	0	42,500	0	42,500
Head of Service Acquisitions, Transformation and Regeneration	84,200	89,080	0	89,080
Housing Policy, Strategy and Development	30,310	31,300	0	31,300
Investment properties	(193,720)	27,960	(174,200)	(146,240)
Major Projects unit	0	116,540	(55,000)	61,540
Miscellaneous Land and Buildings	(16,520)	7,410	(19,435)	(12,025)
NLPG - E-Government	(11,000)	0	(18,000)	(18,000)
Peasmarsh Workshops	(4,710)	10,650	(22,175)	(11,525)
Performance Management	13,790	14,110	0	14,110
Programme and Policy Office	248,930	308,120	0	308,120
Property Investment Strategy	(955,640)	74,750	(922,050)	(847,300)
Property Management	12,850	63,150	(250)	62,900
Regeneration	54,440	57,240	(2,800)	54,440
Residual Housing Land	(530)	0	(245)	(245)
Tourism	127,850	127,850	0	127,850

Appendix B Cont'd

	Revised Budget 2019/20	Gross Expenditure	Budget 2020/21	
			Income	Net Expenditure
Acquisitions, Transformation and Regeneration				
	£	£	£	£
Udimore Workshops	(1,660)	3,310	(6,970)	(3,660)
Watch Oak Estate	(39,500)	500	(40,000)	(39,500)
West Trading Estate	(298,940)	22,760	(341,020)	(318,260)
Total	(590,980)	1,777,900	(1,966,000)	(188,100)

Appendix B Cont'd

Environmental Services, Licensing and Community Safety	Revised Budget 2019/20	Gross Expenditure	Budget 2020/21	
			Income	Net Expenditure
	£	£	£	£
Alcohol Licencing	(22,060)	69,420	(89,000)	(19,580)
Animal Welfare	1,160	1,170	0	1,170
Caravan Licences and Travellers	28,520	18,100	0	18,100
Community Safety	16,070	17,260	0	17,260
Crime and Disorder Initiatives	8,300	31,750	(23,450)	8,300
Dog Control	36,140	35,530	0	35,530
Environmental Services-Admin	25,610	51,740	(31,550)	20,190
Food and Safety Team	54,680	66,150	(54,000)	12,150
Food Hyg/Idc/Water Purity	125,970	128,820	(900)	127,920
Health & Safety and ID's	85,150	91,680	0	91,680
Houses Multiple Occupation	(1,000)	0	(1,000)	(1,000)
Licences and Registration	35,400	71,540	(37,000)	34,540
Licensing Team	(10,980)	7,720	0	7,720
Pest Control	12,150	20,990	(18,000)	2,990
Pollution	376,380	395,300	(28,000)	367,300
Private Sector Housing	1,700	650	0	650
Sub Standard Housing	230	230	0	230
Taxi and Private Hire Licences	(27,690)	55,030	(83,000)	(27,970)
Watercourses, Ditches and Drains	3,960	1,200	0	1,200
Total	749,690	1,064,280	(365,900)	698,380

Appendix B Cont'd

	Revised Budget 2019/20	Gross Expenditure	Budget 2020/21	
			Income	Net Expenditure
Executive Directors and Corporate Core				
	£	£	£	£
Administrative Offices - Print Room	11,520	12,650	0	12,650
Administrative Offices - Rear Depot	2,680	2,330	0	2,330
Administrative Offices - T.H. Annex (NOT CHP)	(31,490)	43,530	(89,400)	(45,870)
Administrative Offices - Town Hall	197,010	195,390	0	195,390
Committee Service General Exp	173,190	161,870	0	161,870
Communications	50,810	50,810	0	50,810
Communications-Postages	80,220	67,510	0	67,510
Corporate Policy Making	2,130	4,330	0	4,330
District Council Elections	7,220	7,220	0	7,220
Electoral Registration	162,330	180,940	(8,500)	172,440
Emergency Planning	30,700	30,980	0	30,980
Executive Directors	331,530	346,870	(60)	346,810
Facilities Management	122,420	126,740	0	126,740
Human Resources	279,910	295,470	(23,500)	271,970
Internal Audit	146,350	148,650	0	148,650
Joint Waste Contract Client Unit including contract procurement	850	(45,440)	0	(45,440)
Legal Services	265,600	265,600	0	265,600
Public Accountability C/Ex	0	700	0	700
Representing Local Interest	273,600	268,900	0	268,900
Service Manager Corporate and Human Resources	1,470	0	0	0
Sussex Training Partnership	(24,410)	(1,660)	0	(1,660)
Total	2,083,640	2,163,390	(121,460)	2,041,930

