APPENDIX A

Medium Term Financial Strategy 2017/18 to 2019/20

Purpose of the Strategy

1. The council manages its finances by matching council priorities to funding across the medium term; this strategy report identifies the risks that the council faces in doing so. The annual budget cycle refines the process for the immediate year ahead and determines the most appropriate use of available resources as well as setting the Council Tax for the borough.

2. The government's deficit reduction programme continues to result in significant and ongoing reductions in funding. The period over which these reductions will last continues to have far reaching effects for the levels of service that the council can continue to provide. The council continues to find itself in a very challenging financial period that is anticipated to extend for at least 4 more years. The Council has opted to accept the government's four year settlement offer. This provides a degree of certainty for at least a part of the Council's funding stream – albeit still very significant year on year reductions.

3. Local government as a whole has faced more severe reductions than other parts of the public sector and has needed to provide strong discipline and management to put itself in a position to best address these challenges. The Medium Term Financial Strategy (MTFS) is a key document in setting out the council's approach to establishing a financial base to enable the council's policies and priorities to be delivered.

Background

4. Councils are expected to plan their finances over more than a one year period. The longer term planning of finance supports the achievement of priorities in the Corporate Plan and allows more effective planning of services. It encourages councils to predict events in the future and develop strategies to deal with them. To this end, given the four year funding offer the MTFS seeks to project the funding position to 2019/20.

5. The Financial Strategy is the first stage in the annual business planning process. A later stage, the budget process, will examine the financial implications of any revisions to corporate plan objectives and match these to available resources to define a council-wide budget requirement in early 2017.The corporate planning process ensures there is full integration of all key strategies and the policies of the council.

6. The Council has experienced funding reductions of over 50% between 2010/11 and 2016/17. The government's autumn statement on 23 November 2016 is expected to give details of spending plans for the years ahead and given the scale of the national deficit and exit from Europe the funding reductions can now be expected to continue well beyond 2019/20.

7. The previous chancellor announced that health, schools and development assistance will be protected which means that cuts in Departmental expenditure Limits (DEL) will fall disproportionately on the remaining public services including local authorities. This policy is not expected to change significantly.

8. This report updates the MTFS taking into consideration known factors and makes broad assumptions on funding for 2017/18 and the years thereafter as well as making assumptions around service and corporate pressures.

9. Announcements made last year surrounding the retention of 100% of business rate income by local authorities by the end of the parliament may change the projected figures included within this strategy document. The strategy will be updated as and when details and implications emerge in the years ahead. Additional resources can not however be anticipated.

Strategic Priorities

10. The Council's strategic priorities were reviewed for 2016/17 in the light of the continuing challenges that the Council and the community face. They may be reviewed for 2017/18 in the light of these continuing challenges. They are:-

(a) **Economic & physical regeneration:** To secure economic & physical regeneration that produces high quality new developments while preserving the best of our heritage, high standards of education and training, road & rail improvements and high-speed broadband, thereby creating economic growth and rewarding jobs, particularly in tourism, creative industries, and high-tech manufacturing & research.

(b) **Cultural regeneration**: To contribute to the regeneration of the borough through a rich cultural programme that appeals both to local people and visitors, extending, broadening and promoting the borough's cultural activities to establish Hastings as a nationally and internationally recognised centre for arts and culture.

(c) **Intervention where it's needed:** To make full use of our available powers and sanctions to tackle anti-social behaviour or practices, including poor housing, eyesore properties, unauthorised development, derelict land, fly-tipping and dog fouling.

(d) **Creating decent homes:** To facilitate the supply of secure, affordable and well-designed homes, through strategic planning policies, planning conditions, regulation of the private rented sector, tackling and eliminating bad landlords, and by working with social housing providers.

(e) **An attractive town**: To maintain visually interesting, well-maintained, uncluttered, clean and functional urban public spaces, especially along the seafront and in our town centres, integrated with high quality protected green spaces accessible to all.

(f) **A greener town:** To promote practices that minimise our carbon footprint through our policies and our own operations, protect and enhance biodiversity, and limit damaging consequences of human intervention on the natural environment.

(g) **Transforming the way we work** – To maximise the benefits provided by new technology, to take opportunities for smarter 'One Team' working and continue our drive to be more Customer First focused and efficient in the design and delivery of services.

