

Rother District Council

Report to:	Overview and Scrutiny Committee
Date:	22 January 2024
Title:	Draft Revenue Budget 2024/25 Proposals
Report of:	Duncan Ellis – Deputy Chief Executive and S151 Officer
Ward(s):	All
Purpose of Report:	To receive the draft Revenue Budget 2024/25 and to submit this to Cabinet for approval.
Officer Recommendation(s):	It be RESOLVED : That the comments of the Overview and Scrutiny Committee be considered by Cabinet when setting the 2024/25 Draft Revenue Budget at its meeting on 5 February 2024.

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, including contributions from reserves, to determine its net budget requirement.
2. This report updates Members on the second phase of the budget process (following Cabinet's approval of the Medium Term Financial Strategy (MTFS) 2024/25 to 2027/28 on 6 November 2023), which is to prepare the draft Revenue Budget for 2024/25 by outlining the predicted financial position and the key issues Members need to consider.
3. Members will note that the 2024/25 budget requires £0.626m (£2.4m 2023/24) from Usable Revenue Reserves to deliver the Council's services. Appendix A details the summary draft revenue budget for 2024/25 and an update on the future year forecasts, Appendix B gives summary information for each service area and Appendix C details the main changes from the 2023/24 Budget. Appendix D summarises the Council's updated capital programme, Appendix E covers a summary of the budget consultation responses and Appendix F includes proposals for new Council Tax premiums.
4. All budgets are shown at "Net Operational Expenditure Levels" and exclude support service recharges. This ensures Members are provided with a clear identifiable core cost for each service.
5. This report also contains an update in relation to recent legislative changes to Council Tax in relation to premiums for empty properties and second homes.

Budget Assumptions

6. The following assumptions were made when calculating the draft budget:

- a. **Inflation** – Non-pay budgets have been set on a cash limited basis, with a 0% increase applied, except for contracts where specific indices are relevant, (see paragraph 25 below);
- b. **Salaries** – an increase of 2% has been applied, with effect from September 2024 and an allowance of 4.5% has been assumed for staff turnover based on an analysis of previous years. Should a further 1% be added to the pay award this would equate to an additional cost of just over £0.1m for a full year;
- c. **Transfers** – the use of transfers between existing budgets has been applied to enable funding is re-directed to priority areas;
- d. **Income** – where applicable, income budgets have been increased in line with the fees and charges proposed by Cabinet on the 6 November 2023;
- e. **Interest rates** – where relevant, the prevailing Public Works Loan Board (PWLB) rates will be used for capital appraisals (currently c5%);
- f. **Investment Returns** - returns on investment have been calculated using the following rates:
 - i. Bank current & deposit accounts up to 5.35%;
 - ii. Investments with other institutions/local authorities – up to 4.50%; and
 - iii. Property Fund investments – 4.00%.
- g. **Council Tax Base** - numbers are based on the latest December 2023 forecast and assumes a collection rate of 98.3%.

Local Government Finance Settlement

- 7. The draft Local Government Finance Settlement (LGFS) was announced by the Government on the 18 December 2023 and applies to 2024/25. It does not give the Council any indication of funding streams beyond next year and is again a further single year settlement. The Government had previously committed to undertake a Fair Funding review and a reset of the business rates system, but this was not addressed as part of this Spending Review. However, it has reaffirmed its commitment to do this in the next Parliament.
- 8. Each year, the Government sets the Council’s Core Spending Power (CSP) as part of the LGFS. The CSP is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available through the LGFS. The table below shows that the 2024/25 CSP is £12.9m (£12.3m 2023/24), which is an increase of £0.6m equating to 5.1% (£0.9m or 5% in 2023/24).

	£ M
Core Spending Power (CSP) 2023/24	12.3
Consisting of:	
Settlement Funding Assessment (SFA)	2.6
Compensation for under-indexing the Business Rates multiplier	0.4

Council Tax	8.4
Other grants	0.9
Total	12.3
Settlement Funding Assessment (SFA)	0.1
Compensation for under-indexing the Business Rates multiplier	0.1
Council Tax	0.3
New Homes Bonus Grant (NHB)	(0.1)
Services Grant	(0.1)
Funding Guarantee Grant	0.3
Core Spending Power 2024/25	12.9

9. The SFA consists of the Council's share of business rates income and Revenue Support Grant (RSG). The baseline funding figure of £2.7m is an increase of £0.1m from 2023/24 and there is also an increase of £0.1m due to the freezing of the business rates multiplier taking this support to £0.5m. This brings the total SFA to £3.2m but because the expected share of business rates income comfortably exceeds £3.0m, the Council yet again will not receive an RSG. The LGFS did explicitly state though that local authorities would not be expected to make a payment to the Department for Levelling Up, Housing & Communities (DLUHC) for a 'negative RSG'. It is important to note that the Central Government assessment of the Council's CSP has only increased by £1.0m since 2015/16, which only represents an 8% increase over the entire nine-year period. Other key points that directly impact on the Council are discussed in paragraphs 10 to 16.
10. **Business Rates** - As mentioned in paragraph 7, the Business Rate baseline reset, which was originally planned for 2020, has been delayed again until the next Parliament. The risk of a redistribution of business rates away from the Council still exists, but no assumptions have been included in the five-year forecast. The small Business Rates Multiplier for 2024-25 will remain frozen again at 49.9p, but councils will be compensated for any reduction in income because of this decision. Finally, the Government has committed to reimburse councils for any negative impact on its business rates income arising from the implementation of the 2023 revaluations.
11. **East Sussex Business Rates Pool** - Further to Cabinet's decision on 6 November 2023 to continue its participation in the East Sussex Business Rates pool, DLUHC has written to the Council to approve the arrangement for 2024/25.
12. **Revenue Support Grant** – DLUHC has increased the overall RSG in line with Consumer Price Index inflation, however as explained in paragraph 9, the Council effectively has a negative RSG. Members will note that DLUHC has confirmed, in common with previous years, councils will not be required to pay over negative RSG.
13. **Council Tax setting** – The Council can increase its Council Tax by the higher of 3% or £5. Members could decide to set a higher increase but would need consent via a local referendum. A 3% increase would yield approximately £38k more than an increase of £5. The draft Revenue Budget assumes that the Council will increase Council Tax by the maximum allowed, which is 3% in this case. The Council will need to ensure that it remains within this limit, including any Special Expenses. An estimated increase to about £204.56 (£198.60 2023/24) for an average Band D property is anticipated and this will be

