

BUDGET REPORTS

1 Medium Term Financial Strategy 2014 - 2019	16/07/2014
2 Council Tax Base 2015/16	10/12/2014
3 Council Tax Budget 2015/16 Draft Budget Proposals	10/12/2014
4 General Fund Revenue Budget and Capital Programme	04/02/2015
5 Housing Revenue Account, Rent Setting and Capital Programme	04/02/2015
6 Council Budget and Setting of Council Tax	18/02/2015

BODY: CABINET

DATE: 16th July 2014

SUBJECT: Medium Term Financial Strategy 2014-2019

REPORT OF: Chief Finance Officer

Ward(s): All

Purpose: To set out an overarching financial strategy to support the Council's strategic priorities and plans over a four year period.

Contact: Alan Osborne, Chief Finance Officer,
Tel 01323 415149 or internally on ext 5149

Recommendations: Members are asked to:

- i) Approve the updated medium term financial strategy and associated plan 2014-19 as summarised in **Appendix 2.**
- ii) Agree the balance of assumptions made in the strategy
- iii) Request that the emerging budget proposals for 2015/16 be brought to Cabinet in December prior to detailed consultation.
- iv) Agree the principal risks of the strategy in **Appendix1.**

1.0 Introduction

The Council's Medium Term Financial Strategy is a Rolling 4 year Strategy that takes into account:

- The external financial environment
- The overall financial demands of services
- The Council's existing and projected financial resources
- The Council's political priorities and stated aims
- The Council's sustainable service delivery strategy
- The Council's corporate plan
- The major service strategies and plans

- 1.1 The MTFs was last approved in July 2013 and set the backdrop for the 2014/15 budget setting process as well as a informing a three year rolling service and financial planning cycle.
- 1.2 In common with all the public sector, the medium term outlook for the Council is extremely challenging and in order to protect and improve services an ambitious ongoing programme of savings is key to success. With more radical measures required, it is essential that the Council takes a longer term approach to savings as more radical savings initiatives will inevitably take longer to plan and deliver.

- 1.3 Over the life of the current parliament the Coalition Government has effectively reduced the general support to the Council by some 40% in cash terms which equates to over 50% in real terms.
- 1.4 In order to protect front line services this Council put in place a priority based budget system that has kept pace with the scale of cuts to funding and made provision for reinvestment in services. The Council has set out its stall to become less dependent on day to day revenues to run services, instead opting to use any spare financial capacity to enhance the capital programme. In 2013/14 the Council invested more in its capital programme than its general fund revenue activities.
- 1.5 The Council's DRIVE programme provides the programme to deliver efficiencies that support the Council's Corporate Plan. The MTFS and Capital Strategy identify and direct resources at a strategic level, which are then compounded via the service and financial planning and budget setting process.
- 1.6 In setting the last five yearly budgets the Council has achieved its "Golden Rule" of meeting its ongoing budget requirement from ongoing resources in each year. Technically, the rule applies to the cycle of an MTFS, and it is reasonable to use reserves to smooth out the budget as savings accrue over the cycle. By not using reserves in this manner it has meant that reserves over the minimum level are available for one off investments in services decided via the service and financial planning process.
- 1.7 The Council, as a registered social landlord is obliged to run a Housing Revenue Account (HRA) that is statutorily ring-fenced from its general fund. A 30 year rolling business plan has been adopted for the HRA. The Council is working in partnership with Eastbourne Homes Ltd a wholly owned subsidiary to deliver efficiency savings in partnership using shared services. All savings accruing to the HRA are reinvested in housing services.

2.0 Sustainable finance

- 2.1 The basic legal definition of a balanced budget is that planned expenditure can be met from income and reserves.
- 2.2 Whilst that definition is the legal minimum, it does not provide for sustainability if reserves are used in the long term to resource any differences between ongoing expenditure commitments and ongoing incoming resources.
- 2.3 Therefore it is a given that over the cycle of this MTFS ongoing expenditure must be financed from ongoing resources with only non recurring investments being met from reserves over and above the minimum.
- 2.4 As with all Councils, the effect of inflation is felt on gross expenditure, whilst any increase in council tax or grant is based on a net position. This "gearing effect" means that there is a natural gap of c£400k per annum that needs to be met from efficiencies (approx 2.5% of net spend) if services are to be protected. This is on top of the austerity programme reductions outlined in 1.3.

2.5 Given the current reduction in grant and the inability to raise council tax in real terms, the Council has to look to longer term measures to maintain sustainable finances. These include measures under the Sustainable Service Delivery Strategy (SSDS) and the growth of income streams.

3.0 The impact of the capital programme

3.1 The Capital Programme also has an effect on the Councils revenue finances as any investments that cannot be met from grants, contributions, capital receipts or straight revenue funding need to be met from borrowing. This has to be repaid with interest from revenue over time.

3.2 The Council repaid some £30m of borrowing in the Housing Revenue Account as it entered the self-financing regime in 2012/13.

3.3 The General Fund policy is to use borrowing only on a business case basis. Any such borrowing is fully financed by way of interest charges and the Minimum Revenue Provision (MRP) which is the capital repayment. As new schemes that require borrowing are approved, the Council has to make provision for repayment via the capital financing budget. In order to keep this sustainable a stability mechanism that pools the following budgets is maintained.

- Interest earned
- Interest payable on debt
- Minimum Revenue Provision
- Revenue contributions to the capital programme (to balance)

3.4 It is up to Councils to set their own MRP and balances of Capital Receipts and Contributions can be offset to reduce this liability in the short term, although this only provides for short term relief against the cost of capital. The current policy of the Council is to pay 4% MRP on historic debt and MRP based on the useful life of assets created since 2011, however the Council's Treasury Management Strategy does allow some flexibility to adjust this in future if necessary.

3.5 Capital investment can be used as "invest to save" therefore borrowing is an important tool in the overall financial strategy where savings on schemes exceed the cost of capital.

4.0 The National Financial Picture

4.1 The coalition Government has set out a plan to significantly reduce the nation's structural budget deficit by the end of the parliament and beyond.

4.2 This involves various measures that will reduce the amount of resources to local government including:

- A 40% reduction in general central government support 2011-2016
- Combining various grants in a "single pot"
- A 10% cut in funding for the local council tax support scheme which replaced housing benefit subsidy in 2013/14.

- Increases in the funding for New Homes Bonus (NHB) paid for by further reducing the revenue support grant (RSG)
- A 5% year on year reduction in Housing benefit administration grant

The Government has announced plans at a macro level in its latest Comprehensive Spending Review that came into force in 2014/15. A provisional grant settlement for 2015/16 has already been announced.

- 4.3 The current extended period of low interest rates reduces the income to the council as it generates investment income due to positive cash flow and reserve balances. Therefore it is important to manage all capital financing as one budget as described in 3.3.
- 4.4 The Government continues to target an inflationary rate of 2% using its preferred method of Consumer Price Index (CPI) and is currently on target.
- 4.5 The actual effect of the national deficit reduction programme to this Council has been the amount made available via the Revenue Support Grant (RSG). The Council received £8.9m in RSG in 2010/11. This support has already eroded by a third and will further erode to represent a real terms reduction of around half by the end of this strategy. Business rate retention and new home bonus have provided some mitigation, however at present these income streams are volatile and no long term announcements have been made in respect of these.
- 4.6 Against this backdrop service demands on Councils are ever increasing with demographic and increased expectation causal effects.
- 4.7 In his 2013 budget statement, the chancellor suggested that a cap on public sector pay rises would be 1% for at least two years. This is due to expire in 2015, however the indicative spending control totals do not suggest that the policy of reducing public sector pay in real terms is coming to an end at least until the Country returns to a better fiscal position.
- 4.8 The Government has already reduced the benefits paid to members of the local government pension scheme, by pegging future increases to the CPI instead of RPI. This has had the effect of increasing the overall funding of pensions schemes and therefore reduces the demand for future increases in employer contributions. A new career average revalued scheme (CARE) came into being on 1.4.14 with employee contributions lifted and benefits reduced. The Council will however have to find additional resources to fund "auto enrolment" due to start in November 2017.

5.0 The strategy commentary and main assumptions

5.1 Issues arising from previous years

The Foundation of any sound financial plan is a predictable budget to outturn position. The 2010/14 outturns, whilst containing normal variances in year, resulted in a positive overall variance due mainly to increased performance in housing benefit overpayment recovery. Some residual issues in the discretionary areas have been recognised in setting the 2014/15 budget.

5.2 Inflation on goods and services

The Government has a long term commitment to retain an inflation rate of 2% per annum (CPI) Therefore the strategy assumes 2% core inflation from 2015/16.

The Council, in common with most, does not add inflation each year to all its supplies and services budgets as this would add some £300,000 per annum.

Instead, it assumes a level of continuous improvement in procurement allowing for only contract inflation that cannot be negotiated downwards to be applied at a cost of some £250,000 per annum (CPI). An allowance of £50,000 per annum for other unavoidable inflation (such as energy, national insurance and business rate increases) is contained in the strategy.

5.3 Pay inflation

One of the major costs in a District Council is the cost of its employees. This accounts for some £12m for this Council.

The current economic climate and associated austerity measures have led to some relief in this respect to the Council.

The strategy assumes the following increases based on the Government announcements and inflation targets:

Year	Pay inflation
2014/15	1%
2015/16	2%
2016/17	2%
2017/18	2%
2018/19	2%

The 2014/15 situation is not currently resolved although there is a 1% offer from the employers that the unions are currently consulting on. The Council has set aside an amount equivalent to 1%, any increased settlement will have to be balanced within the existing budget.

5.4 Pension costs

The increase in the Council's increase to employer contributions to the East Sussex Pension scheme is currently capped at 1% over 3 years (0.33% per annum increase) This expires in March 2017.

The next triennial revaluation of the fund is currently taking place which will set rates effective from 2017/18. With the recent change from RPI to CPI as the annual index, and the changes arising from the Pensions Bill including Career Averaged Revalued Earnings (CARE) instead of the previous final salary scheme, the strategy assumes no increase in employer contributions after the current revaluation.

The Council previously recouped its past service deficit as a % of pay, however the fund actuary has required councils to amortise this deficit on a cash basis from 2014/15 onwards due to the risk of falling payroll numbers. Whilst this budget will increase in the short term it is not a material increase and will be paid for using the inflation allowances.

5.5 Fees and charges

The Council currently receives income from fees and charges for its services of around £14m.

The Council has been reducing its exposure to income targets in areas affected by the economic downturn in successive budgets. In setting the 2014/15 budget a targeted increase of c£300,000 was built into the budget. This was offset partially by reducing some unachievable income targets via the service and financial planning process.

It is assumed that for the year 2014/15 an overall gain of £250,000 (1.75%) per annum will be realised in fees and charges (mainly inflationary increases)

Individual service and financial plans will still strive to achieve some real terms increases where it is felt appropriate and achievable as well as new income streams to reduce the long term dependency on government grants.

5.6 Interest Rates

The current bank "base rate" is 0.5% and has been since March 2009.

There are differing forecasts in the future profile of interest rates which are largely dependent on a recovery and inflationary pressures in the economy. Most analysts now predict that there will be a very slow recovery and rates will only increase modestly in the period 2015/16.

The Council's treasury management advisor (Sector Ltd) is forecasting a small increase in the rate to 0.75% in 2014/15 rising to 1.75% by the end of 2015/16.

The strategy assumes no increase in overall yield from interest rate rises over the life of the MTFS. Any increases that do occur will have a short term effect of increasing the amount of resources available to the Council (around £100k per percentage point) however the strategy will need to recycle these into capital financing as longer term interest rates used for borrowing purposes will increase too. The stabiliser mechanism as outlined in 3.3 will be used to smooth the effects of changes in interest rates over the life of the MTFS.

5.7 Council Tax

It is inevitable that surpluses and deficits will arise due to the fact that the tax base has to be estimated 3 months before the start of the year and the actual position is subject to collection fund performance as well as changes in the tax base in year. However in recent years these have been well managed.

The Council has taken advantage of the Government's tax freeze grant for the last four years. The grant for 2014/15 (£85,000) is included in the finance settlement for 2015/16. No announcements have been made about council tax increases beyond March 2016.

The strategy assumes rises of 2% (based on CPI target) from 2016/17 i.e. no real terms increase in council tax across the life of the MTFs.

The strategy also assumes only minor increases (0.25%) each year in the overall council tax base. The Base will be reassessed annually as part of each budget setting process. Each 1% increase in the tax base yields approximately £70,000 per annum.

5.8 Government Grants/Retained Business Rates

The Council currently receives £3.7m of revenue support grant.

In addition the Council now retains a proportion of business rates (£4m) collected based on 40% of the real increase in those collected using a base year of 2011/12. Increases in the retention from business rates are designed to promote local growth. The strategy assumes that business rate retention will rise by 2% per annum based on CPI rate increases, although initiatives such as the Town Centre and Sovereign Harbour developments should contribute to further retention in future years.

The new Homes Bonus is a reward grant that currently gives c£1,800 for each new property brought into use/constructed and is paid for six years. The council's policy is to treat this grant partially as "one off" and use it for economic regeneration initiatives and support to the capital programme. The funding stream is set to increase to £1.5m per annum by 2016/17. No announcements have been made about the future beyond the six year horizon, however even if the grant is withdrawn completely then it will wind down gradually (approximately £250k per annum)

The third type of grant is specific grants for the purposes of running individual services e.g. housing benefit administration and NNDR collection grants. The service and financial planning process deals with fluctuations in such grants with a view to matching the cost of the service against the grant received.

5.9 Revenue headroom for new or enhanced services

The Cabinet has indicated that it would like to continue the migration of resources from non priority areas to priority areas over the life of the MTFs.

Clearly any headroom can only be achieved if savings achieved are greater than the reduction in resource due to funding changes and the effects of inflation.

The strategy assumes that an average minimum of £700k per annum of savings is required to make good the loss of grant and the effects of inflation as well as provide £200k per annum for unavoidable growth as well as up to £200k per annum increases in the capital financing budget.

The service and financial planning process and the detailed budget proposals will identify whether headroom can be created by making savings in excess of the minimum need and other agreed service growth.

One of the Council's main priorities is to increase the amount of available capital resources for development. The strategy provides for reinvestment of savings rising to the tune of £650k in capital financing. This could support £10-£15m of future capital spending depending on interest rates.

5.10 Savings

Taking all known factors and assumptions as outlined above the Council needs make a minimum level of new savings of £700k per annum over the life of the MTFS.