11. The council's corporate plan continues to remain ambitious when set against the background of reductions in annual grant settlements. The council has a very good track record of achieving its objectives and improving performance, and will look to enhance income streams to. It continues to be well placed to deliver the programme in 2017/18. Significantly reduced resources will however inevitably impact on service delivery in the years ahead.

Key Principles of the Medium Term Financial Strategy (MTFS)

12. The Financial Strategy is robust in that it integrates the financial and policy planning procedures of the council. That robustness is built upon a foundation of key principles:

(i) Ensure the continued alignment of the council's available resources to its priorities

All key decisions of the Council relate to the corporate plan. Priorities are determined and reviewed in the light of any changes to the Plan.

(ii) Maintain a sustainable revenue budget

This means meeting recurring expenditure from recurring resources. Conversely non recurring resources such as reserves and balances can generally be used to meet non recurring expenditure providing sufficient reserves and balances exist.

Whilst the principle remains sound the council has consciously been strengthening its reserves in the last few years, knowing that these will be required to ease the transition to a lower spending council and to meet key corporate priorities. The council now requires the use of these reserves to achieve balanced budgets in 2016/17 and over the next few years.

(iii) Adequate Provisions are made to meet all outstanding liabilities.

(iv) Continue to identify and make efficiency savings

Each year there is a thorough examination of the council's "base budgets" to identify efficiency savings and to ensure existing spend is still a council priority (Priority Income and Efficiency Reviews – PIER). The Council established an Invest to save Reserve to assist in this regard.

(v) Review relevant fees and charges comprehensively and identify Income generating areas as a means of generating additional funding for re-investment in priority services.

(vi) Capital receipts and reserves will primarily be available for new investment of a non-recurring nature thereby minimising the overall financial risk.

Resources will be allocated to invest in the council's assets to ensure they support the delivery of corporate and service priorities.

Resources will be made available to finance invest to save schemes to help modernise and improve services and generate efficiencies in the medium term.

(vii) Ensure sufficient reserves are maintained.

Some reserves, having been built up in the last few years, are specifically identified to ease the transition to a lower spending council and to meet key corporate priorities. A hardship fund was established in the February 2016 budget. Volatility within business rates and the Council Tax Support scheme resulted in the establish of a separate reserve to smooth some of the fluctuations.

(viii) Ensure value for money is achieved in the delivery of all services and that the council seeks continuous improvement of all services.
It should be noted that the annual governance report produced by the council's external auditors in September 2016 gives a very positive opinion on the council's provision of value for money services.

(ix) Maintain affordable increases in Council Tax whilst accepting that such an objective is linked to the amount of annual Government grant, inflation and new legislative requirements.

(x) Recognise the importance of partners in delivering cost effective solutions for services.

Local Government Spending Control Totals

13. The Chancellor's November 2015 autumn statement identified that the real term reductions in local government funding would be some 24% over the next four years. This is on top of the reductions, following the Comprehensive Spending Review in 2010 which will have exceeded 50% for the period ending March 2016.

14. **External Funding – Grant Settlement (Multi-year Settlement)**

The 2016/17 settlement provided not only details for 2016/17 but indicative details for a further 3 years. The Revenue Support Grant and the levels of Business rates that the government expects councils to retain when combined make up the Settlement Funding Assessment (SFA).

Year	Settlement Funding Assessment (£ 000's)	Decrease (£ 000's)	Percentage Change (Annual)	Percentage Change (Cumulative)
2015/16	£7,194			
2016/17	£6,330	-£863	-12.0%	-12.0%
2017/18 (Est)	£5,602	-£728	-11.5%	-22.1%
2018/19(Est)	£5,212	-£390	-7.0%	-27.6%
2019/20 (Est)	£4,775	-£437	-8.4%	-33.6%

15. In terms of the cash grant that the Council receives from the government (Revenue Support Grant) the Council lost some £891,000 in Revenue Support Grant in 2016/17, and expects to lose a further £797,000 in 2017/18. By 2019/20 the Council will have lost £2,739,000 (73.5%), leaving a grant allocation of some £988,000.