confirmed in phase three of the budgeting process, which will be reported to Cabinet on 5 February 2024. This is subject to agreement by Full Council on 26 February and including growth would generate c£0.368m extra income.

14. **Council Tax (other preceptors only)** – Whilst not directly impacting on the Council, Members may wish to note that the LGFS also included council tax setting flexibilities for precepting authorities. These are outlined below:
 - a. County Councils with social care responsibilities can again set an adult social care precept of up to 2% per year on top of their 3% allowance for general expenditure (so a total of 5%), without a referendum;
 - b. Council Tax referendum principles continue **not** to apply to town and parish councils meaning there are no limits on their increases. However, the Government has indicated that it will review the decisions taken by these authorities when considering referendum principles in future years;
 - c. Fire and Rescue authorities are subject to a 3% referendum principle on Band D bills; and
 - d. Police and Crime Commissioners are subject to a £13 referendum principle on Band D bills.

15. **The Council Tax Base** - The 2024/25 base has been calculated at 39,197.50 and shows an increase of 676.70 Band D equivalents since December 2022. The main reasons for the change are as follows:
 - a. an increase of 355.0 in chargeable dwellings;
 - b. a continued post-Covid reduction in the take up of the Council Tax Reduction Scheme, which has increased the base by 82.6;
 - c. an increase in the number of eligible Discounts, which has decreased the base by (6.2); and
 - d. estimated growth and associated discounts, and other minor changes, which have increased the base by 245.3.

16. **Other announcements** – In 2022, the Government announced that local authorities would benefit from a significant new funding stream in relation to the ‘Extended Producer Responsibility for packaging’ (pEPR) scheme. Various Government departments, including DLUHC, were to assess the impact of additional pEPR income on the relative needs and resources of individual authorities, with a view to implementing new fees in October 2024. This has now been rescheduled to October 2025. With the details of the new scheme being unknown at this time, no additional income has been factored into these estimates for 2025/26 and future periods.

Non-Specific Revenue Grants

17. As outlined in the table in paragraph 8, the Council will receive several government grants and further information is given in paragraphs 18 to 23.

18. **New Homes Bonus (NHB)** – This grant was paid to encourage councils to develop housing growth in their area. It has, however, been under review for several years but to date there has been no proposed replacement. For 2023/24, the Council was allocated funding of £226k and a further round of payments has been announced as part of the 2024/25 LGFS. The Council's allocation for the next financial year is £136k.
19. **Rural Services Delivery Grant** – This grant remains unchanged at £72k.
20. **CSP Minimum Funding Guarantee** – As per the previous year, in response to the inflationary pressures facing local authorities, DLUHC have continued to repurpose the Lower Tier Services Grant and combined it with NHB legacy payments to form the Minimum Funding Guarantee Grant. The Council's allocation is £778k for 2024/25 (£461k 2023/24).
21. **Services Grant** – The Council's allocation is £15k in 2024/25, which is £81k less than 2023/24.
22. **New Burdens Grants** – From time to time the Council receives funding for the net additional costs of new burdens placed on it by the Government. In 2023/24, the Council will receive an allocation of £32k to implement the requirements of the Elections Act 2022 and an unspecified grant to administer the impact of the Business Rates revaluations, for which £20k was included in the budget. We are still awaiting further details regarding any allocation for 2024/25.
23. **Other grants** – the Benefits Administration, Local Council Tax Support and Homelessness Prevention grants do not form part of the CSP calculation and are still subject to confirmation. This will be reported to Members during phase three of the budget setting process.

Review of Cost Pressures

24. In the MTFs forecast reported to Cabinet on 6 November 2023, Members were advised of several cost pressures that may affect the Council's budget. These have been reviewed as part of the second phase of the budget process and are discussed in paragraphs 25 to 31 below.
25. **Contractual Inflation** – The base budget has been revised upwards by £628k to allow for inflationary increases on service contracts such as waste and cleansing. While inflation continues to drop from the historic Consumer Price Index (CPI) levels of 11.1% seen last October to 3.9% as at November 2023, this is still significantly higher than the 0.4% seen in February 2021. Current projections anticipate the rate of inflation to continue to reduce towards the Bank of England target rate of 2% over the course of the next year.
26. **Homelessness** – Members will be aware of the ongoing pressure around the spiralling costs of temporary accommodation (TA), not only locally but nationally. As reported through the budget monitoring process throughout the year, the 2023/24 budget has seen additional pressure in relation to TA costs of more than £0.5m. This is despite numerous initiatives to help to try and manage the cost of this demand led pressure, including the acquisition of 36 housing units to use for this purpose. We are forecasting that the pressure will continue to grow in 2024/25 so we have included additional budget provision of

£0.8m to help manage this pressure. This will take the TA budget to just under £2m next year, which means it will have tripled over the last four years.