The Council has set out a number of corporate initiatives in order to help facilitate savings under the auspices of DRIVE.

The principal programmes are now under the Sustainable Service Delivery Strategy (SSDS)

Whilst these programmes have stretch targets that have been agreed as part of each individual programme, this strategy assumes the following bankable savings accruing as set out below. This does not alter the targets set for each programme, but merely reflects what can reasonably be counted at this stage. Service and financial planning will provide more certainty as each year approaches.

Programme	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000
SSDS	900	200	200	200
Service Based	200	200	200	200
Procurement	100	100	100	100
Total	1,200	500	500	500

5.11 The Housing Revenue Account (HRA)

The HRA is ring fenced from the General Fund although should it fall into deficit then it would have to be subsidised by the general fund.

Transactions between the HRA and the general fund comprise three main elements:

- Interest on the HRA balances paid to the HRA
- Debt charges paid by the HRA to the General Fund
- Recharges from the General Fund to the HRA for support services

For the purposes of this strategy it is assumed that there is no change to the existing overall level of transactions between the accounts.

From 2012/13 the HRA became more like the general fund in that it needs to

assess the cost of its capital programme against the resources available in the HRA, now that the subsidy system has been disbanded. Responsibility for setting rent levels is now localised however controls over rent levels and borrowing limits remain.

A 30 year business plan was adopted by the Council February 2012, and the HRA is subject to an annual refresh and five year overhaul from 2017.

6.0 Reserves

6.1 The Council has four main revenue reserves:

Revenue

- General fund reserve – As a contingency and support the corporate plan
- Strategic change fund – to support the DRIVE programme
- Repairs and maintenance fund – to support the asset management plan
- Economic regeneration fund – to support the local economy

In addition there is one principal capital reserve

- Usable Capital Receipts – earmarked for future capital schemes

In addition the Council holds funds on behalf of others e.g. section 106 contributions.

- 6.2 The 2013/14 accounts show the balance available to the general fund to be £4.2m. This is the assumed starting point for the MTFs. There is a planned draw on reserves to meet non- recurring expenditure in subsequent years at around £250k per annum. No assumption on underspends is made in the strategy despite the fact that over £1.5m has been returned to general reserves over the last 4 years.
- 6.3 The previous MTFs recommended a minimum general fund reserve of at least £2m. The budget paper in February itemised the risks and as they have not changed significantly in the interim, it is assumed that the minimum level of reserves is fixed at £2m for the MTFs, although this will require review during the budget setting process for 2015/16.
- 6.4 The strategic change fund was established in 2009/10 in order to help facilitate the release of ongoing savings. This reserve is a key enabler for change and it will need replenishing in time. The reserve currently has a balance of £1m.
- 6.5 The repairs and maintenance reserve had a balance of £1m at 31.3.14 and has been used to support the asset management plan, high priority and corporate asset non capital items are financed from this fund where they cannot be met from the service budgets.
- 6.6 The system of carry forwards was abolished in 2010, with the exception of partnership and third party funds. The Council now follows a policy of pooling all general reserves which better facilitates corporate planning. It is not intended to reintroduce carry forward of unspent budgets during the life of the strategy.

- 6.7 The Council has had a conscious policy of keeping reserve levels above minimum levels in reaction to the challenging economic climate and the continued squeeze on public sector spending. The MTFS summary (appendix 2) shows that the general reserve will be reduced over the life of the MTFS to an estimated £3.1m excluding any windfalls or underspends.
- 6.8 The Council set aside £500,000 from general reserves in the economic regeneration reserve to pump prime initiatives aimed at promoting the local economy and creating new income streams for the Council to help offset the reductions in Government funding. This fund has already started to make a difference and the current policy is to use any unbudgeted new homes bonus to top it up over time.

7.0 Risks

- 7.1 The main risks arising from this strategy and actions to manage are included at **appendix 1**.

8.0 Consultation

- 8.1 The MTFS starts the period of consultation and a separate paper on the agenda on the Councils improvement journey makes recommendations on the consultation processes from now until the budget setting in February 2015.
- 8.2 It is a requirement to consult with the business and voluntary sectors over the detailed budget proposals that will emerge from this strategy in the autumn.
- 8.3 The Joint Staff Committee is briefed regularly as the process emerges.
- 8.4 Staff are consulted routinely via the Managers Forum as well as participating in the service and financial planning process annually.

9.0 Conclusions

- 9.1 In order to maintain sustainable finances and fund its ambitions, the Council will need to make new efficiency savings or income streams averaging £0.7m per annum for the next four years.
- 9.2 Due to the scale of the challenge the programme of change will require more radical measures for savings that often have a lead in period of 1 to 2 years, therefore the SSDS programme is a key enabler to meeting this challenge.
- 9.3 The MTFS both collects the financial effects of demand and supply changes and informs the corporate change agenda.

Alan Osborne
Chief Finance Officer

Background Papers:

The Background Papers used in compiling this report were as follows:

Cabinet Reports:

- *Budget and Council Tax Setting February 2014.*
- *MTFS – July 2013.*
- *Statement of Accounts – July 2014.*
- *Performance Monitoring Reports - Quarterly*

Audit and Governance Committee - Final Accounts - June 2014.

To inspect or obtain copies of background papers please refer to the contact officer listed above.

Risk/Effect	Contained in MTFS	Other Mitigating Measures
Income Reductions due to demand changes	<ul style="list-style-type: none"> • Statutory recession hit income budgets adjusted each year as part of service and financial planning • No real growth assumed in overall income targets in 2015/19 • The economic regeneration reserve set aside to aid regeneration and contribute new sources of income • Interest budget set at current low interest rate • Unachievable income budgets reviewed during service and financial planning • Programme savings targets being set higher than the assumed delivery in the MTFS • Reserves above the minimum level 	<ul style="list-style-type: none"> • Service and financial plans to test possible income generation activities and price sensitivity • New sources of income explored in service and financial Plans annually across three year horizon • Planning at 2 levels in service and financial planning process to challenge assumptions
Government Support Being Reduced even further than forecast	<ul style="list-style-type: none"> • Assumption follows the Governments announcements to date • Prudent estimates of future income flows • Zero basing of reward grants • Reserves above minimum level 	<ul style="list-style-type: none"> • Possibility of service alterations to a modified level • Change assumptions during budget setting • Update MTFS early in the event of material change • Priority based budget system has flexibility to adapt
Benefits Performance reducing due to scale of changes	<ul style="list-style-type: none"> • No overall surplus built into subsidy budget 	<ul style="list-style-type: none"> • Service review of delivery arrangements • Mobilise resources from other areas if performance hit by staffing shortages • Relieve service with one off resources to avoid performance drop
Savings not being delivered	<ul style="list-style-type: none"> • Matching growth choice with performance of savings delivery • Strategic Change Fund to support invest to save • Capital Invest to save available case by case • Reserves well above minimum level can be used to smooth out fluctuations • Level of Revenue contribution to capital can be varied in the short term 	<ul style="list-style-type: none"> • Use compensating savings in short term • Reduce discretionary spend in year • Review minimum revenue provision to slow down capital repayments

Summary of MTFIS 2015-2019
General Fund

Appendix 2

	2015/16	2016/17	2017/18	2018/19
Total Budget b/f	16,373	15,190	15,374	15,541
Less non recurring items	(471)			
Adjusted Base Budget	15,902	15,190	15,374	15,541
Pay and Price Inflation				
Pay Award and Increments	240	240	240	240
Inflation on Contracts	250	250	250	250
Other inflation	0	50	50	50
Unavoidable Service Growth	200	200	200	200
Capital Financing	50	200	200	200
Increases in Income	(250)	(250)	(250)	(250)
Total Budget Demand	16,392	15,880	16,064	16,231
RSG/Retained Business Rates				
RSG 2014/15 = (3,735)	(2,574)	(2,400)	(2,300)	(2,200)
Retained Business Rates	(3,956)	(4,035)	(4,116)	(4,198)
Council Tax Grant	(85)	0	0	0
New Homes Bonus	(1,300)	(1,500)	(1,500)	(1,500)
Total External Funding	(7,915)	(7,935)	(7,916)	(7,898)
Council Tax				
Relevant Amount	33,280	33,363	33,530	33,698
Collection Rate	0.975	0.975	0.975	0.975
Tax Base	32,448	32,529	32,692	32,855
Band D Charge	224	229	233	238
% Increase in Council Tax	0%	2%	2%	2%
Total Council Tax	(7,275)	(7,439)	(7,625)	(7,817)
Total Sources of Funding	(15,190)	(15,374)	(15,541)	(15,715)
Gap in Funding	1,202	506	523	516
Efficiency Savings General	(200)	(200)	(200)	(200)
SSDS	(900)	(200)	(200)	(200)
Procurement Savings	(100)	(100)	(100)	(100)
Residual Gap / (Surplus)	2	6	23	16
General Reserves B/F	(4,200)	(3,948)	(3,692)	(3,419)
Non recurring investments	250	250	250	250
Budget balance from reserves	2	6	23	16
Reserves C/F	(3,948)	(3,692)	(3,419)	(3,153)

Body: Cabinet

Date: 10th December 2014

Subject: Council Tax Base and Business Rate Income 2015/16

Report Of: Chief Finance Officer

Ward(s) All

Purpose To approve the Council Tax Base and net yield from Business Rate Income for 2015/16 in accordance with the Local Government Finance Act 1992, as amended.

Decision Type: Key Decision

Recommendations: Members are asked to

- i) Agree the provisional Council Tax Base of **32,558.9** for 2015/16.
- ii) Agree the provisional Retained Business Rates Income of £34.8m for 2015/16.
- iii) Agree that the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, determine the final amounts for the Council Tax Base and Retained Business Rates income for 2015/16.

Contact: Pauline Adams, Financial Services Manager
Tel 01323 415979 or internally on ext 5979

1.0 Introduction

- 1.1 The Council is required to set its Council Tax Base and the expected Business Rate Income for the forthcoming year. These calculations are used as the basis for the amount of income the Council will precept from the Collection Fund.
- 1.2 The Local Authorities (Calculation of Council Tax Base) Regulations 1992 prescribe that the billing authority (this council) must supply the precepting authorities (the County, Police and Fire authorities) with the calculation of the Council Tax Base. This information must be supplied between 1 December and 31 January in the financial year proceeding the financial year for which the calculation is being made.
- 1.3 Non-Domestic Rating (Rates Retention) Regulations 2013 also sets out a timetable for informing the government and precepting authorities of the business rate income calculation. This information is completed via a government return (NDR1) which must be submitted by 31 January in the financial year proceeding the financial year for which the calculation is being made.

1.4 In order to assist the precepting authorities with their financial planning it is helpful to provide the information during December rather than wait for the January deadline.

2.0 Council Tax Base

2.1 The Council Tax Base is the estimated full year equivalent number of chargeable dwellings. This is expressed as the equivalent number of Band D dwellings with two or more liable adults.

2.2 In making this estimate, account must be taken of discounts, disablement relief and property exemptions. Movements on and off the Valuation List during the year must also be taken into account – e.g. where new properties have been built or old ones converted or demolished.

2.3 The primary legislation that determines how the Council Tax Base is to be calculated is the Local Government Finance Act 1992. A number of regulations have been laid under this Act that has prescribed how the detailed calculation is to be made. Those regulations are listed at the foot of this report.

2.4 The basic calculation as determined by the primary legislation is that the Council arrives at its Council Tax Base by multiplying its Relevant Amount by its estimated Collection Rate.

3.0 Relevant Amount

3.1 The Relevant Amount for each Band is the estimated full year equivalent number of chargeable dwellings in the Band expressed as the equivalent number of Band D dwellings. For example, a Band A property is equivalent to 6/9 of a Band D property, a Band H property is equivalent to 2 times (18/9) a Band D property. The Relevant Amounts for each Band are then added together to arrive at the overall Band D equivalent.

3.2 The results for each Band when totalled up are converted to form the appropriate number of Band D equivalent dwellings. This is the Relevant Amount. For 2015/16 this totals 33,308.3.

3.3 The Relevant Amount has increased by 358 properties (1.32%) Band D equivalent dwellings from 2014/15. This reflects an increase in the number of taxable properties and a reduction in the number of Single Person Discounts awarded. The effect of these changes has resulted in an increase to the total number of chargeable dwellings of 459.

4.0 Collection Rate

4.1 The Collection Rate is the Council's estimate of the proportion of the overall Council Tax collectable for 2015/16 that will ultimately be collected. This is expressed as a percentage.

4.2 The key elements in making this calculation are losses on collection, appeals

against valuation, changes in circumstances (e.g. applications for discounts in respect of single person occupancy or disability) and other adjustments. These other adjustments to bills can arise for a variety of reasons including bankruptcy, death and exemption where premises are unoccupied for reasons allowed by the Exempt Dwellings Order. The Council must also make provision for uncollectable debts.

4.3 Given the current level of Council Tax collection and the forecast of a small surplus balance on the collection fund there is the opportunity to set the collection rate at 97.75% for 2015/16, an increase of 0.25% over 2014/15.

5.0 Council Tax Base

5.1 Taking the Relevant Amount of 33,308.3 and applying the Collection Rate of 97.75% produces a Council Tax Base for 2015/16 of **32,558.90**.

5.2 The Council Tax Base has increased by 1.35% compared with 2014/15. This is equivalent to an increase of 432 Band D dwellings. The detail number of properties is shown at Appendix 1.

5.3 The Council's Medium Term Financial Plan is updated annually to take account of movements in the Council Tax Base. The assumed tax base for the current MTFS was 32,126.

6.0 BUSINESS RATE INCOME

6.1 The Local Government Finance Act 2012 introduced a new system for the local retention of business rates. This means that the council is required to formally approve the expected business rate income for the forthcoming year. The estimate for the 2015/16 financial year must be approved by 31 January 2015.

6.2 The Business Rate income is all collated on the NNDR1 form which will show the net rate income yield for the forthcoming year and the central and local shares of the business rates. The actual NNDR1 form for 2015/16 has not yet been received but the provisional figures based on the 2014/15 form plus known changes has been calculated as follows:

Retained Business Rate	2015/16 Estimate £'000
Gross Rates Yield	39,539
Less Mandatory Reliefs	(3,877)
Less Discretionary Reliefs	(42)
GROSS RATE YIELD AFTER RELIEFS	35,620
Less Allowance for cost of Collection	(127)
Adjustments for Changes in RV due to growth or reduction in property numbers.	30
Less Estimated Losses on Collection	(394)
Less Allowance for Appeals	(325)
NET BUSINESS RATE YIELD	34,804

The adjustment for the changes in RV includes the properties that are to be demolished as part of the Town Centre redevelopment, however once the redevelopment work has been completed there will be a corresponding growth in the business rate yield.