Year	Revenue Support Grant (£ 000's)	Decrease (£ 000's)	Percentage Change (Annual)	Decrease (Cumulative) (£ 000's)	Percentage Change (Cumulative)
2015/16	£3,727				
2016/17	£2,835	-£891	-23.90%	-£891	-23.90%
2017/18 (Est)	£2,038	-£797	-28.10%	-£1,689	-45.30%
2018/19 (Est)	£1,542	-£496	-24.30%	-£2,185	-58.60%
2019/20 (Est)	£988	-£554	-35.90%	-£2,739	-73.50%

16. The Council expects to receive a small amount of Transition grant funding in 2017/18 of £5,466 (£5,493 in 2016/17).

17. Discretionary Housing Payments (DHP's). This government grant which is managed by the Council assists many claimants who are coping with a multitude of welfare benefit changes. The grant figure for 2016/17 amounted to £277,703. The figure for 2017/18 is awaited.

Summarised Grant Position

18. The level of grants received from the government between 2010/11 (the year before the previous Comprehensive Spending Review) and 2016/17 have decreased by over 50%. For the period 2010/11 to 2019/20 the reduction in cash grant funding is estimated at 70% on a like for like basis (i.e. excluding Council Tax Freeze Grant, Homelessness Grant and Council Tax Support Grant in order to provide a clear comparison). These figures are all based on cash and exclude the effects of inflation (the inclusion of which would increase the % reductions even more).

19. The cash that the Council will lose in 2017/18 i.e. £797,000 is significant but is not the only reduction expected. New Homes Bonus in particular is set to decrease in the years ahead as is the Benefit Administration grant as the Country moves towards Universal Credit and away from housing benefit.

Core Spending Power

20. The government came up with a new term last year, which is similar to the previous Revenue Spending Power. Core Spending Power sets out the expected available revenue for local government spending through to 2019/20 using Office of Budget Responsibility (OBR) estimates.

21. The Core Spending Power figures for Hastings from 2016-17 through to 2019-20 are derived from the sum of the following core components:

(i)The Modified Settlement Funding Assessment amounts,

(ii)The council tax requirement (excluding parish precepts). The figures have been estimated by:

– applying the average annual growth in the council tax base between 2013-14 and 2015-16 throughout the period to 2019-20

– assuming that local authorities increase their Band D council tax in line with the referendum principle of more than £5 and also a 2% or more increase.

(iii) New Homes Bonus

The Spending Review set out the overall envelope for New Homes Bonus payments over the period to 2019-20 as being £1.485 billion for 2016-17, reducing to £900 million by 2019-20.

– For 2016-17, the funding line includes both New Homes Bonus allocations and returned funding. The government are consulting on options for changes to the New Homes Bonus in order to sharpen the incentive for delivery of new housing.

– For 2016-17 the distribution figures are actual allocations.

– For 2017-18 onwards, the national totals set at the Spending Review in order to release at least £800 million for the improved Better Care Fund. These are apportioned between authorities according to local authority shares in 2016-17.

22. The table below shows the government's projections of how much funding the Council will retain after 4 years. It assumes current income levels are maintained.

Core Spending Power

		2015-16 (adjusted)	2016-17	2017-18	2018-19	2019-20	Percentage Change over the Spending Review Period
Core Spending Power	£ millions	*14.1*	*13.8*	*13.3*	*12.7*	12.5	-11.8%
Dwellings As At September 2015		*43,008*					
Core Spending Power per Dwelling	£	329	320	309	295	290	-11.8%

It can be seen from the above table that under this new measure, the Core Spending Power of the Council reduces by 11.8% over the 4 years shown.

23. The overall reduction in Settlement Funding Assessment (Business Rates, Revenue Support Grant and other rolled in grants) for 2017/18, is expected to be some 11.5%.

FINANCIAL CONTEXT - The National Economic Climate

24. Following on from Brexit and with renewed global macro-economic uncertainty surrounding another possible US rate hike at year end, market participants are hedging their bets against all possible outcomes.

25. UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country. However, the 2015 growth rate finally came in at a disappointing 1.8%, though it still remained one of the leading rates among the G7 countries. In 2016 growth was +0.4% in quarter 1 and +0.6% in quarter 2, (first estimate), but forward looking indicators point to a sharp slowdown in the second half of 2016 as a result of the Brexit vote.

26. During most of 2015 the economy had been difficult for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme and uncertainty created by the Brexit referendum. However, since the peak in November 2015, sterling has fallen in value, especially after the referendum result, which will help to make British goods and services much more competitive and will increase the value of overseas earnings by multinational companies based in the UK. The risk is that inflation could increase significantly.