27. **External Audit fees** – Following a national procurement exercise, the external audit costs have increased on average by 151%. We have therefore had to increase the 2024/25 budget by £54k for the main audit fee and a further £18k for the benefits audit.

28. **Net Financing Costs** – As Members will be aware, there is currently a fundamental review of the capital programme being undertaken to ensure that capital schemes remain affordable and continue to deliver the outcomes originally anticipated. The capital programme has experienced significant pressures over the preceding year, key pressures include:

- the negative impact of inflationary pressures on materials and build costs;
- rental income levels not keeping pace with build costs;
- significant increases in Public Works Loan Board (PWLB) borrowing rates which are currently around 5% (these were around 2% just two years ago); and
- availability of contractors to deliver the schemes, reducing competition.

29. Based on the assumption that where schemes do progress, they will at least break even, the forecast net financing costs for 2024/25 are forecast to deliver a net income of just under (£0.2m). This is comprised of investment income of c(£1.3m), borrowing costs (interest) of c£0.6m and MRP (Minimum Revenue Provision) which represents the amounts the Council must set aside to repay the principal debt) of c£0.5m. This is however still under review.

30. Whilst the high interest rates impact negatively on the Council's borrowing requirements, the plus side is that income from treasury investments has increased. The Council's Treasury advisers predict that the Bank rate is likely to peak between 5.50% and 6%.

31. Members should note however, that these estimates continue to be extremely sensitive to changes in interest rates and capital expenditure cash flows. Therefore, the need to review larger and more complex schemes on an individual basis for affordability must remain in place. As these reviews are completed, recommendations will be made to Members regarding future delivery.

32. **Staffing Costs** – The salaries budget has been calculated from first principles and has resulted in an overall cost increase of £0.4m from the revised 2023/24 budget, which is in line with original expectations. The main changes are as follows:

Growth*	£0.3m
Pay award/increments	£0.4m
Regrades 2023/24	£0.1m
Vacancy/turnover savings @c4.5%	(£0.4m)
Total	£0.4m

(*includes provision for new Monitoring Officer and fixed term posts funded from MTFs reserve, Homelessness Prevention Grant etc)

Discussions have been ongoing for several years regarding whether the Council should join the National Joint Council (NJC) for local government pay, rather than setting the pay award independently which is the current position. A full report will need to be considered regarding the pros and cons of such an approach so that all the risks and opportunities can be fully explored but it is recommended that this review does not take place until the Council is on a more sustainable financial footing and is making contributions back into reserves rather than using reserves to help balance the budget. Based on present forecasts that occurs during the 2026/27 financial year.

33. **Non-Pay inflation** – Due to the current budget pressures, non-contractual inflation has not been added to future years budgets, which will be cash limited.

Fit for the Future workstream savings

34. As reported within the 2024/25 MTFs, due to the budget pressures being experienced for not only the 2023/24 financial year but also the years following, the Council has had to fundamentally review what services it provides and how they are provided to try and identify savings to help achieve a balanced, sustainable, resilient budget for future years. While the Council has previously attempted to deliver savings under the Financial Stability Programme (FSP), the programme unfortunately has a history of under-delivery, with less than 20% being delivered over the last two years.
35. Given the Council's financial position, it is important that any savings plan delivers for the future, so it is therefore necessary to re-focus and re-prioritise delivery of the savings plan. The medium-term sustainability of the Council's financial position is vital and underpins our new 'Fit for the Future' financial resilience programme. The main workstream areas are summarised below.



36. As part of the production of the MTFs forecasts in November, a detailed budget review took place to identify efficiencies, savings, and additional income to help support frontline services, to balance the budget, and make the Council's future

financial position as resilient as possible. The draft proposals totalled £3.3m, with the efficiencies, income and savings identified coming from several areas as follows:

- Shared services
- Investment income
- Digital transformation and IT
- Various operational savings – travel, subsistence, conferences etc.
- Contract savings from retendered contracts
- Additional income from increased annual demand – car parks, planning etc.
- Increased fees and charges
- Devolution

37. Following more detailed work on the proposals, total savings of £3.1m have now been included within the provisional budget figures and are summarised within the table below. This is slightly lower than the original forecasts by £0.2m.

Savings update as at January 2024	24/25 MTFS	24/25 Draft budget	Variance	%
Operational improvements and efficiencies	(732)	(639)	(93)	87%
Treasury Management Activities	(1,069)	(1,069)	0	100%
Service reconfiguration/efficiencies/fees & charges	(1,539)	(1,441)	(97)	94%
	(3,340)	(3,150)	(190)	94%

38. Of the £3.1m identified, £2.5m has been directly allocated within the relevant budget codes to support the monitoring and delivery of the proposals and to support accountability. The balance of the £0.6m can be seen within the General Fund Summary (Appendix A under the 'Fit for the Future' line) and represents savings from potential shared services and service efficiencies from the Council's digital agenda. Once the detail of these proposals has been developed, these will also be built in directly against the relevant service codes.