6.3 The net business rate yield is allocated centrally and locally based on the following ratios:

50% to Central Government
40% to the Local Billing Authority (this council)
10% to the other precepting authorities (9% to the county and 1% to the fire authority)

The local share (the Business Rate baseline) is then payable to the Council's general fund. All other adjustments to the overall level of business rate income retained locally are then accounted for within the general fund.

7.0 Retained Business Rates income in the General Fund

7.1 As some local authorities collect more business rates than they currently receive in formula grant (which is based on relative need and resources), whilst others are lower, the government will rebalance to ensure that no local authority is worse off as a result of its business rates at the outset of the scheme through a system of tariffs and top ups. To calculate these tariffs and top ups a business rate baseline funding level has been set by government based on the 2012/13 formula grant funding levels. An authority will pay a tariff if their business rate baseline is more than their baseline funding level and receive a top up if their business rate baseline is less than their baseline funding level. Tariff and top ups will be self funding and fixed in real terms (i.e. only up rated by RPI) in future years, ensuring that changes in retained income are driven by business rate growth.

This authority has a business rate baseline higher than its baseline funding level and thus is due to make a tariff payment.

7.2 The intention of the Rates Retention scheme is to give an incentive to local authorities to grow their business rate base, and the scheme has been devised to allow local authorities to benefit from this growth. However due to the gearing effect, i.e. the differences in the relationship between an individual authority's business rates base and its baseline funding level, some authorities with existing large tax bases in relation to their funding levels will experience increases in their income that is out of proportion to the growth in their business rate base. To moderate this gearing effect a system of levies and safety nets has been introduced.

The levy rate will allow authorities to retain their growth in an equivalent proportion to its baseline revenue. This translates into a real benefit and after the payment of the central share and the levy at least 20p in each extra pound will be retained locally.

Conversely a safety net will apply to any authority experiencing a decrease in their business rates revenue. This safety net guarantees authorities 92.5% of their original baseline funding. For the purpose of the safety net the

baseline funding level will be increased by RPI each year.

- 7.3 The estimated amount of retained business rates to be credited to the general fund is calculated as follows:

2015/16 Estimate	£'000
EBC Share of Business Rate Yield	13,921
Minus Tariff	(10,124)
Minus Levy	(564)
Minus Estimated Deficit on Collection Fund as at 31.3.15	(526)
Add Section 31 Grants	1,272
Local Retained Business Rate Income 2015/16	3,980
2014/15 Amount	3,725

These figures will be confirmed once the final NNDR1 has been completed in January and the government grant settlement figures received later this month.

8.0 Setting the Business Rate Income

- 8.1 The figures required to set the business rate income are not yet available as the final NNDR1 form and guidance notes have not yet been received from DCLG. Cabinet is therefore asked that delegated authority be given to the Chief Financial Officer, in consultation with the Portfolio Holder for Finance, to determine the final estimated net yield from Business Rate Income for 2015/16.

- 8.2 The revenue implication of the new Business Rates retention scheme has been modelled into the financial plan and will be fully reflected in the budget setting process.

9.0 Business Rates Pooling

- 9.1 Cabinet agreed at its meeting on 22 October 2014 to enter into a business rate pool with the other East Sussex Borough and District Councils, East Sussex County Council and East Sussex Fire Authority. An application has now been submitted to DCLG and the outcome is expected in January.
- 9.2 Under pooling the levy as set out in para 7.2 will be payable to the pool rather than to DCLG, and redistributed to participating authorities in accordance with the agreed memorandum of understanding. This is to be used to fund economic development.
- 9.3 The split of the potential proceeds based on business rate forecasts indicates that this Council can expect to receive a sum in the region of £223k, the precise amount will not be known until the end of the 2015/16 financial year and payment made in 2016/17.

10.0 Collection Fund Performance

- 10.1 As at 31 March 2014 the Collection fund showed a deficit of £3,127,280 (£79,171 Council Tax and £3,048,109 Business Rates). £2,165,775 is being recovered across Council Tax and Business Rates preceptors during 2014/15, leaving a balance of £961,505 to be distributed in 2015/16.
- 10.2 The Council has to estimate the overall surplus/deficit at 31 March 2015 and inform the precepting authorities in January 2015 of this estimate in order that the amount is included in the 2015/16 precept figures.
- 10.3 Current monitoring figures indicate a surplus by 31 March 2014 of £172,950 for Council Tax, this will be revised in January and the results reported to members as part of the budget report to the February Cabinet. Any surplus or deficit is allocated to preceptors in 2015/16 in proportion to the 2014/15 Band D Council Tax.
- 10.4 The calculation on the business rate income element of the Collection Fund currently indicates a deficit balance of £1,314,000 as a result of a bigger than anticipated provision made in 2013/14 for outstanding appeals, giving rise to a higher than budgeted balance carried forward at 1.4.2014. The calculation will be revised for January and the results reported to members as part of the budget report to the February Cabinet. Any surplus or deficit is allocated in 2015/16 in accordance with the proportions given at 6.3 above.

10.0 Consultation

- 10.1 Not Applicable

11.0 Implications

- 11.1 The Council Tax Base will be used to calculate the level of Council Tax requirement that will be recommended to the Council on 18 February 2015.
- 11.2 The net yield from Business Rates income will be used to calculate the amount of retained business rates to be credited to the General Fund.
- 11.3 Once the Council Tax Base and the estimated balance on the Council Tax element of the Collection Fund has been determined, East Sussex County Council, Sussex Police and Crime Commissioner and East Sussex Fire Authority will be notified.
- 11.4 Once the NNDR1 2015/16 has been completed and the estimated balance on the Business Rate element of the Collection Fund has been determined, this will be submitted to Central Government and both East Sussex County Council and East Sussex Fire Authority will be notified.

12.0 Summary

- 12.1 The provisional Council Tax Base for 2015/16 has been calculated in accordance with relevant legislation. Summary calculations are set out within the attached appendix.

- 12.2 The figures required to set the business rate income are not yet available as the final NNDR1 form and guidance notes have not yet been received from DCLG. Provisional figures indicated business rates income for the General Fund of £3,980,000.
- 12.3 It is recommended that delegated authority be given to the Chief Finance Officer, in consultation with the Portfolio holder for Finance, to agree the final figures for both calculations.

Pauline Adams
Financial Services Manager

Background Papers:

The Background Papers used in compiling this report were as follows:

The Local Government Finance Act 1992

The Local Authorities (Calculation of Council Tax Base) Regulations 1992

The Local Authorities (Calculation of Council Tax Base) (Amendment) Regulations 2003

Non-Domestic Rating (Rates Retention) Regulations 2013

Tax Base Comparison between years			
	2013/14	2014/15	2015/16
NUBER OF DWELLINGS			
Valuation List as at November	46,629	47,150	47,285
Less discounts equated to property numbers	-4,859	-4,966	-4,753
Total equivalent property numbers	41,770	42,184	42,532
Estimated changes in year	86	-19	55
Less Local Council Tax Reduction Scheme	-6,813	-7,504	-7,465
Total Number of Properties	35,043	34,661	35,122
% decrease		-1.09%	1.33%
TAXBASE CALCULATION			
Relevant Amount (Band D Equivalent)	33,309.3	32,950.3	33,308.3
Collection Rate	97.50%	97.50%	97.75%
Council Tax Base	32,476.6	32,126.5	32,558.9
% decrease		-1.08%	1.35%

BODY: CABINET

DATE: 10th December 2014

SUBJECT: Draft Budget Proposals 2015/16

REPORT OF: Chief Finance Officer

Ward(s): All

Purpose: To summarise the main elements of the emerging 2015/16 revenue budget and capital programme that have arisen from the corporate and service financial planning process to date.

Contact: Alan Osborne, Chief Finance Officer,
Tel 01323 415149 or internally on ext 5149

Recommendations: Members are asked to:

- i) Agree the draft budget proposals for consultation.
- ii) Agree the approach to dealing with changes in the expected resources available for the 2015/16 budget as detailed in 5.3.
- iii) Agree that subject to there being no material change in the government settlement that Cabinet is minded to propose a council tax freeze for 2015/16.

1.0 Introduction

- 1.1 Each year the Council consults with a range of stakeholders on its detailed draft budget proposals for the following financial year. This follows consultation on the corporate plan and Medium Term Financial Strategy (MTFS), which is carried out over the summer and autumn. The results of the corporate plan consultation are reported elsewhere on this agenda.
- 1.2 The Cabinet will consider initial responses to the consultations at this meeting and finally on 4 February 2015 in order to recommend a final budget for 2015/16 and amended capital programme to the Council on 18th February 2015.
- 1.3 The process of service and financial planning is an integral part of the corporate planning cycle that looks over a medium term horizon. The corporate change programmes under DRIVE pick up the challenge of the MTFS.
- 1.4 The MTFS agreed in July 2014 modelled the overall reduction in Government support by 40% in cash terms over the whole CSR period (2013/17) which equates to around 50% in real terms at past and projected levels of inflation.
- 1.5 At the time of writing this report the Chancellors autumn statement is not

available, However last year the Government signalled a further 5 years of reductions in public spending over the life of the next parliament. Although there is an election next year all the main political parties are working on similar deficit reduction plans.

- 1.6 In addition to changes in the amount of funding for local government, there were two significant changes that came into force in 2013/14 that give a greater volatility to local government finance over the medium term. These changes were the retention of a proportion business rates and the localisation of council tax support. The Council tax and Non Domestic rate tax bases are the subject of another report on this agenda.
- 1.7 The Council has applied with other East Sussex authorities to be part of a single business rates pool which could see the Council increase its business rates retention increase by around £200k in 2015/16.

2.0 Integrated corporate planning process

- 2.1 In July 2014, the Council adopted its latest MTFS that set the platform for the service and financial planning process during the summer and autumn. The strategy set out a further 4 year rolling programme with savings targets of £2.7m recurring by 2018/19 (in addition to the £4.5m achieved in setting the 2011-2015 budgets)
- 2.2 The overarching DRIVE programme forms the basis of Councils efficiency agenda and the sustainable service delivery strategy (SSDS) is a major component of the programme, which will deliver savings over the life of the MTFS. The Council's move towards the "future operating model" is set to contribute a further £1.2m of savings over the next two years to the general fund. Together with savings from procurement and shared services this provides the main emphasis of the current corporate efficiency programme.
- 2.3 The Service and financial planning process is now a rolling three year period to reflect the MTFS and as well as providing £500,000 per annum of additional capital resource the savings programme is well developed to meet the overall target of £2.7m over the current cycle.
- 2.4 Consultation on these plans began at the same time which included Scrutiny, unions and staff as well as partner organisations and the public. A separate report is included on the agenda with an update.
- 2.5 Once the budget proposals have been adopted in February, the service plans will be updated and resource allocations reviewed in the light of any changes required by corporate plan priorities or the budget.
- 2.6 The Service plans will then be used to set service performance measures and individual staff performance and development plans.
- 2.7 Formal integrated quarterly performance monitoring against the budget and key performance indicators informs the Council and its stakeholders of progress against the plans.

3.0 Background to the Budget Proposals

- 3.1 The MTFS set out the principles for the budget of the following four years and models the financial impact of the strategy.
- 3.2 The main backdrop to the MTFS is the requirement to set a balanced budget and dealing with the effects on the Councils finances of the current economic downturn.
- 3.3 The current strategy set out a rolling three year plan to:
- Deal with the anticipated reduction in the Government support of a further 40% from the 2014/15 level.
 - Integrate fully the service and financial planning process with the main change programmes under DRIVE
 - Work with clearly defined medium term efficiency targets to the corporate transformation programmes and allow services to put forward savings proposals in addition.
 - Deal with the continued economic downturn and unavoidable growth in service demands
 - Maintain front line services to the public
 - Make further recurring savings of £2.7m per annum by 2016/17
 - Maintain at least a minimum level of reserves of £2m
 - Use surplus reserves in the medium term for:
 - Invest to save projects
 - Smooth the requirement for savings over the cycle of the MTFS
 - Invest in one off service developments in line with the corporate plan
 - Benchmark fees & charges against the service standard
 - Reinvest in value adding priority services when headroom is created
 - Set council tax rises at zero or at the level of target inflation (CPI)
 - Maintain a Strategic Change Fund to finance the DRIVE programme in order to increase efficiency
 - Maintain an Economic Regeneration Reserve to finance external interventions that promote economic activity
 - Finance capital expenditure from identified resources
 - Use borrowing only on a business case basis
 - Continue the process of priority based budgeting to target investment and differential levels of savings targets at services according to priority
 - Zero base volatile grant budgets
 - Look for new income streams to supplement diminishing resources
- 3.4 Whilst at the time of writing the final settlement in respect of revenue support grant (RSG) and retained business rates for 2015/16 as well as numerous other grant announcements have not yet been made, the following are assumed in the draft budget.

Year	2014/15	2015/16
	£m actual	£m
RSG	(3.7)	(2.6)
Retained Rates	(4.0)	(4.0)

Council Tax freeze grant	(0.1)	(0.1)
New Homes Bonus	(0.9)	(1.3)
Council Tax	(7.2)	(7.3)
TOTAL	15.9	15.4

4 The Emerging Budget Proposals 2015/16

4.1 The service and financial planning process started in July and has culminated in the four service areas presenting their plans to the Cabinet and shadow cabinet in November.

4.2 In response to the challenge set out in the MTFs, the service and financial planning process has identified proposed savings of £1.509m (10% of net spend) shown in **(appendix 1)**

These are categorised as:

	<u>£m</u>
Efficiency savings	(0.992)
Increases in income	(0.461)
Other changes	<u>(0.056)</u>
Total	<u>(1.509)</u>

4.3 A total of £0.947m of service growth is proposed categorised as follows **(appendix 2)**:

	<u>£m</u>
Corporate inflation	0.515
Reduced income targets	0.224
Other Growth	<u>0.208</u>
Total	<u>0.947</u>

4.4 The draft budget assumes no rise in Council Tax for 2015/16 as the Council is may take advantage of the special grant available for Councils not increasing council tax (assumed to be 1% or £85,000). There therefore remains a choice depending on the final announcement of the tax freeze scheme. A referendum might apply if any proposed tax rise were 2% or greater.