27. The Bank of England August Inflation Report included a sharp reduction in forecasts for growth for 2017 at +0.8% and for 2018 at 1.8%, though 2016 was kept at 2.0%. While this does not indicate the economy could go into recession in the second half of 2016, growth is expected to be minimal during that period.

28. The American economy had growth in 2015 of 2.4%. Quarter 1 of 2016 came in at a weak 0.8% (annualised) and quarter 2 at 1.2% (first estimate). While these overall figures were disappointing, they were affected by a significant run down in inventories which masked an underlying strength in consumer demand; forward indicators are therefore pointing towards a pickup in growth for the rest of 2016.

29. Volatility has also returned in the oil market as production cuts emerge from the Organisation of the Petroleum Exporting Countries (OPEC), as Iran agrees to follow suit, but prices have struggled to regain lost ground from the May high of $50 per barrel.

30. The British Banks Association's (BBA) Mortgage approval rates for the UK showed a fall in approvals for the month of August to its lowest level since January 2015. British Banks approved 36,997 housing mortgages in August, down from 37,672 in July as activity in the sector continues to slow.

31. In the UK and the Eurozone release of the latest consumer confidence figures revealed better than expected results. British consumer morale rocketed back to pre-Brexit levels in September. The latest figures portray British consumers as having shrugged off Brexit fears about the economy as wages continue to grow faster than prices and low interest rates encourage people to spend. However the recent drastic fall of the pound and unsteadiness in the markets may undermine this sentiment.

32. Britain's dominant services sector grew more than anticipated in July, thus providing further confirmation that the economy did not slow sharply after the shock of the country's Brexit vote in June. Consumer demand remained the largest driver of growth in the economy as spending by households grew by 0.9 percent from the first quarter, even as their disposable income grew more slowly. The data will help the BoE to decide whether it needs to cut interest rates again at its next meeting in November. In a separate release, British House prices rose more slowly in September than in August, adding to signs of a cooling in the housing market. In monthly terms, house prices rose by 0.3 percent, also slowing from a rise of 0.6 percent in August.

33. For the Euro currency bloc, the seasonally adjusted unemployment rate registered a reading of 10.1 percent in August, stable compared to July 2016, but still down from 10.7 percent in August 2015. This still remains the lowest rate recorded in the euro area since July 2011. This closely monitored figure indicates that the unprecedented monetary stimulus from the ECB seems to be encouraging a glacial-like recovery in the labour market. Though, the rate has come down, it still suggests that a structural shift is needed in European policy to specifically tackle the unemployment problem.

34. In determining the Medium Term Financial Strategy the impact of the economic climate on the council has to be considered. As a result it is considered that no general allowance can be made for any uplift in the council’s income streams other than for inflation, although individual income streams are being critically reviewed.

Risks and Opportunities

35. There are numerous financial risks facing the council over the next four years, including:-

- External funding in terms of the annual grant settlement for 2017/18 and beyond

- Business Rates Retention Scheme – the new funding regime that was introduced on 1 April 2013 whereby councils retain an element of business rates and any growth (or reduction) – this has increased volatility and risks for council funding. The local retention of business rates presents real risks to the authority should rate income decrease, but likewise provides the council with an incentive to increase the business rate base and the level of business rates being collected.

- Business Rate Appeals – This remains one risk that is proving particularly costly at present and remains difficult to estimate. The council has been picking up the cost of revised rating determinations that stretched back as far as 2005 which has led to large deficits on the collection fund. In the spring of 2015 the Council received many more appeals (£16m by rateable value) making the total outstanding some £31m (£16m excluding duplicated companies). The majority of these remain outstanding at the time of writing. The appeals provision within the Council's accounts amounted to over £3.3m at 31 March 2016.

- Localisation of Council Tax – funding for Council Tax Support having been reduced by 10% and councils are now maintaining their own schemes

- Security of income streams

- Increased demand for public services - homelessness

- Delivery of the identified PIER savings.

- Pension Fund Performance and changes to the national scheme

- Housing Benefits – Universal Credit and the impact on Housing Benefit Administration grant

- There are however opportunities for joint working, shared services and joint procurement that have proven to be successful in reducing costs in the past e.g. Waste and Street Cleansing contract, Grounds Maintenance contract, Building Control service. A number of contract areas will be coming up for renewal which will allow for detailed scrutiny of the specification and how these could be delivered differently in the future.