Appendix B Cont'd

	Revised Budget 2019/20	Gross Expenditure	Budget 2020/21	
			Income	Net Expenditure
Housing and Community				
	£	£	£	£
Abandoned Vehicles	2,730	2,770	0	2,770
Allotments – Bexhill	1,780	3,050	(1,700)	1,350
Amenities Administration Account	2,000	550	0	550
Battle Community Help Point	19,420	5,270	0	5,270
Battle Sports Centre	6,000	6,000	0	6,000
Bexhill Leisure Centre	7,330	12,600	(1,100)	11,500
Bexhill Leisure Pool	8,200	41,150	(28,700)	12,450
Bexhill Parks and Open Spaces	781,710	867,790	(53,000)	814,790
Bexhill Promenade and Foreshore	26,930	106,600	(85,000)	21,600
Camber Beach and Foreshore	105,860	128,250	(25,660)	102,590
Car Parks	(1,156,600)	419,870	(1,600,400)	(1,180,530)
Care in the Community	5,100	5,100	0	5,100
Cemeteries	(38,630)	145,120	(160,000)	(14,880)
Churchyards	9,760	10,060	0	10,060
Coast Protection	39,980	41,860	(3,000)	38,860
Customer Services and Development	454,970	475,070	0	475,070
De La Warr Pavilion – Client	695,750	485,120	0	485,120
Head of Service Housing and Community Services	86,980	90,220	0	90,220
Housing Administration Account	443,220	662,400	(76,270)	586,130
Housing Loans Account	0	86,000	(86,000)	0
Housing Needs – Housing Benefit	723,250	1,218,800	(508,000)	710,800
Maintenance Services	35,350	35,330	0	35,330

Appendix B Cont'd

	Revised Budget 2019/20	Gross Expenditure	Budget 2020/21	
			Income	Net Expenditure
Housing and Community				
	£	£	£	£
Neighbourhood Services	769,450	824,810	0	824,810
Property Maintenance Team	216,260	210,840	0	210,840
Public Conveniences	406,340	422,270	(5,000)	417,270
Recycling	2,420	3,700	(25,000)	(21,300)
Refuse Collection	2,379,810	3,504,590	(870,000)	2,634,590
Residual Highway Services	20,600	23,810	(3,000)	20,810
Rother Museum Services	25,010	31,680	(5,000)	26,680
Rother Tenant Finder (prev Rother Letting Service)	0	135,040	0	135,040
Rough Sleeping Initiative	0	66,090	(66,090)	0
Rural Open Spaces and Amenities	33,090	33,900	(90)	33,810
Rye Area Parks and Gardens	89,800	95,760	(8,000)	87,760
Rye Community Help Point	9,590	10,180	0	10,180
Rye Sports Centre and Pool	4,440	9,250	(3,220)	6,030
Sports Development	830	42,090	(45,490)	(3,400)
Street and Beach Cleansing	1,146,310	1,711,620	(24,000)	1,687,620
Syrian Refugees Support	0	36,250	(36,250)	0
Total	7,365,040	12,010,860	(3,719,970)	8,290,890