Usable Revenue Reserves

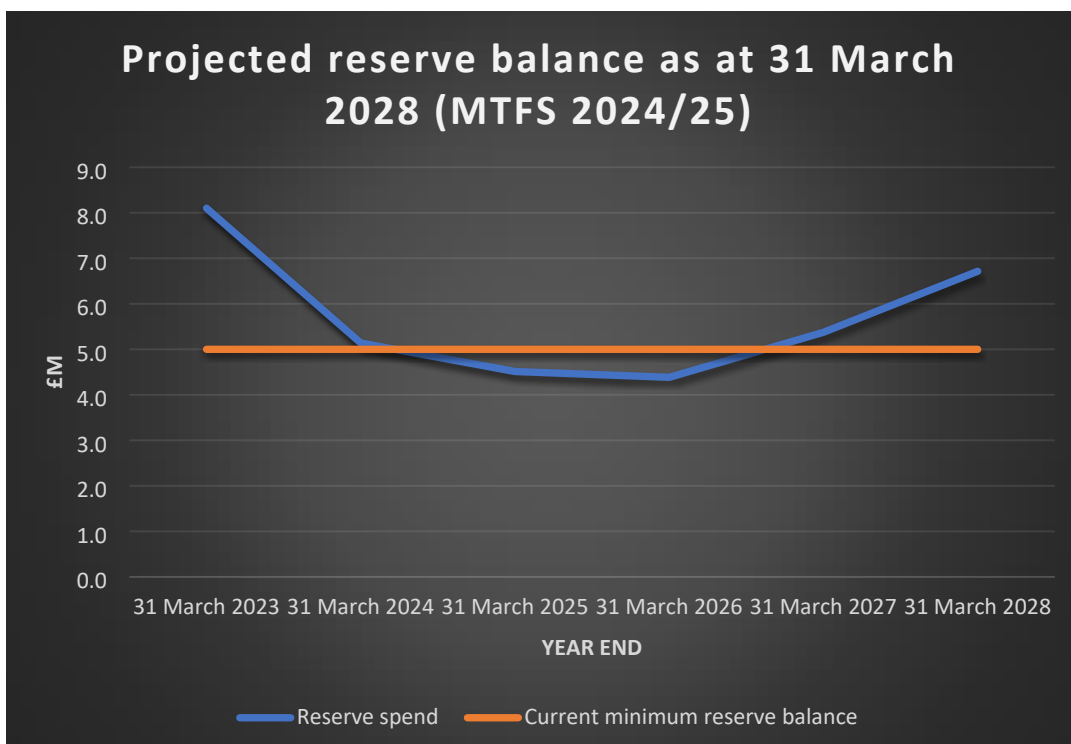
39. The Council held several 'useable' revenue reserves as at 31 March 2023 (£12.8m) which fall within one of the following categories:

- General Reserve (revenue) - £5.0m
- Earmarked Reserves (revenue) - £4.1m
- Ringfenced Reserves (revenue) - £3.7m

40. The *General Reserve* is held for two main purposes:

- to provide a working balance to help cushion the impact of uneven cashflows and avoid temporary borrowing; and
- a contingency to help cushion the impact of unexpected events or emergencies (such as Covid).

41. As part of setting the budget each year the adequacy of all reserves is assessed along with the optimum level of General Reserve that we should hold. The optimum level of the General Reserve considers a risk assessment of the budget and the context within which it has been prepared. The level as set for the 2024/25 financial year is £5m.
42. *Earmarked Reserves* provide a means of building up funds to meet known or predicted liabilities and are typically used to set aside sums for things such as funding one-off restructuring costs. The Council also holds contingency reserves to reduce the impact on Council Tax payers of future uncertain events such as business rate appeals.
43. *Ringfenced Reserves* are reserves where funding is allocated for a specific or technical accounting purpose and can only be spent in line with the purpose of that funding and cannot be used to support wider council expenditure unlike our earmarked reserves. Several specific grants are held within these reserves, such as any balance remaining from Disabled Facilities Grants (DFG's).
44. Use of reserves to balance a budget provides only a short-term solution as the funds can only be used once. They can however be used to smooth the impact of funding gaps over the short to medium term and to allow for planning and implementing projects and work streams that will deliver a longer-term financial benefit through reduced costs and/or additional income, such as those proposed below through the Council's new 'Fit for the Future' programme.
45. As outlined above the balance of usable revenue reserves as of 1 April 2023 stood at £12.8m. However, the balance of the remaining earmarked reserves, which can be used to help balance the budget, equals £3.1m (excluding the £1.0m NNDR volatility reserve).
46. The budgeted use of reserves for the 2023/24 financial year was originally £2.2m including contributions to capital. However, the quarter 2 budget monitoring report was projecting an increase to just under £3.0m due to the significant budget pressures being experienced during the current financial year as reported as part of the budget monitoring process, particularly in relation to demand led pressures such as temporary accommodation costs. If this does not improve before the year end this only leaves a forecast balance as of 1 April 2024 of £0.2m (excluding the NNDR volatility reserve).
47. However, based on the updated forecasts for future years the revised position is as outlined below, with reserves currently forecast to dip down slightly below the current recommended minimum level in 2024/25 and 2025/26 before replenishing reserves from 2026/27 onwards based on the current saving and income projections.