- The prospects for all centrally funded organisations have become one of decreasing resources. The government's borrowing requirement has increased and significant public spending cuts are being made. Further reductions in benefit funding by the government may also have wider ramifications for Hastings e.g. effects on homelessness, inward migration.

- The Council has commenced some significant housing initiatives e.g. social lettings scheme, Selective Licensing scheme. Each of these has financial repercussions if business plan objectives are not achieved – significant deficits being projected for 2016/17 on selective licensing.

- The biggest opportunities that the Council is looking at are for income generation/cost reductions. The level of investment both in terms of commitment, resources and particularly new borrowing will be significant

Council Tax and Business Rates

36. The current funding gap in the MTFS assumes an increase in Council Tax of £5 or 1.99% in 2017/18 and each year thereafter. In determining the actual level of Council Tax for 2017/18 the council will need to take into consideration the government's referendum principles which for 2016/17 were based on the requirement to hold a referendum for increases that were above £5 as well as exceeding 2% or above. Each 1% increase now yields approximately £60,000.

37. The 2017/18 budget projection assumes a further contribution of £232,000 from the Council's Collection Fund in respect of Council Tax due to a good collection record. However this is more than offset by a deficit in business rates income caused by the high level of successful rating appeals. An estimated deficit of £316,000 has been included in the strategy but this figure could be amended significantly before the year end.

Business Rate Retention Scheme

38. The new system introduced in 2013/14 means that the council retains a proportion of any additional business rate income (above inflation) collected in the borough. The business rate, itself, is set by the government with regard to the change in the Retail Prices Index. The proportion retained in Hastings is 40% (9% is payable to ESCC, 1% to the Fire and Rescue Authority and 50% to the Government).

39. In order to project business rate income account is taken of planning approvals for new commercial buildings and for change of use to residential and an allowance is made for the likely reductions due to successful appeals against rateable values. Businesses see no difference in the way the tax is set. Rate setting powers remain under the control of central government and the revaluation process remains the same.

40. Under the scheme 50% of business rates is localised through a system of top-ups and tariffs that fix an amount to be paid by high yield authorities and distributed to low yield authorities – this amount being increased annually by inflation (CPI). Local authorities retain a proportion of all business rate growth or conversely experience a reduction in resources if the business rate base declines.

41. The 50% central government share is distributed through the formula grant process – thus enabling the government to control the overall amount received by local authorities. Where there is disproportionate growth this will be used to provide a safety net for those authorities experiencing little or negative growth and allow the treasury to top slice business rates income. A reset mechanism will be in place with the first reset in 2019/20. The system, the calculations required, accounting treatments, and particularly the budgeting requirements are not straightforward.

42. The changes increase the level of instability in the forecast of resources and the interaction with economic growth or decline will increase the associated risks. A decline in an industry within the borough could result in both a decrease in the business rate base and an increase in demand for Council Tax support – both increasing council costs.

43. Assumptions are made on national, regional and local growth as well as valuation appeals and collection rates.

44. The government after determining the business rates baseline levels included small business rate relief within its own budget proposals. This effectively reduced councils' income. The government is reimbursing authorities for this lost income which is estimated to amount to some £605,000 for Hastings in 2016/17 and will be significantly higher in 2017/18 given the number of small businesses excluded from rates altogether

(Rateable Value threshold moving from £6,000 to £12,000).

45. The 2017 rate revaluation appears to be detrimental to Hasting's BC own properties, with increasing rateable values particularly on car parks. The overall additional increase could exceed £100k p.a. once transitional relief expires. The level of instability and risk within the business rates area requires careful assessment when determining the overall level of council reserves. This will be undertaken as part of the annual budget and closedown processes.

Income and additional costs

46. The council has limited reserves and remains reliant upon income streams and investment returns to balance the budget. Given the welfare changes and low wage settlements there are continuing implications for a number of the council's income streams in the medium term. Rental streams from shops remain under considerable pressure e.g. Priory Meadow, and reduced rental income can be anticipated for some years ahead. A number of large supermarkets will have been assisted by a reduction in their rateable values.

47. Given that income streams remain at risk, fees and charges have been kept under careful review and are considered annually against the background of council priorities, local economy and people's ability to pay. In general the policy has been to increase by inflation. Car parking charges were set in February 2015 for a 24 month period (increases were applicable from 1 April 2015) and will be reviewed as part of the budget in February 2017.