4.5 The proposal also includes £493,000 of non-recurring service investment to be financed directly from reserves **(Appendix 2)**.

5.0 Summary of Revenue Proposals

5.1 The following is a summary of the effect of the proposed changes.

5.2		<u>Proposal</u> <u>£m</u>
	Base Budget 2013/14	15.902
	Growth (outlined in 4.3)	0.947
	Savings (outlined in 4.2)	<u>(1.509)</u>
	Net budget requirement	<u>15.340</u>
	Funded By:	
	Government Grants/Retained Rates	(8.041)
	Council tax (band D £224.19)	<u>(7.299)</u>
	Total Resources	<u>(15.340)</u>
	Forecast General Reserve 31.03.14	£4.2m

5.3 Should the resources assumed by way of retained business rates and RSG differ, the suggested strategy would be to make any additional resources available to the capital programme. Should the resources be less than the assumptions then they should first reduce the contingency by up to £100,000 and beyond that, a further review of the service and financial plans will be required to identify additional savings/reduced growth. As a last resort the MTFS allows for reserves to be used in the short term until further corrections can be made.

6.0 Capital Programme 2014/19

- 6.1 The Council currently finances its capital programme from capital receipts and grants and contributions. There is currently c£0.5m of internal identifiable capital resources available for the next three years.
- 6.2 It is intended that any revenue headroom created by the 2015/16 revenue budget will be reinvested in the Capital programme.
- 6.3 In addition to these resources, borrowing is permitted on a business case basis where savings or new income generated from a scheme can repay the capital costs.
- 6.4 Additional individual schemes to be added to the capital programme linked to priorities will be developed in January and contained in the final budget and capital programme proposals to be agreed by the Full Council in February.
- 6.5 It should also be noted that unlike the Council Tax, the capital programme can be varied at any time and that there are duties under certain schemes to consult with those affected before schemes are commenced. As well as schemes financed from internal resources, the corporate plan will include schemes financed from external resources.

7.0 Consultation

7.1 As outlined in sections 1 & 2, consultation is planned both internally and externally to supplement the comprehensive consultation programme to date which is reported elsewhere on the agenda.

8.0 Implications

8.1 None directly in respect of this report, the consultation with stakeholders will identify any significant implications, which will be reported alongside the final budget recommendations in February.

9.0 Conclusions

9.1 The Council is well placed to deal with the lasting effects of the economic downturn and subsequent reduction in support by The Government cuts however has restricted choice in respect of new services requiring recurring investment.

9.2 Should the budget proposals remain materially intact following consultation and further announcements, The Council will have continued to shift its basic financial position towards longer term sustainability as outlined in the MTFS.

Alan Osborne
Chief Finance Officer

Background Papers:

The Background Papers used in compiling this report were as follows:

Budget 2013-14

Cabinet Reports: – Finance Matters Each Cabinet Meeting
- Budget Setting February 2014.
- MTFS July 2014.

Audit Committee- Final Accounts- September 2014.

To inspect or obtain copies of background papers please refer to the contact officer listed above.

Proposed Savings

Dept	Service	Proposal	2015/16 £'000
Efficiency Savings			
CorpS	High Level Service	Future Model phase 2	(600)
CorpS	CMT	Shared CMT/EMT roles	(100)
CorpS	Financial Services	Reduced audit fee	(20)
CorpS	Financial Services	Bank contract savings	(10)
CorpS	IT and E Government	Decommission Northgate Revs and Bens system	(58)
CorpS	IT and E Government	Cease Northgate DBA support	(15)
CorpS	IT and E Government	Migration to The Link	(11)
CorpS	IT and E Government	Consolidate systems support costs	(6)
ComS	Bereavement Services	Gas savings	(13)
ComS	Revs & Bens	Capita telephone contract (part year)	(105)
CFirst	Specialist Advisory Team	Waste Contract final savings on contract procurement	(50)
TS	Events	Reduced postage	(2)
TS	Events	Walking festival partnership with Wealden	(2)
Efficiency Savings Total			(992)
Income Generation			
CorpS	High Level Service	Future Model Accommodation co location with EHL/ other partners	(170)
CorpS	Corporate Property	Letting space in Town Hall to SCDA	(25)
CorpS	Corporate Property	Lease management improvements	(79)
CorpS	Corporate Property	Rent review Bullockdown small holding	(2)
CorpS	Corporate Property	Water rate increase to let farms and recovery of maintenance costs	(3)
ComS	Bereavement Services	RPI on fees	(45)
ComS	Bereavement Services	Tribute screens	(7) *
ComS	Revs and Bens	Income target for Fraud team to replace reduced grant	(57) *
TS	Events	Increase income target	(8)
TS	Events	Introduce an off-road half marathon as part of Beachy Head Marathon	(15)
TS	Sports and Leisure	Increase income target	(20)
TS	Theatres	Additional show account income	(10)
TS	Theatres	Additional refreshment sales at Congress Theatre	(5)
TS	Theatres	Additional internet booking fees	(5)
TS	Tourism	Additional income from beech huts	(5)
TS	Tourism	Additional income from Airbourne exclusive seating	(5)
Income Generation Total			(461)
Other Changes			
CorpS	Financial Services	Reduction in unfunded pensions	(30)
TS	Sports and Leisure	Reduction in equipment budget	(9)
TS	Tourism	Improved programming Bandstand	(10)
TS	Tourism	Reduction in equipment budget	(7)
Other Changes Total			(56)
TOTAL SAVINGS			(1,509)

* Linked savings & growth items

Recurring Growth

Dept	Service	Item	2015/16 £'000
Corporate Inflation			
Corporate		Pay Award, contractual increments and pension auto enrolment	240
Corporate		Inflation on external contracts and other inflation	250
Corporate		Increase in minimum wage	25
Corporate		Capital Financing (Target £100,000 to be confirmed)	TBC
Corporate Inflation Total			515
Changes in Income targets			
CorpS	Financial Services	Concessionary Fares income service transferred to ESCC	6
ComS	Revenues and Benefits	Bailiff income reduced due to government change in cost recovery	23
ComS	Revenues and Benefits	Reduction in DWP admin grant for fraud	57 *
ComS	Revenues and Benefits	Reduction in HB admin grant	32
ComS	Revenues and Benefits	Reduction in DCLG CTRS grant	7
CFirst	Specialist Advisory Team	Roundabout sponsorship	9
TS	Tourism	Dotto train income target unachievable	65
TS	Tourism	Leisure travel marketing	25
Changes in Income Total			224
Other Growth			
CorpS	Civil Contingencies	East Susses resilience and emergency planning	3
CorpS	Financial Services	Cash Collection contract	23
CorpS	Human Resources	Recruitment 'lovelocaljobs' scheme	4
CorpS	IT and E Government	Mobile telephony increase in number of contracts as envisaged in Agile programme	11
CorpS	IT and E Government	Locata Housing system maintenance	10
CorpS	Corporate Property	Restructure for Corporate Landlord model	80
CorpS	Corporate Property	Water infrastructure new maintenance contract	23
CFirst	Specialist Advisory Team	Splash pad water usage greater then originally estimated	5
CFirst	Specialist Advisory Team	Eastbourne Park ditch maintenance	10
CFirst	Neighbourhood First	Supply of dog bags for dispensers	1 *
TS	Events	Permanently fund Proms Big screen event	7
TS	Events	Permanently fund Beer and Cider Festival	14
TS	Events	Permanently fund Cycling Festival	4
TS	Events	Devonshire Park Grounds to bring budget to current standards	8
TS	Sports and Leisure	Administration to tennis delivery partner	5
Other Growth Total			208
TOTAL PROPOSED RECURRING GROWTH			947

Non Recurring Service Investments

Group	Service	Proposal	
CorpS	Corporate Property	Specialist advice for the Asset Challenge programme	30
CorpS	Corporate Property	Downland Strategy review	20
ComS	Revenues & Benefits	Empty Homes review	20
ComS	Revenues & Benefits	SMS messaging for payment recovery	5
ComS	Revenues & Benefits	Single persons discount review	6
ComS	Community Involvement	Contribution to Local Dementia action plan	10
ComS	Community Involvement	Single Equality Scheme implementation	5
ComS	Community Development	Grants to voluntary organisation	23
ComS	Community Development	Langney Village Hall match funding for works	5
Cms	Bereavement	Books of Remembrance	8
Cms	Bereavement	Replace waiting room furniture	7
ComS	Bereavement	Installation of visual media in both Chapels	10
Cms	Bereavement	Installation of Webcasting	2 *
CFirst	Neighbourhood First	Supply one dog bag dispenser in each ward targeted at dog fouling hotspots	2
CFirst	Specialist Advisory Team	Supporting Eastbourne Jobs Hub	35
CFirst	Specialist Advisory Team	Allocation for priority parks and gardens maintenance schemes	100
CFirst	Specialist Advisory Team	Strategic Housing Market assessment	20
CFirst	Specialist Advisory Team	Employment Land Local Plan examination costs	15
CFirst	Specialist Advisory Team	Seafront Local Plan	15
CFirst	Specialist Advisory Team	Strategic Housing Land availability	10
CFirst	Specialist Advisory Team	Bollards and boulders at Fishermans Green	6
TS	Events	Aegon International Tennis	33
TS	Events	Aegon International Tennis Town Dressing	10
TS	Events	Devonshire Park Laser Line Marker	5
TS	Events	Summer Music Festival	25
TS	Events	Big Screen hire for sporting events such as Aegon Finals and Rugby World Cup	20
TS	Sport and Leisure	Tennis Court Refurbishment fund for future repairs part of grant conditions	32
TS	Tourism	Drinking Fountains on the Seafront	8

TOTAL NON RECURRING INVESTMENTS**487**

* Linked savings & growth items

Body:	Cabinet
Date:	4 February 2015
Subject:	General Fund Revenue Budget 2015/16 and Capital Programme 2014/18
Report Of:	Deputy Chief Executive
Ward(s)	All
Purpose	To agree the detailed General Fund budget proposals for 2014/2015 and Capital Programme 2014/2018.
Decision Type:	Budget and Policy Framework requiring approval of Full Council
Recommendation:	Members are asked to recommend the following proposals to Full Council: <ul style="list-style-type: none"> (i) General Fund budget for 2014/15 (Revised) and 2015/16 (original) (Appendix 1) including growth and savings proposals for 2015/16 as set out in Appendix 2. (ii) No increase in the Council Tax for Eastbourne Borough Council resulting in an unaltered Band D charge of £224.19 for 2015/16. (iii) General Fund capital programme and financing 2014/18 as set out in Appendix 3.
Contact:	Alan Osborne, Deputy Chief Executive and Chief Finance Officer, Telephone 01323 415149 or internally on extension 5149. E-mail address: alan.osborne@eastbourne.gov.uk

1.0 Introduction

- 1.1 This report sets out the general fund revenue budget proposals for 2015/16 and a rolling three year capital programme 2014/18.
- 1.2 The Housing Revenue Account 2015/16 and associated capital programme, together with rent setting for 2015/16 is subject of a separate report elsewhere on this agenda.
- 1.3 The Council revised its medium term financial strategy (MTFS) in July 2014 and the Cabinet recommended a resulting draft 2015/16 budget proposal in December 2014 following the service and financial planning process in the autumn.
- 1.4 The MTFS and the draft budget have been subject to consultation as reported to Cabinet and Scrutiny in December.

1.5 The budget is the product of various plans and strategies as part of an integrated and corporate planning process and is linked principally to:

- The MTFS
- Asset Management Plans
- The Corporate Plan
- Workforce Strategy
- Treasury Management Strategy
- Service Plans
- HRA business plan
- DRIVE corporate transformation programme
- Sustainable Service Delivery Strategy

1.6 The Chief Finance Officer has a specific legal responsibility to give positive assurances on:

- The robustness of the estimates used in the budget
- The level of reserves

If the recommendations of this report are agreed then these assurances will prevail.

2.0 Summary of recommended budget proposals

2.1 The budget proposals include:

- No increase in the Council Tax in 2015/ 16
- Overall savings/new income totalling £1.5m (9% of the net budget)
- Efficiency savings of £1m (6% of the net budget)
- Inflation of £0.6m (4% of the net budget)
- Other recurring service growth of £0.4m
- Non recurring service investments £0.5m
- General Reserves averaging in excess of £4m (against a minimum recommended of £2m)
- Capital resources of £0.8m invested in new capital schemes

2.2 The budget represents continued management of financial risks by:

- Building on a favourable outturn position
- Balancing the base budget requirement without needing to use reserves for recurring expenditure
- Identifiable and deliverable savings with accountability and no general unidentified targets
- Reserves well above the minimum level
- Zero basing of minor reward grants
- Providing the funding required for the DRIVE change programme to deliver the future savings required by the MTFS via the strategic change fund.

3.0 2015/16 Resources

3.1 Government Funding

3.2 The underlying methods of Local Government financing were changed significantly from 2013/14 and 2014/15 onwards the wrapping up of grants in the base "Start Up Funding" notably:

- The Localisation of council tax grant (previously £1.2m)
- The council tax freeze grants
- Some new burdens grants

3.4 For Eastbourne the Headline figures of the Government settlement are:

- A reduction in revenue support grant of £1.2m (30%)
- Partially offset by new homes bonus (additional £0.2m in 2015/16)

3.5 The NNDR business rate base has increased slightly (£0.2m) largely as a result of the inflationary increase which has been capped at 2%.

3.6 In addition to the formula grant the Government is financing the cost of a 1% increase in council tax (£86,000) which it has confirmed will be put in the base for 2016/17 and beyond.

3.7 The Government has announced that Eastbourne will receive £1.1m in total of new homes bonus due to the growth in housing in the area and the further reduction in empty properties.. The grant is paid in tranches for six years. The 2015/16 figure includes 5 tranches. The funding is not guaranteed beyond a 6 year horizon for each tranche. The projected award for 2016/17 is £1.3m. The Government is financing the additional NHB from reductions in RSG, therefore, whilst volatile, it is currently the preferred method of distribution of resources.

3.8 Council Tax

3.9 The proposal for no increase in council tax for 2015/16 results in an unchanged Band D rate of £224.19 for the Council.

3.10 The Council has to give an indication of likely future council tax rises, it is still expected that council tax will rise by no more than 2% per annum for each of the next three years. This is the Governments target for inflation and also the current ceiling on rises that would otherwise require a referendum in order to exceed.