48. The draft Revenue Budget for 2024/25 proposes the use of just over £0.6m (£2.2m originally budgeted for 2023/24) from Usable Revenue Reserves which will reduce Reserves to £4.5m by 31 March 2025. There is a further reserve requirement of 30.1m in 2025/26 before contributions of (£1.0m) in 2026/27 and a further (£1.3m) in 2027/28 which would take reserve levels back up to around £6.7m).
49. The Council does have access to the £1.0m business rates volatility reserve which is a reserve that the Council could reallocate, so this reserve could be reduced to £0.5m with a £0.5m contribution to the 2024/25 budget deficit to maintain the General Fund Reserve level at £5.0m.
50. In their 2021 report '[Lessons from Recent Public Interest Reports](#)', Grant Thornton (GT) discussed financial sustainability of local authority finances. Their view was that 'councils who have, throughout the period of grant reduction, recognised and been committed to maintaining adequate reserves, have not only continued to provide strong services but have also put themselves in a position to ride out the current pandemic storm.'
51. They went on to say that 'maintaining sound reserves is absolutely vital and a key indicator of sound financial governance. It should be at the heart of all medium-term financial plans. In our view, general fund reserves (including earmarked general fund reserves) should be a minimum of 5% of net spending and arguably should be somewhere between 5 and 10%. This level of reserves will provide councils with a vital cushion.'
52. One of their key recommendations was that reserves needed to be at least 5% of net General Fund expenditure flexed upwards to consider the macro-economic and local risks the Council faces.
53. Even if we use the highest 10% level as recommended, based on the current projected Net Cost of Service figures over the next 4 years the minimum reserve levels would be as follows:

GT recommended reserve levels vs current projections	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget
	£ (000)	£ (000)	£ (000)	£ (000)
Net Cost of Services	14,747	14,661	14,105	14,361
10% reserve contingency	(1,475)	(1,466)	(1,410)	(1,436)
Actual reserve levels currently forecast	(4,540)	(4,412)	(5,403)	(6,742)
(Surplus)/deficit	(3,066)	(2,946)	(3,992)	(5,306)

54. As can be seen from the table above, even at the projected lowest levels are reserves are forecast to be around £3m higher than the maximum recommended GT level, increasing to over £5m in by 31 March 2028. It is however the view of the Chief Finance Officer, that the GT recommended levels are not sufficient given the current economic climate, inflationary levels experienced over recent years and ongoing demand led service pressures and that reserves in the region of £4m are more reasonable. This will however be subject to final review and assessment as part of the Council Tax setting report which will include and individual appraisal by the s151 officer on the robustness of the estimates and the recommended reserve levels at that point.
55. Based on the Council's current budget forecasts reserves are currently forecast to be about 31% of the Council's Net Revenue Expenditure by the end of 2024/25 and this is forecast to increase to 47% by the end of 2027/8. Members should also note that in the context of this Council's budget setting process, Reserves means Usable Revenue Reserves.
56. Whilst one of the Council's corporate objectives was to achieve Financial Stability by the end of 2025/26 and so end the revenue budget's reliance on Reserves, the current financial crisis has made this significantly more difficult to achieve. The LGFS does little to alleviate the problem and there is an expectation on the part of Government that councils will use their Reserves to fund revenue expenditure. The Council has limited ability, however, to access useable revenue reserves without falling below the current recommended £5m limit. Implementation of the Fit for the Future programme is therefore fundamental to achieving a balanced medium term position.

Capital Programme

57. As outlined above (see Net Financing Costs), there is currently a fundamental review of the capital programme being undertaken to ensure that capital schemes remain affordable and continue to deliver the outcomes originally anticipated. The Net Financing Costs section outlines some of the challenges that the programme is facing which has led to the need for the review.
58. The capital programme can be found within Appendix D and has been updated for spend to date in the current financial year, along with projected expenditure through until 31 March 2024. Budgets have then been profiled over future years based on these projections. As several of the schemes are currently undergoing review, the budgets have been kept at the same levels while the review work is concluded (rather than any budgets being removed at this stage), and any impacts will be dealt with by separate reports as required.

59. There are no new proposals or capital growth items included within the updated programme, except for any recent Committee decisions regarding capital investment and budget levels, such as the Blackfriars infrastructure scheme increase.
60. The gross capital budget is £202m with £33m having been spent in prior years leaving a balance of £169m to be spent in the current and future financial years, with a forecast of £20m for 2023/24 and the remaining £149m scheduled between 2024/25 and 2028/29. This is however subject to the ongoing capital programme review and business case re-appraisal.
61. Again, as outlined above, the capital financing assumptions/MRP charges assume that where schemes do progress, they will at least break even. There is no new borrowing assumed over and above that already included within the current programme.
62. **Capital consultation** - At the end of December, DLUHC announced two related consultations on options for additional capital flexibilities, and the changes to the MRP regulations and statutory guidance. The main principles of these consultations are as follows:

Final consultation on changes to MRP regulations and statutory guidance

This relates to the final consultation on changes to the MRP regulations and statutory guidance. The key principles focus around adequate provision for borrowing through MRP charges and the potential use of capital receipts to offset these charges. [The consultation can be found here](#), and will run until 16 February.

Additional capital flexibilities

At the provisional settlement, DLUHC announced that they would engage with local authorities to explore and develop options for additional capital flexibilities. The focus is around two key themes:

- **Supporting invest-to-save activity.** Increasing the flexibilities to use capital receipts and borrowing to finance the costs of transformation and efficiency projects.
- **Local management of budget pressures.** Providing greater flexibilities on the use of capital receipts, including the scope to meet general budget pressures, and potential additional flexibilities where the proceeds relate to the sale of investment properties.

This consultation has now been launched as a call for views, the closing date is 31 January 2024 and [can be found here](#).