Income Generation

48. The Council has a number of key income streams besides Council Tax and Non domestic rates. These include for example car parking, rents from land and industrial estates and shopping centres, cemetery, cliff railways, planning, licensing, lettings and land charges.

49. Given the significant funding reductions in the years ahead and the freedoms available for competent councils, the Council is looking to increase the income it can generate through trading which in turn may requires separate companies to be set up e.g. housing companies. Each and every opportunity will, like now, need to be supported by a careful evaluation of the opportunities and associated risks. To this end an Income generation board has been established which will operate within the Council's governance arrangements.

Investment and Borrowing

50. The low levels of interest received on balances looks set to continue for at least the next 6 months. Base rates are not expected to increase in 2016 from their current level of 0.25% and could fall further to 0.1%. The Council's treasury advisers are indicating a fall to 0.1% by December 2016 and spring 2018 as the potential date for the next interest rate increase back to 0.25%. Assumptions, given the restricted counterparties list and short investment periods, are for investment returns of around 0.5% in 2017/18.

The Treasury Management Strategy will continue to advocate a policy of keeping the respective levels of debt and investment under review.

51. The council has additional borrowing requirements in 2016/17 to finance the acquisition of Aquila House, the new factory on Castleham and potentially the Coastal Space housing initiative being carried out in partnership with Amicus Horizon and other capital schemes.

Inflation

52. This has not been a major issue over the last couple of years. Inflation in September 2016 was 2.0 % (Retail Price Index) whilst the government's preferred measure CPI (Consumer Price Index) was 1.0%.

53. The council allowed 1% for inflation in 2016/17, and 2% for the years beyond in its budget projections, but only increased budgets where contracts with inflation clauses were present.

54. Inflation, according to the Bank of England August 2016 inflation report is expected to start increasing again and be at or around the 2% target in the next two years, but some commentators are suggesting a spike of around 3% next year. Based upon these projections, general inflation is being estimated at 2% in 2017/18 and beyond for the purposes of this strategy, with only contracts with inflation indices being allowed for i.e. a freeze again for all other service expenditure areas. Any increases above this level would need to be catered for within the contingency budgets or savings from service budgets within the year.

Public Sector Pay Settlement

55. The figures in the strategy assume a 1% increase for 2017/18 and beyond. In addition there are contractual increments (equivalent of around ½%).

56. The salaries budget together with national insurance and pension costs amounts to some £11.2m in 2016/17. The estimated costs will increase by some £190,000 in 2016/17 (before the effects of the revaluation).

Localisation of Council Tax Support & Benefit Administration Grant

57. In 2013/14 the government paid an upfront grant in respect of Council Tax Support, leaving the council to fund any "in year" increase in demand. In 2014/15 the Council Tax Support Grant was rolled into the Settlement Funding Assessment and thus effectively decreases in line with the annual reductions in grant funding. The council determined that the Council Tax Support Scheme would remain the same for 2015/16 and again for 2016/17.

58. The other East Sussex Councils amended their schemes for 2016/17, the major change being that all households of working age made a minimum 20% payment. Options have again been explored by this Council for 2017/18 and a report is being considered by Cabinet in November 2016 and shortly thereafter by full Council. A

decision has to be made before the 31 January on whether to amend the scheme for 2017/18. In practical terms the decision needs to be taken earlier in order that the Council Taxbase can be calculated. For the purposes of this strategy it is assumed that no amendments to the scheme are taking place.

59. In terms of Universal Credit the programme of transfer was originally expected to commence in October 2013 in respect of new claims with existing claims being completed by 2017/18. The first transfer actually took place in April 2015 but has had relatively little impact on the service to date. This is however set to change on 14 December 2016 when all new claims for those of working age and some changes of circumstances will be for Universal Credit. The impact of this will be for a reduction in benefit claims, an increase in questions, and a reduction in the Council Tax and Housing Benefit administration grant receivable in the years ahead (£758,572 receivable in 2016/17) remains an uncertainty.

60. The costs cannot be properly budgeted for as yet but for forecasting purposes a £100k reduction has been assumed in the Benefit Administration Grant for 2017/18, 2018/19, and 2019/20 (£300,000cumulative reduction). The government have previously stated that TUPE will not apply, but that they may meet the redundancy costs should these arise – providing the Council can prove it has taken all possible steps to avoid such costs.