Appendix B Cont'd

Resources	Revised Budget 2019/20	Gross Expenditure	Budget 2020/21	
			Income	Net Expenditure
	£	£	£	£
Accountancy	347,700	435,410	(9,070)	426,340
Benefit Investigation	(12,290)	0	(12,290)	(12,290)
Communications – Phones	110,000	80,000	0	80,000
Computer Services	831,030	873,660	(2,000)	871,660
Corporate Management	111,000	116,390	0	116,390
Cost of Collection	(139,530)	245,620	(402,280)	(156,660)
Financial Services	4,340	0	0	0
Internal Drainage Boards	122,000	130,000	0	130,000
Printing Services	24,780	146,250	(75,200)	71,050
Procurement	25,000	25,000	0	25,000
Public Accountability – Resources	6,000	6,000	0	6,000
Reliefs and Benefits – Council Tax Benefit	83,220	74,140	0	74,140
Reliefs and Benefits – Housing Benefit	(398,890)	18,840,420	(19,242,710)	(402,290)
Revenue and Benefits	1,175,090	1,170,960	0	1,170,960
Risk Management/Insurance	4,390	0	0	0
Service Manager Finance and Welfare	106,600	112,340	0	112,340
Support to Elected Bodies/Grant	140,300	140,300	0	140,300
Treasury Management	8,500	8,500	0	8,500
Unapportion Central Overheads	714,910	740,000	0	740,000
Total	3,264,150	23,144,990	(19,743,550)	3,401,440

Appendix B Cont'd

	Revised Budget 2019/20	Gross Expenditure	Budget 2020/21	
			Income	Net Expenditure
Strategy and Planning				
	£	£	£	£
Building Control	70,150	48,290	0	48,290
Complaints, Compliance, Enforcement	110,730	111,200	0	111,200
Conservation and Preservation	11,200	11,200	0	11,200
General Planning Expenses	8,230	8,230	0	8,230
Land Charges	(95,720)	80,990	(180,000)	(99,010)
Local Development Framework	150,000	150,000	0	150,000
Planning Appeals	4,500	4,500	0	4,500
Planning Applications	188,460	916,380	(710,000)	206,380
Planning Business Support	232,010	243,300	(10,000)	233,300
Planning Dept E-Government	4,000	4,000	0	4,000
Planning Enquiries	(52,000)	8,000	(50,000)	(42,000)
Planning Policy	241,600	307,370	(40,000)	267,370
Head of Service Strategy and Planning	87,950	89,650	0	89,650
Total	961,110	1,983,110	(990,000)	993,110

**MAIN CHANGES IN NET COST OF SERVICES BETWEEN 2019/20 AND
2020/21**

	£'000	£'000
Revised Revenue Budget 2019/20		15,367
Draft Revenue Budget 2020/21		15,528
Net Increase in Cost of Services		161
<u>Analysis of Variations</u>		
Expenditure		
Additional posts – Transformation, Major Projects & Environmental Sustainability	143	
Consultancy costs to develop the Environmental Sustainability Strategy	40	
Additional property costs – maintenance, business rates, utilities	42	
Asset valuation procurement	50	
Joint Waste Contract – increase in costs	876	
Local Housing Company	90	
Temporary Accommodation (net of savings from self provision)	172	
Reduce budget for one off payment to the DLWP client for pension contributions	(193)	
Reduced license costs of Modern.Gov software	(15)	
Costs of interim staff to support technical projects	46	
Increase in ERP system support costs	23	
Impact on Revenue Budget of increased Capital Programme Activity	366	
Lean and Demand	(90)	
Service Prioritisation	(100)	
Reduced Staffing Structure	(500)	
Inflation	239	
Vacancy churn	(282)	
Other Minor Changes	(20)	887
Income		
Increase income – Property Investment Strategy	(544)	
Increase income (net) – other	(94)	
Reduction in Planning fee income	96	
Recovery of administration costs from CIL	(40)	
Environmental Services – Increased cost recovery, license income and course fees	(64)	
Increase in Garden Waste charges	(80)	(726)
Total Increase in Cost of Services		161

Earmarked Reserves	Revised 2019/20 Budget £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)
Earmarked Reserves and General Reserves	17,362	13,865	10,510	8,661	7,773	7,053
Use of Reserves	(3,497)	(3,355)	(1,849)	(888)	(720)	(287)
Contribution to Reserves	0	0	0	0	0	0
Total Reserves	13,865	10,510	8,661	7,773	7,053	6,766
<u>Use of/Contribution to Reserves</u>						
To fund Capital Expenditure	(1,670)	(1,359)	(291)	(291)	(291)	(291)
To balance the Revenue Budget	(1,827)	(1,996)	(1,558)	(597)	(429)	4
Total	(3,497)	(3,355)	(1,849)	(888)	(720)	(287)