63. Option 1 within the ‘additional capital flexibilities’ consultation is considering the potential use of capital receipts to fund general revenue cost pressures, although the focus seems to be around certain pressures, such as TA. There are, however, several caveats to this potential proposal, with a condition that the authority must put in place and commit to delivering an efficiency plan to reduce costs, with a defined payback period on any capitalised spend. The intent is that any use of the flexibility must be part of an overall plan to move

back to financial sustainability within the Medium Term Financial Plan. This would also be subject to the availability of capital receipts.

64. It should however be noted that, as with any consultation, this is all subject to change and as with all proposals the devil will be in the detail once any proposals are finalised. As such and given the deadlines for both the consultation response and the committee schedule for setting the budget and council tax levels for next year, it is very unlikely that the Council will see any benefit from these proposals at this stage. Subject to whatever is finally agreed however, this is something that could be reviewed and considered as part of the 2024/25 budget monitoring process and future year forecasts.
65. Officers are currently reviewing the guidance and will be submitting responses by the required deadlines.

Collection Fund Surplus/Deficit

66. The Collection Fund will be reviewed during the third phase of the budget process and reported to Cabinet at the 5 February 2024 meeting.

Budget Consultation

67. The budget consultation closed on 17 December 2024, the details of which are contained within Appendix E. The Council has a statutory duty to consult on its annual budget setting and on any substantial change proposed for a service before it makes a decision. In general terms respondents were supportive of the proposals. The key results were as follows:
68. **Who responded** - We had 694 individual responses from residents, visitors and local organisations, business, charities, clubs, and other bodies. In terms of context this is by far the highest level of response the Council has ever had to a budget consultation, so the various engagement methods employed this year (My Alerts, videos, social media, press etc) have obviously been beneficial. The previous year's consultation only received 126 responses, so this year has seen a fivefold increase. On a recent East Sussex County Council budget briefing it was reported that they had received around 2,000 responses for their equivalent consultation. We also received a related petition signed by over 1,800 members of the public. Our thanks go to all who participated.
69. **Council Tax** - Most respondents support to some extent the Council increasing Council Tax to help fund services.
70. **Public Toilets** - Most respondents agreed with the 13 sites selected to remain open. Devonshire Square was the most supported location for re-opening. In addition, there was strong feeling that Pett Level should be open due to the lack of alternatives in the area and its increasing popularity for visitors. In third place is the Mount Street Car Park public toilets in Battle because they are more centrally located and to support tourism. There is a lot of support to keep all public toilets open. If devolving is a solution, then town and parish councils were a popular choice. Some form of local business scheme was a frequent suggestion.
71. **Grounds Maintenance** - The public said that 42% of them would be negatively affected by a cut in grounds maintenance. There were concerns that a

deterioration in appearance would have a negative economic impact especially on tourism, the impact on physical safety and how accessible the sports facilities would be if taken over by a single club.

72. **De La Warr Pavilion Concessionary Grant** - Only 14% of residents would be affected by removing the concessionary grant. There were concerns about a reduction in use by community groups, the effect on those groups in carrying on and what impact having fewer events would have on the viability of the Pavilion and the local economy and tourism.
73. **Fees and Charges** - There is majority agreement, to some extent, in raising some fees and charges.
74. **Priority Services and Functions (Grouped)** - The highest priority was devolving services to retain them, in second place was supporting services for vulnerable people.

Council Tax premiums

75. A large part of the Council Tax legislation is mandatory on all billing authorities within England. Discounts such as single person discounts, disregards and exemptions are set by statute with no discretion allowed. However, there are an increasing number of areas where each council may determine the type and levels of charge to be made.
76. Following the introduction of the Levelling Up and Regeneration Act 2023 (which gained Royal Assent on 26 October 2023), there are opportunities for the Council to consider changes to our approach relating to certain discretionary areas to improve outcomes for residents. Full details of which are contained within Appendix F.
77. The changes provided by the Levelling Up and Regeneration Act 2023 essentially fall into two distinct parts namely:
 - (a) to bring forward the period from two years to one year when an unoccupied and substantially unfurnished dwelling (empty dwelling) can be charged a premium of 100%. All other empty dwelling premiums remains unchanged; and
 - (b) to enable the charging of a 100% premium for any dwellings which are:
 - no one's sole or main residence; and
 - substantially furnished.
78. When determining its policy, each billing authority must decide the level of charge (or discount) by 31 March prior to the financial year in which it wants to introduce the changes.
79. The Council is therefore required to determine the level of any discounts or premiums which will apply in its area and a decision is required to be made by Full Council under Section 11A, 11B and the new S11C of the Local Government Finance Act 1992. Once determined, the resolution of the Council will need to be published in at least one local newspaper(s) within 21 days of the decision.

80. Should the Council be minded to support the proposed changes to empty properties, this could be introduced from April 2024. However, in relation to the second homes premium, Section 11C (3) of the act requires that the first decision to impose this class of premium must be taken at least 12 months before the financial year to which it would apply. This premium would therefore not take effect until the 2025/26 financial year.

Outcomes

81. The expected outcomes of the proposed changes are as follows:
- a) taxpayers will be encouraged, through the changes in discounts and the implementation of the premiums, to bring empty properties into use and to revert the use of second homes to primary residences;
 - b) the reduction of empty homes and second homes within the district in line with the Council's Empty Homes Action Plan; and
 - c) potential increased Council Tax income from empty homes and second homes.