Investment in Council Assets

61. In protecting the economic vitality of the town, it remains important to maintain the council's commercial estate in order to maximise occupancy rate and to support the local economy as far as possible. In doing so the council will be in a position to take advantage of any sustained upturn in the economy in the future.

62. The council has committed to invest in its industrial units, with a new industrial unit at Castleham nearing completion, and other potential freehold land and leaseholds being negotiated. The Council will look to build these out for a commercial return subject to business cases and contract terms making the schemes viable.

63. The council's Renewals and Repairs Fund is reviewed on a regular basis in order to ensure sufficient resources are available to fund necessary works. Planned maintenance is normally cheaper in the long term than reactive maintenance. Additional substantial calls (£200,000 in 2016/17 and £200,000 in 2017/18) have been made on the fund for works on the cliffs in 2016/17 and 2017/18. Further sums will be required for the years beyond.

Capital Receipts

64. The council's land disposal programme for this financial year was budgeted to produce capital receipts amounting to £530,000 in 2016/17, £4,322,000 in 2017/18, and £50,000 in 2018/19.

65. The programme is being reviewed as part of the budget. Currently the programme has exceeded the original budget estimate but as a result of the sale of land at Summerfields completing in 2016/17 rather than 2015/16.

66. Capital receipts will continue to be received in the period of the strategy, but given the state of the property market careful timing of any asset sales is required. The focus on income generation is calling into question whether the Council sells surplus assets (land or buildings). The presumption being it will only do so after considering the income generation potential.

67. It remains imperative that the council maximises its capital receipts. Failure to do so may necessitate curtailment of the already very limited capital programme or result in the council having to borrow.

Priority Income and Efficiency Reviews (PIER) Process

68. The consideration of budget options by lead members and officers enables a detailed examination of service performance and priorities, cost pressures, and the scope for achieving efficiency savings and additional income.

The objectives of the process are as follows:-

- To provide services with an opportunity to submit proposals for the business plan. The proposals include all unavoidable growth and savings amounts.
- To allow service delivery proposals to be measured against the corporate plan objectives.
- To provide a mechanism for challenging service proposals in an informed, robust and constructive fashion.
- The revenue estimates and the capital programme are closely linked. As such service bids for capital funding are considered at the same stage.

69. In addition to the annual PIER process the council continues to have a programme of areas to review e.g. service reviews, and business re-engineering process reviews in order that efficiencies continue to be achieved, monitored and potential new areas identified.

70. The scale of the budget savings required to balance the budget on a sustainable basis for 2017/18 and beyond is large. As such the PIER process will be enhanced with a series of ground up reviews by lead members and officers – initially on a trial basis. The first of these looked at the Cleaning contract and was found to be constructive and very helpful. The time between the identification and the achievement of savings, as well as income generation, can be significant and the council will need to be prepared to continue to use a proportion of its reserves to balance the budget and also potentially for future invest to save initiatives.

Pension Fund Contributions

71. The council's contributions to the pension fund managed by East Sussex County Council are determined every three years following an actuarial valuation. A new valuation is being undertaken in 2016 with revised contribution rates becoming payable from April 2017.

    The rates currently payable by the council consist of the primary contribution rate plus 1% for future early retirements/redundancies (these are percentages of salaries of staff in the pension scheme), namely:

    2014/2015 - 20.6% +1% + lump sum of £144,000
    2015/2016 - 20.6% +1% + lump sum of £194,300
    2016/2017 - 20.6% +1% + lump sum of £248,800

72. It should be noted however that the level of redundancies, early retirements, and transfer of services can significantly affect the valuation, and this will remain a risk to the council in 2017/18 and beyond. An increase of £100,000 p.a. in the Council's contributions has been included for 2017/18 – a better estimate will be available at the end of November 2016.

Staffing, Information Technology and Property

73. In order to deliver its priorities the council not only requires financial resources but also good quality staff, IT, and property. There is only a finite resource available to deliver priorities whether directly by the council or in partnership with others. Service planning is important to ensure that there is sufficient capacity to deliver the annual plan.

74. A number of staff within the council are employed on temporary or fixed term contracts to match the temporary funding streams received. Where such funding streams may end it is necessary to identify exit strategies in order to meet any redundancy costs or to mainstream successful initiatives.