3.11 Within this context, for 2015/16, the Council will raise £7.3m from its share of the council tax. This is determined by multiplying the council tax base of Band D equivalent dwellings by the Band D tax rate of £224.19. This is unchanged from the December tax base setting report.

3.12 In addition, there is a distribution of £24,000 payable by EBC to the collection fund due to a small collection fund surplus.

3.13 **Summary – 2014/15 Resources**

A summary of the resources available is shown below:

Source:	£'m
Government formula grant	(2.7)
Retained business rates	(4.0)
New Homes Bonus	(1.1)
Council tax freeze grant	(0.1)
Council tax	<u>(7.3)</u>
Total Resources Available (Rounded)	<u>(15.2)</u>

3.14 In order to achieve a balanced budget without using reserves, the Council needs to set a net expenditure budget for 2015/16 of £15.2m.

4.0 Specific Grants

4.1 In addition to the general grant distributed through the new formula grant system, which is given towards financing the Council's net expenditure, the Government also provides some specific grants. These specific grants will fund in part or in full, service costs.

Grant	2015/ 16 £'m
Housing Benefit Subsidy	(50)*
Housing Benefit Administration	(0.8)
* Approximate	

4.2 Housing Benefit Subsidy:

As part of a national scheme delivered locally, this grant is intended to reimburse the Council for the awards of benefit it makes to eligible tenants in both the private and public rented sector. Not only is this by far the largest single specific grant that the Council receives, but it is performance related. The Council has improved its performance in recent years.

A new system of universal credits was due to be completed in October 2017 which will see the caseload moved to the Department for Work and Pensions. Responsibility for council tax benefit has now devolved to a local level.

4.3 Housing Benefit/Council Tax reduction scheme Administration:

This is to fund the cost to Eastbourne of administering the national Housing Benefit and local Council Tax Support schemes. This represents a reduction of around 15% from the 2013/14 funding.

4.4 Homelessness:

This is intended to assist with prevention and to find alternative accommodation other than bed and breakfast. This grant has now been subsumed into the main grant system.

4.5. New Homes Bonus:

This began in 2011/12 (£187,000) and is guaranteed for six years. A further £190,000 was been awarded for 2012/13 and £180,000 in 2013/14 making a total payable of £557,000 in 2013/14. Further increases will take this source of funding to approximately £1.3m per annum by 2016/17. The Council's policy as outlined in the MTFS is to utilise surplus grant for economic regeneration initiatives. Therefore the proposed budget includes an increase in the capital financing budget to reflect.

5.0 Budget movements 2014/15 to 2015/16

5.1 The detailed budget proposals are set out in **(Appendix 1)** show in detail the movement from the 2014/15 budget to the 2015/16 proposed budget. The movements are summarised below:-

5.2	Movement from 2014/15	£m	£m
	Base Budget		
	Change in resources:		
	RSG and New Homes Bonus	0.8	
	Weekly refuse collection grant	1.3	
	Retained business rates	(0.5)	
	Council tax – increase in tax base	(0.1)	
	Cost increases:		
	Inflation	0.5	
	Other growth and changes in income	<u>0.4</u>	<u>2.4</u>
	Savings:		
	Efficiency savings	(1.0)	
	Increased Income/other changes	(0.5)	
	Reduced contributions to reserves	<u>(0.9)</u>	<u>(2.4)</u>

5.3 If Cabinet approves the proposals set out in the report it will be able to recommend to Council on 18th February a balanced budget in line with available resources without the need to use reserves.

5.4 The Council now follows a rolling three year financial planning cycle and the service and financial plans have been set out in detail for 2015/16. The next MTFS due in July will project forward a further three years and continue to provide the basis of service and financial planning for the medium term. It should be noted that at a significant level the savings required for the next MTFS have already been identified, further reports to Cabinet will detail the business plans under the transformation programme (DRIVE)

5.5 The Government has set out a revised four year programme of reductions in funding and the Council's current MTFS already takes account of this.

The change programmes in place such as Agile and the SSDS and the rest of

the DRIVE programme are projected to deliver savings over and above the minimum in order to create headroom for investment in priority services.

6.0 Risks, Contingencies and Reserves

6.1 All budgets contain an element of financial risk. The Council sets an operational budget with careful consideration of known risks, but accepts that this cannot cover every eventuality. As a consequence the Council sets a contingency budget and holds a minimum level of general reserve as a hedge against additional and significant financial turbulence.

6.2. Principal Risks

The key areas of financial risk that the Council faces in the operation of its 2015/16 budget are:-

- Housing Benefit Performance
- Inflation on goods and services
- Income from services linked to customer choice (theatres, tourism; sports centres, car parking)
- Demand led services
- Legal challenges
- Savings being delayed

On an exception basis, information on each of the risk areas identified above, together with any new and significant risks that may emerge over the course of the year, will be included in each financial performance report to Cabinet and Scrutiny during 2015/16.

6.3 Contingencies

The 2015/16 budget includes a corporate contingency budget of £152,000 to allow for unbudgeted expenditure or reductions in income. This is in addition to the known inflation that has been built into the service budgets It represents 1% of the overall net budget requirement.

6.4 Reserves

Part 2 of the 2003 Local Government Act requires the Chief Finance Officer to report on the adequacy of the proposed financial reserves, and determine the minimum level required. There is no statutory minimum requirement, but reserves must be set at a prudent level given the activities of individual Councils and potential liabilities that they face or may face in the future i.e. a risk based approach. The Council's earmarked reserves are reviewed at least annually for adequacy. If at any time the adequacy is in doubt the Chief Finance Officer is required to report on the reasons, and the action, if any, that he considers appropriate.

The Council will always seek to contain any unforeseen additional costs within allocated annual budgets, including the contingency budget. However, it is proposed that in addition the minimum level of general reserves be set at £2m based on the following:

6.5	Risk	£m
	Unexpected Events e.g. flooding, major storm in excess of Bellwin Scheme provision	0.5
	Significant financial overruns e.g. prior year negative Housing Benefits subsidy adjustments and costs of welfare reform	0.5
	Exceptional fluctuations in income that have a major corporate impact e.g. loss of major sponsor close to an event (2% of income)	0.3
	Cost of providing priority services during an incident or emergency in excess of insurance cover	0.3
	Exceptional fluctuations in costs or demand that have a major corporate impact e.g. fuel costs	0.2
	Cost of significant breach of legislation e.g. health and safety, human rights	0.2
	TOTAL	2.0

The overall proposed minimum level of £2 million is the same as the current year and in line with the risk assessment outlined above. It is the view of the Chief Finance Officer that this level of reserves remains adequate to meet the current commitments and proposals detailed within this report and any unforeseen expenditure that cannot be met by external resources.

Should the budget recommendations be followed, the level of general fund reserve is projected at £4m by March 2016 (**Appendix 1**). In addition to acting as a potential buffer against future risks, this should create further opportunities for one off investments in the future.

6.6 Earmarked Reserves:

The following revenue reserves have been set aside in addition to the general reserve in order to facilitate projects under the DRIVE programme. The available balances at 31.3.15 are projected to be (**Appendix 1**):

Reserve	Purpose	Amount £'m
Strategic Change	To fund internal transformation projects under DRIVE	0.6
Economic Regeneration	To promote economic growth	0.5

6.7 Other earmarked revenue reserves:

The Council has been following a process of consolidating its reserves into the corporate reserves above. This better facilitates corporate priority

planning. The only further reserves that the Council holds have other obligations attached (e.g. Section 106/partnership contributions).

6.8 The Chief Finance Officer is satisfied that the integrated budget and corporate planning process provides a robust basis for identifying appropriate budget estimates and appropriate level of reserves.

7.0 Capital Programme 2014-2018

7.1 The principles for formulating the capital programme were set out in the draft budget report submitted to Cabinet on 10th December 2014. The proposed new schemes to be financed are shown in **bold** in at (**Appendix 3**).

7.2 The Council has a policy of only using borrowing for schemes that are invest to save and can generate enough savings or additional income to service the financing costs.

7.3 In addition to schemes that qualify for borrowing the Council had a further £0.8m of capital resources to apply to the programme.

7.4 The Housing Revenue Account capital programme is set out in another report on the agenda and is financed entirely from HRA resources. Once approved it will be amalgamated with the general fund programme.

7.5 No uncertain future capital receipts have been factored into the available resource so there will be opportunities to supplement the programme as the three year period progresses. Potential disposals will be identified by the asset management plans.

8.0 Consultation

8.1 The Council's medium term financial strategy and the resulting draft budget proposal for 2015/16 as reported to Cabinet in December have been subject to wide and varied consultation. The Scrutiny Committee held a finance event in October and has been invited to comment on the budget proposals at its meeting in February.

9.0 Implications

9.1 Financial

The financial implications of all budget proposals are set out throughout the report and/or within its Appendices.

9.2 Human Resources

Implications have been discussed with Members through the detailed service and financial planning process, and where appropriate with the local Branch of Unison. Specific staff briefings have taken place as necessary.

9.3 Environmental

Both capital and revenue budget proposals include improvements to the maintenance of Council buildings and open spaces across the town. These include a number of energy efficiency initiatives to reduce usage, cost and emissions. Consultation with residents demonstrates that these types of initiatives are well supported and are seen as high priority areas for new investment.

10.0 Conclusions

- 10.1 The Council is well placed financially to meet the demands on its services as well as the reductions in Government support over the medium term.
- 10.2 The new method of distributing Government funding for local government gives incentives for new development both domestic and business.

Alan Osborne
Deputy Chief Executive and Chief Finance Officer

Background Papers:

The Background Papers used in compiling this report were as follows:

Cabinet reports:
December 2013

- Council Tax Base for 2015/16
- Draft Budget Proposals 2015/16
- Consultations on Council priorities

July 2014 – Medium Term Financial Strategy

To inspect or obtain copies of background papers please refer to the contact officer listed above.

General Fund Revenue Budget 2015/16

Appendix 1

	2014/15 Original Budget £'000	2014/15 Revised Budget £'000	2015/16 Budget £'000
Corporate Services			
Corporate Management	268	267	208
Corporate Services	1,875	1,790	1,386
Corporate Financial Services	1,772	1,930	1,984
Corporate Development	1,410	1,493	1,447
Corporate Infrastructure and Customer First	8,197	8,284	8,026
	13,522	13,764	13,051
Community Services			
Service Management	(38)	(38)	(75)
Direct Assistance	(309)	(47)	(315)
Community Activity	554	599	596
Strategic Performance	(210)	(210)	(207)
	(3)	304	(1)
Tourism & Leisure Services			
Service Management	98	98	104
Sport & Leisure	314	316	322
Theatres	720	739	740
Tourism	551	515	648
Events & Devonshire Park	491	540	586
Towner	681	732	685
	2,855	2,940	3,085
Net Service Expenditure	16,374	17,008	16,135
Contributions to/(from) Unearmarked Reserves	(209)	46	(890)
Contributions to/(from) Earmarked Reserves	NIL	(8)	NIL
Contributions to/(from) Strategic Change Fund	NIL	(144)	NIL
Contributions to/(from) Capital Programme Reserve	NIL	NIL	NIL
Contributions to/(from) Regeneration Reserve	500	365	NIL
Contributions to/(from) Revenue Grants	NIL	(4)	NIL
Eastbourne Borough Council Budget Requirement	16,665	17,263	15,245
Financed by			
Government Formula Grant	(3,735)	(3,919)	(2,677)
Localisation of Council Tax benefit support transition	NIL	(153)	(141)
Grant to support weekly collection of domestic waste	(1,300)	(1,300)	NIL
New Homes Bonus	(897)	(897)	(1,064)
Retained Business Rates	(3,464)	(3,725)	(3,953)
Council Tax Grant	(81)	(81)	(86)
Contribution to Council Tax Deficit/(Surplus)	14	14	(25)
Council Tax Collection Fund Precept	(7,202)	(7,202)	(7,299)
Total Financing	(16,665)	(17,263)	(15,245)

General Fund Revenue Budget 2015/16

Appendix 1

	2014/15 Original Budget £'000	2014/15 Revised Budget £'000	2015/16 Budget £'000
General Fund Reserve			
In hand at 1st April	(3,967)	(4,687)	(4,537)
Transfer to Regeneration Reserve	NIL	NIL	NIL
Transfer General Fund Surplus	NIL	NIL	NIL
Financing of Non Recurring Expenditure	471	486	487
Withdrawal/(Addition)	(262)	(532)	NIL
Allocated for Future Use	NIL	196	NIL
In hand at 31st March	(3,758)	(4,537)	(4,050)
Strategic Change Fund Balance			
In hand at 1st April	(700)	(1,212)	(639)
Transfer from General Earmarked Reserves	NIL	NIL	NIL
Withdrawal/(Addition)	NIL	144	NIL
Allocated For Future Use	NIL	429	500
In hand at 31st March	(700)	(639)	(139)
Capital Programme Reserve			
In hand at 1st April	(85)	(1,119)	(752)
Transfer from General Fund	NIL	NIL	NIL
Withdrawal/(Addition)	NIL	NIL	NIL
Allocated For Future Use	NIL	367	500
In hand at 31st March	(85)	(752)	(252)
Regeneration Reserve			
In hand at 1st April	(158)	(761)	(1,013)
Transfer from General Fund Reserve	NIL	NIL	NIL
Withdrawal/(Addition)	(500)	(365)	NIL
Allocated For Future Use	170	113	500
In hand at 31st March	(488)	(1,013)	(513)

Corporate Services Budget 2015/16

Appendix 1

	2014/15 Original Budget £'000	2014/15 Revised Budget £'000	2015/16 Budget £'000
Corporate Management	268	267	208
Capital Financing	1,697	1,677	1,834
Corporate Savings - Future Model			(600)
Contingencies - 1% of net budget	178	113	152
Corporate Services	1,875	1,790	1,386
Service Management	141	142	149
Performance and Risk Management	47	122	48
Civil Contingencies	26	27	29
Finance Management/Operational Costs	478	560	710
Corporate Finance Costs	382	381	317
Payroll and Information	90	90	92
Pensions	608	608	639
Corporate Financial Services	1,772	1,930	1,984
Service Management	234	234	243
Civic Services including Printing	446	448	460
Electoral and Local Land Charges	52	132	40
Strategic Performance	91	92	95
Legal Services	220	220	233
Human Resources Management and Admin	109	249	257
Employee Relations	64	19	20
Member Development	52	11	11
HR Resourcing and Development	142	88	88
Corporate Development	1,410	1,493	1,447
Service Management	86	86	90
IT & E-Government	1,710	1,769	1,651
Facilities Management	383	385	201
Customer First	6,456	6,491	6,620
Estates / Asset Management	(438)	(447)	(536)
Corporate Infrastructure and Customer First	8,197	8,284	8,026
Total Corporate Services	13,522	13,764	13,051