Conclusion

82. The Council's financial outlook has significantly deteriorated over the last two years due to economic uncertainty, the cost-of-living crisis, increasing demand led pressures from areas such as TA and increasing inflation. Its ability to deliver a balanced budget is now even more dependent on strong financial management and the delivery of the Fit for the Future financial resilience programme. Resources may also need to be reorganised to deliver the priorities and objectives of the new emerging Corporate Plan.
83. It is essential, therefore, that the Council maintains a suitable level of Reserves and continues to operate within the approved budget each financial year to prevent further unplanned calls on reserves. Failure to do so will impact on the Council's ability to meet its statutory obligations and will result in Members having to make more difficult decisions around the provision of local services.

Implications

Financial Implications

84. The financial implications are detailed within the body of the report.

Legal Implications

85. The Council is legally required to set a balanced budget each year. The final decisions will be made by full Council on 26 February 2024 when the budget is approved, and the Council Tax is set but at the current stage there are no concerns regarding the Council's ability to balance the 2024/25 budget.

Human Resources Implications

86. There are no Human Resource implications for the proposals within this report.

Other Implications

87. A detailed risk assessment on the budget has already been undertaken as part of the work on the MTFS and draft budget proposals which went to Cabinet in November 2024, along with a sensitivity analysis. The relevant appendices are 5 and 6 and the report can be accessed [here](#).
88. The external consultation is detailed separately within the body of the report along with the analysis of the results, which is contained within Appendix E.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	Yes
Environmental	No	Access to Information	No
Risk Management	Yes	Exempt from publication	No

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Appendices:	Appendix A - Draft Revenue Budget – 2023/24 to 2027/28 Appendix B - Revenue Budget Summary - Cost of Services Appendix C - Main changes in net cost of services between 2023/24 and 2024/25 Appendix D – Updated Capital Programme Appendix E – Summary of consultation responses Appendix F(a) – Council Tax premiums proposals Appendix F(b) – Council Tax empty homes and second homes premiums policy Appendix F(c) - Council Tax premiums equality impact assessment
Relevant Previous Minutes:	None.
Background Papers:	Local Government Settlement 2024/25 (draft December 2023) Medium Term Financial Strategy 2024/25 – 2027/28
Reference Documents:	None.

DRAFT REVENUE BUDGET - 2022/23 TO 2026/27

	2023/24 Budget (updated) £ (000)	2024/25 Budget £ (000)	2025/26 Budget £ (000)	2026/27 Budget £ (000)	2027/28 Budget £ (000)
Departmental Budgets					
Chief Executive	3,000	3,170	3,056	2,935	2,892
Deputy Chief Executive	4,827	4,860	4,852	4,845	4,842
Director Place & Climate Change	8,573	7,495	7,352	7,201	7,147
Total Cost of Services	16,400	15,525	15,261	14,982	14,881
Net Financing Costs	(166)	(166)	430	461	621
Contract and Income Inflation	0	0	(113)	(116)	82
Financial Stability Programme (FSP)	(200)	0	0	0	0
Fit for the Future - savings projections/service pressures	0	(611)	(917)	(1,223)	(1,223)
Net Cost of Services	16,034	14,747	14,661	14,105	14,361
Special Expenses	(751)	0	0	0	0
Business Rates - retained share	(4,699)	(4,709)	(4,851)	(4,996)	(5,146)
Non-Specific Revenue Grants (Government)	(1,157)	(1,394)	(1,337)	(1,371)	(1,406)
Council Tax Requirement (Rother only)	(7,650)	(8,018)	(8,345)	(8,728)	(9,149)
Collection Fund (Surplus)/Deficit	0	0	0	0	0
Total Income	(14,257)	(14,121)	(14,533)	(15,095)	(15,701)
Funding Gap	1,777	626	128	(990)	(1,339)

Revenue Budget Summary 2024/25 - Cost of Services

Department	2024/25 expenditure £(000)	2024/25 income £(000)	2024/25 net £(000)
Chief Executive	3,349,890	(179,830)	3,170,060
Chief Executive	374,270	0	374,270
Chief Finance Officer (S151)	1,602,160	(10,000)	1,592,160
Democratic Services	678,280	(1,500)	676,780
Human Resources	695,180	(168,330)	526,850
Deputy Chief Executive	24,856,046	(19,996,284)	4,859,762
Corporate Policy & Projects	450,760	(33,945)	416,815
Corporate Programme & Improvement	138,460	0	138,460
Deputy Chief Executive	343,820	0	343,820
Digital & Customer Services	1,883,850	(67,000)	1,816,850
Environmental Services, Licensing & Community Safety	1,093,580	(410,580)	683,000
Internal Audit	162,930		162,930
Revenues & Benefits	20,782,646	(19,484,759)	1,297,887
Director Place and Climate Change	19,523,626	(12,028,663)	7,494,963
Climate Change Strategy	125,360	(6,230)	119,130
Director - Place & Climate Change	119,750		119,750
Housing	5,089,154	(2,608,164)	2,480,990
Neighbourhood Services	9,524,080	(4,709,200)	4,814,880
Planning Development Management	1,723,820	(1,333,500)	390,320
Planning Policy	615,990	(50,000)	565,990
Regeneration	2,325,472	(3,321,569)	(996,097)
Grand Total	47,729,562	(32,204,777)	15,524,785

Main movements between Cost of Services

	(£000)
Updated Cost of Service - 2023/24	16,400
Draft Cost of Service - 2024/25	15,573
Net increase/(decrease) in Cost of Service	<u>(875)</u>
Temporary accommodation costs	562
Temporary accommodation purchases - cost recovery	(203)
Housing admin recovery of costs (DFGs)	(140)
Waste contract inflation	152
Planning agency staff for pre-planning app (PPA) support	101
Car park charges	(729)
Grounds maintenance savings	(280)
Garden bin and bulky waste income	(360)
Additional planning income - government changes	(235)
Additional planning income - PPA	(137)
Other miscellaneous changes	394
Total	<u>(875)</u>

Updated Capital Programme 2023/24 Onwards

Appendix D

	Total Scheme Budget	Prior year spend	2023/24 Revised Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)
Acquisitions, Transformation and Regeneration								
Other Schemes								
Corporate Document Image Processing System	120	33	1	86	0	0	0	0
Rother Transformation ICT Investment	386	269	40	77	0	0	0	0
Community Grants	1,446	636	130	240	110	110	110	110
Development of Town Hall Bexhill	856	856	0	0	0	0	0	0
Rural England Prosperity Fund	604	0	110	494	0	0	0	0
Ravenside Roundabout	200	0	0	200	0	0	0	0
UK Shared Prosperity Fund	253	0	33	220	0	0	0	0
CIL Scheme 1 Village Hall Energy Project	500	17	142	341	0	0	0	0
Property Investment Strategy								
Beeching Road Hotel and Foodstore Development	15,000	396	30	14,574	0	0	0	0
PIS - Beeching Park Estate	435	0	435	0	0	0	0	0
PIS - Beeching Road 18-40 (Creative Workspace)	1,235	1,235	0	0	0	0	0	0
Barnhorn Green GP Surgery and Industrial Development	9,741	1,486	528	7,727	0	0	0	0
Housing Development Schemes								
Community Led Housing Scheme - CHF	327	327	0	0	0	0	0	0
Blackfriars Housing Development - infrastructure only	21,000	6,416	6,148	7,424	759	253	0	0
RDC Housing Company Ltd Investment (RDC loans)	79,923	2,620	2,465	41,535	7,000	0	26,303	0
Development of council owned sites	270	57	4	209	0	0	0	0
King Offa Residential scheme	805	146	213	446	0	0	0	0
Mount View Street Development - Housing	4,535	4,493	42	0	0	0	0	0
Community Led Housing Schemes - Cemetery Lodge	200	0	0	200	0	0	0	0
Camber, Old Lydd Road	395	27	35	333	0	0	0	0

	Total Scheme Budget	Prior year spend	2023/24 Revised Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)
Housing and Community Services								
De La Warr Pavilion - Capital Grant	388	275	59	54	0	0	0	0
Bexhill Leisure Centre - site development	396	318	0	78	0	0	0	0
Fairlight Coastal Protection	291	74	11	131	75	0	0	0
Disabled Facilities Grant	16,229	6,098	1,893	1,738	1,625	1,625	1,625	1,625
Sidley Sports and Recreation	857	857	0	0	0	0	0	0
New bins	1,175	518	157	125	125	125	125	0
Bexhill Promenade - Protective Barriers	48	48	0	0	0	0	0	0
Housing - Temporary Accommodation Purchase	12,476	5,364	5,824	1,288	0	0	0	0
Bexhill Promenade - Shelter 1	59	59	0	0	0	0	0	0
Bexhill Promenade - Outfall pipe	200	9	191	0	0	0	0	0
Bexhill Leisure Centre - refurbishment	200	110	17	73	0	0	0	0
Bexhill Leisure Centre and Rye Swimming Pool - dilapidations	110	0	0	60	50	0	0	0
Micro Woods Community Grants	27		0	27	0	0	0	0
Community Orchards Grants	49		0	49	0	0	0	0
Capital - Sidley House Open Space Improvements - Parks LUF	75	4	71	0	0	0	0	0
Egerton Park CPT	122	0	54	68	0	0	0	0
Camber Sands Welcome Centre	944	0	200	744	0	0	0	0
LTA Tennis Court Refurbishment - Egerton Park	105	0	105	0	0	0	0	0
Strategy & Planning								
Payments to Parishes - CIL	211	40	85	86	0	0	0	0

	Total Scheme Budget	Prior year spend	2023/24 Revised Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)
Resources								
ICT Infrastructure Replacement Programme	137	137	0	0	0	0	0	0
New website development	31	23	8	0	0	0	0	0
Invest To Save initiatives (Financial Stability Prog)	391	45	12	334	0	0	0	0
Planning Software (Invest to Save)	359	0	0	359	0	0	0	0
LUF De La Warr Pavilion Project LUF Grant	24,088	9	759	3,853	12,655	6,812	0	0
Capital - LUF Programme	0	0	0	0	0	0	0	0
LUF Heart of Sidley Programme	3,095	2	242	2,436	415	0	0	0
Battle Train Station	1,000	0	0	0	1,000	0	0	0
Sedlescombe Traffic Calming Measured	74	0	0	0	74	0	0	0
Battle Sports Pavilion	400	0	0	400	0	0	0	0
Air Quality(Pollution) Monitor	29	0	0	29	0	0	0	0
Boiler replacements at admin buildings	95	0	95	0	0	0	0	0
Total Capital Programme	201,892	33,001	20,144	86,038	23,888	8,925	28,163	1,735

Funded By:

Capital Receipts	2,100	60	50	0	0	0
Grants and contributions	9,735	8,353	14,523	7,587	1,625	1,625
CIL	227	1,770	1,321	850	0	0
Borrowing	4,614	33,667	884	378	125	0
Capital Expenditure Charged to Revenue	1,003	453	110	110	110	110
Borrowing and Loan for Rother DC Housing Company Ltd Section 106	2,465	41,535	7,000	0	26,303	0
	0	200	0	0	0	0
Total Funding	20,144	86,038	23,888	8,925	28,163	1,735