Community Services Budget 2015/16

Appendix 1

	2014/15 Original Budget £'000	2014/15 Revised Budget £'000	2015/16 Budget £'000
Service Management	91	91	54
Charges outside General Fund	(129)	(129)	(129)
Service Management	(38)	(38)	(75)
Housing Services Management	63	62	65
Revenues and Benefits	62	321	67
Housing Needs	156	156	168
Homelessness	167	169	160
Private Sector Housing	197	197	198
Bereavement	(954)	(952)	(973)
Direct Assistance	(309)	(47)	(315)
Community Development	110	113	106
Community Involvement	70	70	85
Community Grants	374	416	405
Community Activity	554	599	596
Housing / Homelessness Strategy	67	67	70
Solarbourne	(277)	(277)	(277)
Strategic Partnership	(210)	(210)	(207)
Total Community Services	(3)	304	(1)

Tourism Leisure Services Budget 2015/16**Appendix 1**

Tourism & Leisure Services	2014/15 Original Budget £'000	2014/15 Revised Budget £'000	2015/16 Budget £'000
Service Management	98	98	104
Sport & Leisure	314	316	322
Theatres	720	739	740
Tourism	551	515	648
Events & Devonshire Park	491	540	586
Towner	681	732	685
Total Tourism & Leisure Services	2,855	2,940	3,085

Proposed Savings

Dept	Service	Proposal	2015/16 Dec Cabinet £'000	2015/16 Feb Cabinet £'000
Efficiency Savings				
CorpS	High Level Service	Future Model phase 2	(600)	(600)
CorpS	CMT	Shared CMT/EMT roles	(100)	(92)
CorpS	Financial Services	Reduced audit fee	(20)	(20)
CorpS	Financial Services	Bank contract savings	(10)	(10)
CorpS	IT and E Government	Decommission Northgate Revs and Bens system	(58)	(58)
CorpS	IT and E Government	Cease Northgate DBA support	(15)	(15)
CorpS	IT and E Government	Migration to The Link	(11)	(11)
CorpS	IT and E Government	Consolidate systems support costs	(6)	(6)
ComS	Bereavement Services	Gas savings	(13)	(13)
ComS	Revs & Bens	Capita telephone contract (part year)	(105)	(105)
CFirst	Specialist Advisory Team	Waste Contract final savings on contract procurement	(50)	(50)
TS	Events	Reduced postage	(2)	(2)
TS	Events	Walking festival partnership with Wealden	(2)	(2)
Efficiency Savings Total			(992)	(984)
Income Generation				
CorpS	High Level Service	Future Model Accommodation co location with EHL/ other partners	(170)	(170)
CorpS	Corporate Property	Letting space in Town Hall to SCDA	(25)	(25)
CorpS	Corporate Property	Lease management improvements	(79)	(79)
CorpS	Corporate Property	Rent review Bullockdown small holding	(2)	(2)
CorpS	Corporate Property	Water rate increase to let farms and recovery of maintenance costs	(3)	(3)
ComS	Bereavement Services	RPI on fees	(45)	(45)
ComS	Bereavement Services	Tribute screens	(7)	(7) *
ComS	Revs and Bens	Income target for Fraud team to replace reduced grant	(57)	(57) *
TS	Events	Increase income target	(8)	(8)
TS	Events	Introduce an off-road half marathon as part of Beachy Head Marathon	(15)	(15)
TS	Sports and Leisure	Increase income target	(20)	(20)
TS	Theatres	Additional show account income	(10)	(10)
TS	Theatres	Additional refreshment sales at Congress Theatre	(5)	(5)
TS	Theatres	Additional internet booking fees	(5)	(5)
TS	Tourism	Additional income from beach huts	(5)	(5)
TS	Tourism	Additional income from Airbourne exclusive seating	(5)	(5)
Income Generation Total			(461)	(461)
Other Changes				
CorpS	Financial Services	Reduction in unfunded pensions	(30)	(30)
TS	Sports and Leisure	Reduction in equipment budget	(9)	(9)
TS	Tourism	Improved programming at Bandstand	(10)	(10)
TS	Tourism	Reduction in equipment budget	(7)	(7)
Other Changes Total			(56)	(56)
TOTAL SAVINGS			(1,509)	(1,501)

* Linked savings & growth items

Recurring Growth

Dept	Service	Item	2015/16 Dec Cabinet £'000	2015/16 Feb Cabinet £'000
Corporate Inflation				
	Corporate	Pay Award, contractual increments and pension auto enrolment	240	264
	Corporate	Inflation on external contracts and other inflation	250	268
	Corporate	Increase in minimum wage	25	25
	Corporate	Capital Financing (Target £100,000 to be confirmed)	TBC	
Corporate Inflation Total			515	557
Changes in Income targets				
CorpS	Financial Services	Concessionary Fares income service transferred to ESCC	6	6
ComS	Revenues and Benefits	Bailiff income reduced due to government change in cost recovery	23	23
ComS	Revenues and Benefits	Reduction in DWP admin grant for fraud	57	57 *
ComS	Revenues and Benefits	Reduction in HB admin grant	32	32
ComS	Revenues and Benefits	Reduction in DCLG CTRS grant	7	
CFirst	Specialist Advisory Team	Roundabout sponsorship	9	9
TS	Tourism	Dotto train income target unachievable	65	65
TS	Tourism	Leisure travel marketing	25	25
Changes in Income Total			224	217
Other Growth				
CorpS	Civil Contingencies	East Sussex resilience and emergency planning	3	3
CorpS	Financial Services	Cash Collection contract	23	23
CorpS	Human Resources	Recruitment 'lovelocaljobs' scheme	4	4
CorpS	IT and E Government	Mobile telephony increase in number of contracts as envisaged in Agile programme	11	11
CorpS	IT and E Government	Locata Housing system maintenance	10	10
CorpS	Corporate Property	Restructure for Corporate Landlord model	80	80
CorpS	Corporate Property	Water infrastructure new maintenance contract	23	23
CFirst	Specialist Advisory Team	Splash pad water usage greater than originally estimated	5	5
CFirst	Specialist Advisory Team	Eastbourne Park ditch maintenance	10	10
CFirst	Neighbourhood First	Supply of dog bags for dispensers	1	1 *
TS	Events	Permanently fund Proms Big screen event	7	7
TS	Events	Permanently fund Beer and Cider Festival	14	14
TS	Events	Permanently fund Cycling Festival	4	4
TS	Events	Devonshire Park Grounds to bring budget to current standards	8	8
TS	Sports and Leisure	Administration to tennis delivery partner	5	5
Other Growth Total			208	208
TOTAL PROPOSED RECURRING GROWTH			947	982

Non Recurring Service Investments

Group	Service	Proposal		
CorpS	Corporate Property	Specialist advice for the Asset Challenge programme	30	30
CorpS	Corporate Property	Downland Strategy review	20	20
ComS	Revenues & Benefits	Empty Homes review	20	20
ComS	Revenues & Benefits	SMS messaging for payment recovery	5	5
ComS	Revenues & Benefits	Single persons discount review	6	6
ComS	Community Involvement	Contribution to Local Dementia action plan	10	10
ComS	Community Involvement	Single Equality Scheme implementation	5	5
ComS	Community Development	Grants to voluntary organisation	23	23
ComS	Community Development	Langney Village Hall match funding for works	5	5
Coms	Bereavement	Books of Remembrance	8	8
Coms	Bereavement	Replace waiting room furniture	7	7
ComS	Bereavement	Installation of visual media in both Chapels	10	10
Coms	Bereavement	Installation of Webcasting	2	2 *
CFirst	Neighbourhood First	Supply one dog bag dispenser in each ward targeted at dog fouling hotspots	2	2
CFirst	Specialist Advisory Team	Supporting Eastbourne Jobs Hub	35	35
CFirst	Specialist Advisory Team	Allocation for priority parks and gardens maintenance schemes	100	100
CFirst	Specialist Advisory Team	Strategic Housing Market assessment	20	20
CFirst	Specialist Advisory Team	Employment Land Local Plan examination costs	15	15
CFirst	Specialist Advisory Team	Seafront Local Plan	15	15
CFirst	Specialist Advisory Team	Strategic Housing Land availability	10	10
CFirst	Specialist Advisory Team	Bollards and boulders at Fishermans Green	6	6
TS	Events	Aegon International Tennis	33	33
TS	Events	Aegon International Tennis Town Dressing	10	10
TS	Events	Devonshire Park Laser Line Marker	5	5
TS	Events	Summer Music Festival	25	25
TS	Events	Big Screen hire for sporting events such as Aegon Finals and Rugby World Cup	20	20
TS	Sport and Leisure	Tennis Court Refurbishment fund for future repairs part of grant conditions	32	32
TS	Tourism	Drinking Fountains on the Seafront	8	8

TOTAL NON RECURRING INVESTMENTS**487****487**

* Linked savings & growth items

TOTAL GROWTH**1,434****1,469**

Summary of Capital Programme 2015 to 2018

	Projected Outturn 2014/15	Total 2015/16	Total 2016/17	Total 2017/18
<u>Capital Programme</u>	£000	£000	£000	£000
Community Services	689	6,311	9,109	3,996
Customer First	1,046	2,989	410	-
Tourism & Leisure	807	720	-	20
Corporate & Core Services	2,471	5,399	3,070	255
Asset Management	2,381	1,129	500	-
Total Programme	7,394	16,548	13,089	4,271
<u>Financed By:-</u>				
Capital Receipts GF	1,094	1,912	250	195
Grants and Contributions	1,386	10,448	11,709	3,996
Major Repairs Reserve	-	-	-	-
Revenue Contribution to Capital Reserves	1,015	834	275	-
Section 106 Contributions	251	-	-	-
GF Borrowing	157	1,006	-	-
	3,491	2,348	855	80
Total Financing	7,394	16,548	13,089	4,271

Scheme	Total Scheme Approved	Original Budget Agreed 2014-15	Revised Budget 2014-15	2015-16	2016-17	2017-18
COMMUNITY SERVICES						
Memorial Safety Cems	40,000	34,000		34,000		
Digitalise Burial Records	10,000	10,000		10,000		
Crematorium - Main Chapel	21,000	21,000		21,000		
Ocklynge Cemetery Chapel	150,000	150,000	75,000	75,000		
Barbican Memorial Scheme	5,000	5,000	5,000			
Main Chapel Refurb - Phase 2	26,000	26,000	13,000	13,000		
Disabled Facilities Grants (external funding)	Ongoing	677,800	527,800	813,000		
BEST Grant (housing initiatives)	Ongoing	197,450	47,450	110,000	109,000	109,000
Social Housing Enabling						
Housing Regeneration	7,887,024				4,000,000	3,887,024
Acquisition of Land & Property	10,000,000			5,000,000	5,000,000	
New Beach Huts (25 Traditional & 5 Iconic)	235,240	235,240	20,240	215,000		
Willingdon Trees Multi Gym	20,000	20,000		20,000		
Total Community Services		1,376,490	688,490	6,311,000	9,109,000	3,996,024
CUSTOMER FIRST						
Contaminated Land	185,000	102,000		102,000		
Coast Defences Beach Management Strategy	Ongoing	540,850	540,850	300,000	300,000	
Cycling Strategy	45,000	40,600		40,600		
Park & Ride	50,000	50,000				
Princes Park (schemes to be decided)	210,000	183,000	4,500	178,500		
Play Area Sovereign Harbour	27,000	27,000		27,000		
Allotment Upgrade	114,000	14,100	14,100			
Hampden Park Skate Park	170,000	165,350	165,350			
Five Acre Field - Improvements	55,000	11,550	11,550			
Upperton - Play Equipment	60,000	20,500	20,500			
Churchdale Road Allotments	38,000	25,250	25,250			
Play Equipment - Bodiam Cres	80,000	80,000	80,000			
Sovereign Harbour - Legal Advice	20,000	20,000	20,000			
Terminus Road Improvements	500,000	500,000		500,000		
Christmas Lights	25,000	25,000	25,000			
CIL - Software	14,000	14,000	14,000			
Five Acre Field - Railings	20,000	20,000	20,000			
Hampden Park WCs	40,000	40,000	40,000			
Sov Harbour Community Centre	1,600,000			1,600,000		
Highfield Allotments	25,000	25,000	25,000			
Hyde Gardens WC	40,000	40,000	40,000			
Cross Levels Way BMX Track	46,000			46,000		
Hampden Park Path	25,000			25,000		
Bodiam Cres Play Area Path	20,000			20,000		
Gildredge Park - Toddler Equipment	22,000			22,000		
Shinewater Skate Park	50,000				50,000	
Seaside rec - Play Equipment	60,000				60,000	
Princes Park - Bowls Club Roof	28,000			28,000		
Hampden Park - Multi Play Unit	50,000			50,000		
Motcombe Pond	50,000			50,000		
Total Customer First		1,944,200	1,046,100	2,989,100	410,000	0
TOURISM & LEISURE						
Volleyball Court	25,000	25,000	2,000	23,000		
Signage	40,000	16,100		16,100		
Sports Park Flood Lights	30,000	30,000		30,000		
Re-surface Tennis Courts	265,000	265,000	265,000			
Wish Tower - Catering Outlet	40,000	4,000	4,000			

Scheme	Total Scheme Approved	Original Budget Agreed 2014-15	Revised Budget 2014-15	2015-16	2016-17	2017-18
Bandstand Seating	15,000	15,000	15,000			
Serco Contract	Ongoing	312,430	312,430	7,230		
ILTC - Air Conditioning	60,000	60,000	60,000			
ILTC - Public Address System	40,000	20,000	20,000	20,000		
ILTC - Electrical System	10,000	10,000	10,000			
ILTC - Fire Alarm	10,000	10,000	10,000			
ILTC - Replacement Seating	100,000	100,000	83,600			
ILTC - Replacement Showers	25,000	25,000	25,000			
Sports Park Railings	11,000			11,000		
Redoubt - Stair Climber	20,000			20,000		
Colonnade Removal	500,000			500,000		
Redoubt - Asphalt Gun Platform	50,000			50,000		
HPSC - Changing Rooms	20,000					20,000
Devonshire Park - Roller	14,000			14,000		
Devonshire Park - Verti Drain Aerator	14,000			14,000		
Devonshire Park - Hollow Corer	15,000			15,000		
Total Tourism & Leisure		892,530	807,030	720,330	0	20,000
CORPORATE SERVICES						
Carbon Reduction Works	467,500	467,500	233,500	234,000		
Agile phase 2	555,000	107,700	27,700	80,000		
Invest to Save	80,000	80,000	80,000	80,000	80,000	80,000
Redesign of CCC at 1 Grove Road	370,000	409,100	409,100			
IT Replacement	42,500	9,200	9,200			
Future Model Phase 2	2,990,000	818,500	1,311,500	547,000	550,000	
Investment Capital	5,750,000	3,000,000		2,300,000	2,300,000	
Sovereign Harbour Innovation Mall	1,400,000			1,400,000		
Solar Panels (2nd Programme)	500,000	500,000	250,000	250,000		
IT - Block Allocation	Ongoing	307,500	150,000	507,500	140,000	175,000
Total Corporate Services		5,699,500	2,471,000	5,398,500	3,070,000	255,000
Asset Management						
Devonshire Park Review	950,000	950,000	900,000	50,000		
Congress Theatre redesign & restoration	1,950,000	1,908,250	1,300,250	608,000		
Bandstand Restoration	245,000	34,500	34,500			
Royal Hippodrome Theatre (Phase 1)	15,000	19,700	19,700			
Downland Pumps Replacement	24,900	24,900	24,900			
Hampden Park Hall Improvements	34,700	30,000	30,000			
Thatched Shelters - re-roofing	40,000			40,000		
Brick Shelter? Depends on survey	65,000	15,000	15,000	50,000		
Devonshire Park Theatre - rendering	105,000			105,000		
Archery PCs/Bike Store	50,000			50,000		
Motcombe Dovecot	17,000	17,000	17,000			
Hyde Gardens WC - external works	25,000	25,000	25,000			
Hampden Park WCs - external works	15,000	15,000	15,000			
Downland Pipe replacement	70,000			70,000		
Asset Management - Block Allocation	2,243,000	290,200		156,200	500,000	
Total Asset Management		3,329,550	2,381,350	1,129,200	500,000	0
GENERAL FUND TOTAL		13,242,270	7,393,970	16,548,130	13,089,000	4,271,024

BODY: CABINET

DATE: 4 February 2015

SUBJECT: HRA Revenue Budget and Rent Setting 2015/16 and HRA Capital Programme 2014/17

REPORT OF: Senior Head of Community and Chief Finance Officer

Ward(s): All

Purpose: To agree the detailed HRA budget proposals, rent levels, service charges and heating costs for 2015/16, and the HRA Capital Programme 2014/17.

Contact: Pauline Adams, Financial Services Manager
Tel 01323 415979 or internally on ext 5979

Recommendations: Members are asked to recommend the following proposals to full Council:

- i) The HRA budget for 2015/16 and revised 2014/15 as set out in **Appendix 1**.
- ii) That rents are set in line with the rent convergence target of 2016 set by Government resulting in an average increase of 2.28%.
- iii) That service charges for general needs properties are increased by 2.31%,
- iv) That the service charges for the Older Persons Sheltered Accommodation currently available for let are increased by 2.57%.
- v) That heating costs are set at a level designed to recover the estimated actual cost.
- vi) That water charges are set at a level designed to recover the estimated cost of metered consumption.
- vii) That garage rents are set to increase by 2.28% in line with the average increase in housing rent.
- viii) To give delegated authority to the Chief Executive, in consultation with the Cabinet Portfolio holders for Community Services and Financial Services and the Financial Services Manager to finalise Eastbourne Homes' Management Fee and Delivery Plan.
- ix) The HRA Capital Programme as set out in **Appendix 3**.

1.0 Introduction

1.1 As from the 1 April 2012 the way that council social housing is financed was changed and the HRA became self financing. This means that expenditure

has to be entirely supported from rental and other income. The main tool for the future financial management of the HRA is the 30 year Business Plan which was approved by Cabinet on 8 February 2012.

- 1.2 The introduction of HRA self financing does not end the requirement to maintain a statutory ring fenced HRA and the council is still required to maintain a separate account for the income and expenditure on council housing.
- 1.3 This report reflects the recommendations made by Eastbourne Homes in relation to the increases in rent levels, service and other charges.

2.0 2015/16 HRA Revenue Budget

- 2.1 The 2015/16 budget has been prepared following the principles adopted within the HRA 30 year Business Plan and is attached at **Appendix 1**.
- 2.2 The 2015/16 budget is showing a surplus of (£296,130) which is due to a number of favourable factors as listed below.
- 2.3 The major changes between the 2014/15 and the 2015/16 budgets are:

Income increases and expenditure reductions:

- Effect of rent and service charge review -£390,000
- Change in requirement for Revenue Contribution to Capital -£393,300
- Reduction in contribution towards HEDP team - £50,000
- Effect of borrowing at lower than anticipated interest rates - £60,350

Increase in Expenditure and income reductions:

- Additional funding to met pressure on revenue repairs and voids budget - £520,000
- Depreciation, in line with Business Plan to cover the future requirements of the Asset Management Plan £104,300
- Contribution to Housing Regeneration Reserve £284,000

- 2.4 The HRA budget is performance better than expected in the 30 year business plan due to various initiatives to control expenditure, including a reduction in the management fee payable to EHL since the start of the plan and a lower than anticipated interest rates. At the same time income earnings from rents and service charges have remind on target. This allows some scope for some spending to be realigned, as set out in the paragraphs below.
- 2.5 EHL is currently experiencing pressure on the maintenance budget requirement for revenue repairs and void properties and it therefore proposed to increase the Management Fee by £520,000 to deal with this and help met customers' expectations.
- 2.5 The 30 year business plan forecast a budget surplus of £784,000 for 2015/16 which was to be set aside in reserves to met future major works demands. It is proposed to transfer this sum into the Housing Regeneration Reserve.

- 2.5 The Business Plan allowed for a revenue contribution to support capital expenditure for the three years 2013/14 to 2015/16 based on the asset management spending requirement peaking over these years in excess of the balance on the Major Repairs Reserve (MRR), until decreasing again by year five of the business plan. After this time surpluses begin to accumulate in the MRR as the cash backed depreciation allowance of £4m per year should start to exceed the capital spending requirements.
- 2.6 The HRA debt outstanding at 31.3.14 was £37.5m rising to £43.4m by 31.3.17 the majority of which will be external debt and at fixed interest rates. The increase in borrowing of £5.9m is expected to be undertaken to support the HEDP programme. The additional interest payable from this borrowing will be funded from the additional rental as the properties are let. The Council's treasury management advisors are predicting that the currently low levels of interest rates will continue into 2015/16 and the interest budget has been prepared on this basis.
- 2.7 Under the self financing settlement the government set a cap on total HRA borrowing of £42.96m .The 30year Business Plan assumes from 16/17 to 28/29 that an average debt repayment of £2.8m per annum is funded from the HRA Revenue Account. This will either be used to fund the repayment of debt or be used to reinvest in housing properties in lieu of new borrowing.
- 2.8 The HRA outturn for 2014/15 is expected to deliver a (£411,800) surplus, a positive variance of (£104,100) over the original budget (0.69% of gross expenditure). This is mainly as a result of the decrease in the amount required to be paid in council tax on void properties (£87k) and saving on the new insurance contract (21K).
- 2.9 The HRA Business Plan is based on a policy for a minimum level of HRA balance of £1m to maintain a prudent level of reserve to ensure that the HRA remains sustainable in the longer term and is able to deal with any risks posed by the current economic climate.

The Balances on the HRA and Reserves are as follows:

	HRA £'000	MRR £'000	Housing Regeneratio n & Investment Reserve £'000
Balance at 1.4.14	2,704	305	830
Surplus/(Deficit)	412		
Revenue Contribution			500
Depreciation		4,106	
Major Works expenditure		-4,411	-1,330
Estimated Balance 31.3.15	3,116	0	0
Surplus/(Deficit)	296		
Revenue Contribution			784
Depreciation		4,211	

Major Works expenditure		-4,211	
Estimated Balance 31.3.16	3,412	0	784

These are within the HRA strategy and policy expectation of the Business Plan.

3.0 Rent Levels for 2014/15

3.1 The Council has been following the Government's guidance for rents for social housing since December 2001. Under the HRA self-financing settlement the government has assumed that rent convergence is achieved in 2015/16.

3.2 In May 2014, the Government issued new guidance setting out its policy on rents for social housing from April 2015.

3.3 The new guidance simplifies the approach to setting the rent for each property. The Government recognises that some properties will not have reached their formula rent by April 2015 and recommends that rent only moves up to formula rent where the property is re-let following vacancy. Although most of our properties have reached convergence, the number of properties that still need to reach convergence will reach convergence at a slower rate.

3.4 Although, the Government expects authorities to comply with the new guidance, it is not compulsory. Previously, setting rents above government convergence limits was discouraged by the 'rent rebate subsidy limitation' rule which made the HRA liable for the additional Housing Benefit payments generated by excess rents. Following the move to self financing, the 'limits' rule is no longer relevant to local authorities.

3.5 The key element of the new Government guidance is index linking of rent increase:

Current approach: September RPI + 0.5% For 2015/16 this is 2.80%

New guidance: September CPI + 1.0% For 2015/16 this is 2.20%

In order to reduce the number of properties trying to reach their formula rent, members are asked to recommend that council rents are set at a higher level with an average increase of 2.28%.

3.6 This is slightly higher than the rent increase would be if it purely followed the Government guidance for social housing rents but this higher increase would mean that convergence to formula rent is greatly increased this year leaving 5.87% of housing rents outstanding to converge.

3.7 This also means that due to the high increases in rent over the past few years (following the RPI plus 0.5% formula set by government), tenants will be expecting an average increase of around 4-5% and not an increase of lower than 3%.

3.8 Although the accelerated convergence proposed shows more of a weekly increase to 896 tenants, it does not suggest an increase over £3.00 per week to any of our tenants keeping the increase at an affordable level as shown in the profiling tables at **Appendix 2**

3.9 The proposed increase being recommended by neighbouring authorities are as follows:

Neighbouring Authority	Rent Increase
Eastbourne	2.28%
Wealden District Council	3.70%
Lewes District Council	
Brighton & Hove City Council	2.20%

4.0 Service Charges

4.1 For properties in shared blocks these charges cover common services such as communal heating, lighting, equipment maintenance contracts, cleaning and grounds maintenance. In Older Persons Sheltered Accommodation the charges additionally include On-Site Co-ordinators, Lifeline services, lift maintenance contracts, communal furniture and carpets maintenance and internal re-decorations. These costs should be charged separately from the rent in those properties to which they apply.

4.2 The HRA Business Plan assumes that service costs are fully recovered through service charges and are not included in rents. This principle has been applied for 2015/16.

4.3 For general needs properties in blocks the average service charge increase is 2.31%. For Older Persons Sheltered Accommodation the average service charge increase is 2.57%. This is lower than the increase last year because of the savings realised on the non-renewal of the Invicta alarms contract and lower increases for gas and electricity.

5.0 Heating costs - Older Persons Sheltered Accommodation

5.1 These charges are set in line with known price increases experienced in 2014 and predicted future costs. For 2015/16, it is recommended that the average charge increase is 1.92%. This is an average increase of 13p per week for tenants that pay these charges.

6.0 Water Charges

6.1 These charges are set in line with meters being fitted to all of the retirement courts. For 2015/16, it is recommended that the average charge increase is 0.93%. This is an average increase of 27p per week for tenants that pay these charges.

7.0 Garage Rents

- 7.1 Following the previous year's rent increases, garage void debt has decreased, garage void repair times have decreased and the number of hard to let garages has decreased from the start of the 2014/15 year.
- 7.2 There are still a minority of garages that require major works and the recommended increase will enable the future funding of works that are still required.
- 7.3 It is therefore recommended that Garage rents are increased in line with the average increase in housing rents of 2.28%. This will provide EBC with a budget for further major repairs (should they be needed) but limit the increase in rent for garage tenants.

8.0 HRA Capital Programme 2015/16 to 2017/18

- 8.1 The Capital Programme as set out in **Appendix 3** has been prepared to meet the Council's strategies, as adjusted to reflect the availability of resources. Total budgeted expenditure for 2015/16 is £9,668,512.
- 8.2 The major works element of the programme is in line with the asset management plan and the self financing business plan model. Funding is from the Major Repairs Reserve.
- 8.4 Cabinet has agreed a total budget of £12.1m for the Housing and Economic Development Programme out of the total allowance of £20m This has now been profiled to reflect the expected spending timetable and will be funded from borrowing and HCA grant.

9.0 Eastbourne Homes Management Fee

- 9.1 The Management Fee covers both Operational and Administration costs as well as cyclical maintenance.
- 9.2 The proposed Base Management Fee is recommended to remain at the 14/15 level of £6,714,000, however an additional £520,000 has been proposed (as per para 2.5) to meet the current pressure on the maintenance budget.

The fee of £140,000 to support the work of the HEDP team has also been amalgamated into the Management Fee. This was previously shown within the budget under Supervision and Management and has been reduced by £50,000 from 2014/15.

The total proposed fee for 2015/16 is £7,375,000.

- 9.3 To formally agree the management fee Members are asked to delegate this responsibility to the Chief Executive, in consultation with the Cabinet Portfolio Holders for Community Services and Financial Services and the Financial Services Manager.

10.0 Consultation

- 10.1 Rent increases are subject to the new government guidance on rent convergence. In May 2014, the Council adopted a policy of achieving convergence by 2025. Additional consultation was carried out through a meeting of the Eastbourne Homes' Residents Scrutiny Panel.
- 10.2 The Council is obliged to ensure that all tenants are given 28 days notice of any changes to their tenancy including changes to the rent they pay.

11.0 Implications

11.1 Financial and Human Resources

The council has taken a pro-active approach to the implementation of the rent convergence policy. There are no staffing implications arising out of this report.

11.2 Environmental

Eastbourne Homes is committed to delivering energy efficiency improvements in its maintenance and modernisation programme to help reduce heating costs in all homes.

11.3 Economic

Eastbourne Homes will make every effort to identify tenants who may face additional financial hardship as a result of rent or service charge increases in order to offer appropriate support and advice.

Anti-poverty activity by Eastbourne Homes takes place routinely throughout the year to maximise household income. This includes advice on benefits and arrears management. This targeted use of resources assists greatly in ensuring housing remains affordable.

12.0 Conclusions

- 12.1 The HRA Revenue Budget has been produced based on the policies set out in the HRA 30 year Business Plan and is showing an overall surplus of £296k for 2015/16. This is mainly due to a number of favourable factors including the rent and service charge review, savings from Treasury Management activities on borrowing, and changes to capital financing requirement which has allowed for additional funding to be included for revenue repairs and maintenance.
- 12.2 The rent levels have been prepared in accordance with the council's rent convergence policy and the self financing business plan assumptions. The average increase is 2.8%.
- 12.3 Service charges, heating and water charges are fixed weekly amounts set at a level to recover the expected actual cost to be incurred for the respective properties in the forthcoming year.

- 12.6 Garage rents are recommended to increase in line with the average increase in housing rents 2.8%.
- 12.6 Total budgeted expenditure on the HRA Capital Programme is planned at £9,668,512 for 2015/16, £5,735,714 for 2016/17 and £4,400,000 for 2017/18. The major works element of the programme is in line with the asset management plan and the HRA business plan model.

Pauline Adams
Financial Services Manager

Background Papers:

The Background Papers used in compiling this report were as follows:

HRA 2015/16 Budget working papers held by Eastbourne Council and Eastbourne Homes Ltd.

HRA Self Financing 30 year Business Plan.

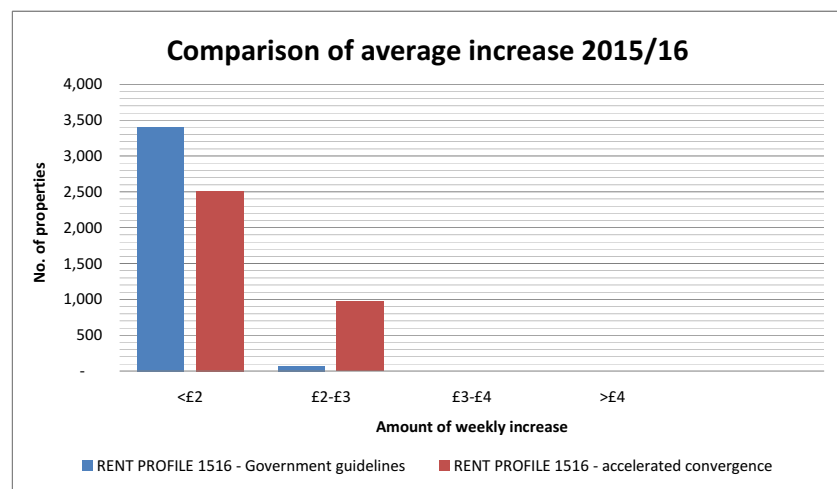
To inspect or obtain copies of background papers please refer to the contact officer listed above.

HOUSING REVENUE ACCOUNT

2014-15 Original Budget £' 000	2014-15 Revised Budget £'000		2015-16 BUDGET £' 000
		INCOME	
(14,439)	(14,324)	Gross Rents	(14,710)
(918)	(997)	Charges for Services	(1,037)
(15,357)	(15,321)	GROSS INCOME	(15,747)
		EXPENDITURE	
6,714	7,094	Management Fee	7,375
1,255	735	Supervision and Management	1,060
126	126	Provision for Doubtful Debts	126
4,107	4,107	Depreciation and Impairment of Fixed Assets	4,212
393	393	Revenue Contributions to Capital Outlay	0
12,595	12,455	GROSS EXPENDITURE	12,773
(2,762)	(2,866)	NET COST OF SERVICES	(2,974)
1,956	1,956	Loan Charges - Interest	1,896
(2)	(2)	Interest Receivable	(2)
(808)	(912)	NET OPERATING SURPLUS	(1,080)
500	500	Transfer to Reserves	784
(308)	(412)	HOUSING REVENUE ACCOUNT (SURPLUS) / DEFICIT	(296)
		HOUSING REVENUE ACCOUNT WORKING BALANCE	
(2,507)	(2,704)	In Hand at 1st April	(3,116)
(308)	(412)	Transfer (To)/ From Working Balance	(296)
(2,815)	(3,116)	In Hand at 31st March	(3,412)

RENT PROFILE 1516 - Government guidelines						
Number of properties included in the Rent Increase 2015/16		3,477				
Average Rent Increase		Percentage	Amount			
		2.16%	£1.68			
Breakdown of Average Rent Increase						
Percentage of Average Rent Increase	No. of properties	Percentage of properties receiving this increase	Amount of increase	No. of properties	Percentage of properties receiving this increase	
up to 3%	3,477	100%	<£2	3,405	98%	
between 3%-5%	-	0.0%	£2-£3	72	2.1%	
between 5%-7%	-	0.0%	£3-£4	-	0%	
Above 7%	-	0.0%	>£4	-	0%	
Total	3,477	100.0%	Total	3,477	100%	

RENT PROFILE 1516 - accelerated convergence						
Number of properties included in the Rent Increase 2015/16		3,477				
Average Rent Increase		Percentage	Amount			
		2.28%	£1.77			
Breakdown of Average Rent Increase						
Percentage of Average Rent Increase	No. of properties	Percentage of properties receiving this increase	Amount of increase	No. of properties	Percentage of properties receiving this increase	
up to 3%	3,445	99.1%	<£2	2,509	72%	
between 3%-5%	32	0.9%	£2-£3	968	27.8%	
between 5%-7%	-	0.0%	£3-£4	-	0%	
Above 7%	-	0.0%	>£4	-	0%	
Total	3,477	100.0%	Total	3,477	100%	



HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2014/15 - 2017/18					
Scheme	Approved Budget 2014/15	Revised Budget 2014/15	2015/16	2016/17	2017/18
Managed By Eastbourne Homes					
Decent Homes Works	-	-	-	-	-
Sheltered Remodelling	1,782,000	1,866,000	-	-	-
Major Works	3,183,000	3,915,100	3,766,000	3,703,000	4,320,000
Adaptations	412,000	412,000	412,000	412,000	-
Environmental Improvements	80,000	96,900	80,000	80,000	80,000
	5,457,000	6,290,000	4,258,000	4,195,000	4,400,000
LA New Build 2013-15	2,930,000	-	-	-	-
Supporting Housing & Economic Progress Initiative (SHEP)	1,109,000	-	-	-	-
46 Upperton Gardens	200,000	20,000	-	-	-
Homelessness Change Programme	75,000	-	-	-	-
House Rescue Emergency Fund	-	-	200,000	-	-
Willowfield Sq	-	-	-	-	-
Empty Homes Programme Ph1					
67-69 Seaside Road	-	344,549	-	-	-
51-53 Seaside	-	67,740	-	-	-
19a Dallington Road	-	11,510	-	-	-
67 Langney Road	-	130,515	-	-	-
1 Glynde Avenue	-	670,308	-	-	-
1-4 Arch Mews	-	601,150	-	-	-
New Build					
Coventry Court	-	2,266,485	873,704	-	-
Belmore & Longstone Road	-	520,252	692,683	-	-
Tenterden Close	-	155,751	346,342	-	-
NAHP Programme					
Sumach Close	-	-	400,000	1,075,253	-
Glynde	-	-	472,000	-	-
Glynde Ave Bungalow	-	-	98,988	-	-
Rodmill	-	-	100,000	465,461	-
Fort Lane	-	66,155	362,095	-	-
Swan Laundry	-	-	320,000	-	-
Empty Homes Programme Ph2					
1-5 Seaside	-	-	1,544,700	-	-
3 St Aubyns Road	-	357,500	-	-	-
41 Kirksdale Close	-	90,000	-	-	-
62a Tideswell Road	-	145,000	-	-	-
Total HRA Capital Programme	9,771,000	11,736,915	9,668,512	5,735,714	4,400,000
Funded by:					
Borrowing	1,109,000	3,058,458	2,403,359	465,461	-
Government Grant	-	588,112	600,600	207,500	-
Capital Receipts inc. RTB	2,406,770	1,003,461	2,406,553	867,753	-
Major Repairs Reserve	3,633,320	4,466,320	4,106,970	4,195,000	4,400,000
S106 Contributions	798,230	796,884	-	-	-
Revenue contributions from HRA	393,280	393,280	-	-	-
Reserves	1,430,400	1,430,400	151,030	-	-
Total Financing	9,771,000	11,736,915	9,668,512	5,735,714	4,400,000

Meeting: COUNCIL

Date: Wednesday 18 February 2015

Subject: COUNCIL BUDGET AND SETTING OF THE COUNCIL TAX FOR 2015/2016

Report of: Councillor Gill Mattock, lead Cabinet Member for Finance

The Council is asked to consider the reports to Cabinet, as included in the draft budget book (please see note* below) and also the Cabinet minutes and resolutions from the meeting held on 4 February 2015 (Appendix 1).

* Note: The draft budget book 2015/2016 has been circulated to all Members of the Council. A copy has also been deposited at the Town Hall Reception for public inspection purposes and on the Council's website.

The reports may also be viewed on the Council's website at:

<http://democracy.eastbourne.gov.uk/ieListMeetings.aspx?CId=125&Year=0>

(Go to the listing for the Cabinet meeting held on 4 February 2015)

Please contact Local Democracy (see below for contact details) in the first instance if you require a printed copy of any of the reports.

The resolutions in this report, which must include the requirements of all precepting authorities, are based on the recommendations made to those Authorities and the budget approved by the Police and Crime Commissioner for Sussex.

A summary of the demand on the Collection Fund is as follows:

Authority	Precept/Demand		2015/16 Band D Council Tax	Change over 2014/15	
	£	%		£	%
Eastbourne Borough Council	7,299,400	13.53%	224.19	0.00	0.00%
East Sussex County Council	39,198,636	72.65%	1,203.93	23.04	1.95%
Sussex Police Authority	4,685,551	8.68%	143.91	2.79	1.98%
East Sussex Fire Authority	2,769,786	5.13%	85.07	1.62	1.94%
Total	53,953,373	100.00%	1,657.10	27.45	1.68%

After consideration of the foregoing, the Council is asked to approve the following:

1. The recommendations as detailed in the reports from the Chief Finance Officer and the Senior Head of Community to Cabinet on 4 February 2015:
 - (i) The General Fund net expenditure for 2015/16 of £15,245,200 and the growth and savings proposals.

- (ii) No change to the council tax for Eastbourne Borough Council to a Band D charge of £224.19;
- (iii) Housing Revenue Account (HRA) income and expenditure proposals, including revised HRA budget for 2014/15 and the budget for 2015/16, rents and service charges, arrangements for finalising Eastbourne Homes' management fee and annual plan.
- (iv) General Fund capital programme as set out in the report of the Chief Finance Officer.
- (v) The Treasury Management Strategy and Prudential Indicators.

2. That consequent upon a General Fund budget of £15,245,200 and other matters, the basic amount (Band D) of Council Tax for the Borough Council's functions will be £224.19 calculated as follows:

	£'000	£'000
Gross Expenditure:		
General Fund		83,320
HRA		15,824
Business Rates payable to Government		10,040
		109,184
Less Income:		
Service Income	(83,381)	
Government Formula Grant	(2,818)	
Other Government Grants	(1,902)	
Business Rates income	(13,759)	
Collection Fund Surplus (Council Tax)	(25)	
		(101,885)
COUNCIL TAX REQUIREMENT		7,299
Band 'D' Council Tax		£224.19

The statutory resolutions relating to this matter are given at paragraphs 3 and 4 below.

- 3. That it be noted that at its meeting on 10 December 2014 the Cabinet (in exercise of powers delegated to them by the Council) delegated the final determination of the Council Tax Base to the Chief Finance Officer. This has been set at an amount of 32,558.9 Band 'D' equivalent properties for the year 2015/16 (Item T in the formula in section 31B of the Local Government Finance Act 1992, as amended).
- 4 Calculate that the Council Tax requirement for the Council's own purposes for 2015/16 as £7,299,400

5. That the following amounts be now calculated by the Council for the year 2015/16 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992, as amended:

(a)	£109,184,450	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£101,885,050	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£7,299,400	being the amount by which the aggregate at 5(a) above exceeds the aggregate at 5(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).
(d)	£224.19	being the amount at 5(c) above (Item R), all divided by Item T (4 above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year. .

6. To note that East Sussex County Council, East Sussex Fire and Rescue Authority and Police and Crime Commissioner for Sussex have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992, as amended, for each category of dwellings in the Council's area as indicated in the table below.

7. That the Council, in accordance with Sections 30 to 36 of the Local Government Finance Act 1992, as amended, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2015/16 for each of the categories of dwellings. :

Valuation Bands							
EASTBOURNE BOROUGH COUNCIL							
A	£149.46	B	£174.37	C	£199.28	D	£224.19
E	£274.01	F	£323.83	G	£373.65	H	£448.38
EAST SUSSEX COUNTY COUNCIL							
A	£802.62	B	£936.39	C	£1,070.16	D	£1,203.93
E	£1,471.47	F	£1,739.01	G	£2,006.55	H	£2,407.86
POLICE AND CRIME COMMISSIONER FOR SUSSEX							
A	£95.94	B	£111.93	C	£127.92	D	£143.91
E	£175.89	F	£207.87	G	£239.85	H	£287.82

EAST SUSSEX FIRE AND RESCUE AUTHORITY							
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A	£56.71	B	£66.17	C	£75.62	D	£85.07
E	£103.97	F	£122.88	G	£141.78	H	£170.14

AGGREGATE OF COUNCIL TAX REQUIREMENTS							
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A	£1,104.73	B	£1,288.86	C	£1,472.98	D	£1,657.10
E	£2,025.34	F	£2,393.59	G	£2,761.83	H	£3,314.20

7. Determine that the Council's basic amount of Council Tax for 2015/16 is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992, as amended.

As the billing authority, the Council has **not** been notified by a major precepting authority that its relevant basic amount of Council Tax for 2015/16 is excessive and that the billing authority is not required to hold a referendum in accordance with Section 52ZK Local Government Finance Act 1992, as amended.

For a copy of the report please contact Local Democracy at 1 Grove Road, Eastbourne, BN21 4TW. Tel. (01323) 415021 or 415022.

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