75. The council's capacity to respond to change, and lead on new initiatives is dependent upon the strengths and abilities of the workforce. The council has a clear strategy for workforce development and sufficient funding will be retained within the budget to fully finance the training and development programme.

76. A transformation team has been pulling together the customer first programme, process and service reviews along with IT solutions to make long term efficiencies and improvements to the customer experience.

Grants

77. The council receives a number of revenue grants each year e.g. New Homes Bonus, but has also been very successful in attracting numerous "one off" type grants in the last couple of years e.g. Rogue landlord funding, Coastal Revival funding, Future Cities, and Active Women Programme, Answers in the Local Economy (ACE), Hastings Fisheries Local Action Group (HFLAG).

78. Regional and European funding successes have been very significant for Hastings. The council has made further grant applications for very substantial sums of money and will

continue to look to attract such funding to Hastings in the years ahead. Recent bids which the Council is involved in include, for example, Climate Active Neighbourhoods (CAN) (£870,000 over 3 years), Sustainable Housing Inclusive neighbourhoods (SHINE) (£1.5m over 4 years), Community Led Local Development (CLLD) (£3.3m), Destination White Rock – continuing the economic revival (£1.5m over 2 years), HFLAG 2 , (DIY TOV)DIY Regen: Transforming Ore Valley (£3.9m). If all, or most of these bids are successful the regeneration work within Hastings should remain significant.

New Homes Bonus

79. This grant regime commenced in April 2011. This is a grant that rewards the building of new houses and for bringing long term empty properties back into use. The sum receivable in 2016/17 amounts to £1,387,912 and represented an increase of some £382,000 on that received in 2015/16.

80. The government announced in the November 2015 Autumn Statement that it will be consulting on changes to the New Homes Bonus - the money saved going to Social Care. The changes to the scheme will commence in April 2017.

81. One of the proposals is to reduce the period that it is payable for - from 6 years to 4 years with a transition year potentially for 2017/18 whereby 5 years is one option. Other options for consultation include reducing the period down to 3 or even 2 years.

82. The table below shows the New Homes Bonus receivable by the Council and the potential income receivable in 2017/18 if the scheme reduces to 5 years in 2017/18 and 4 years in 2018/19 and beyond. The government have produced their own estimates which give forecasts of £1.4m in 2017/18, £882k in 2018/19, and £846k in 2019/20.

Table: New Homes Bonus

Year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18 (Est)	2018/19 (Est)
	£	£	£	£	£	£	£	£
Year 1	194,710	194,710	194,710	194,710	194,710	194,710		
Year 2		189,838	189,838	189,838	189,838	189,838		
Year 3			119,097	119,097	119,097	119,097	119,097	
Year 4				382,670	382,670	382,670	382,670	
Year 5					119,542	119,542	119,542	119,542
Year 6						382,055	382,055	382,055
Year 7							100,000	100,000
Year 8								200,000
Total								

	194,710	384,548	503,645	886,315	1,005,857	1,387,912	1,103,364	801,597

83. Councils are using the bonus in different ways, either to help balance budgets, strengthen reserves, or for one off activities that do not add to ongoing spending commitments. For Hastings, the new homes bonus has been fully utilised to help balance the budget in 2016/17. If the scheme ends or the level of grant reduces as per the consultation the Council will lose £284,000 in 2017/18 and a further £302,000 in 2018/19 (£586,000 in total) unless the national grant distribution methodology is substantially revised.

84. The New Homes Bonus has been an important part of the government's effort to use funding to incentivise growth. The grant is currently funded by top-slicing the general formula grant and there are already real concerns over the re-distributional effects which can disadvantage deprived areas of the country with lower house prices or in areas where developers are less likely to want to build or where land is expensive to develop.

85. The estimate for 2017/18 has been projected at £100,000 and £200,000 in 2018/19 for planning purposes.

86. There remains a real risk that this grant regime could be ended, particularly if all business rates are returned to Councils in 2019/20.

Indicative Base Budget Position for 2017/18 to 2019/20 and Assumptions

87. An Indicative budget forecast for the 3 year period 2017/18 – 2019/20 has been produced (Appendix 1) to reflect the issues raised as part of the review of the MTFS. This is indicative given the uncertainty surrounding the costs of some of the financial pressures and funding levels and the recognition that further work is required to refine these figures before the budget is finalised in February 2017.

Summary of Financial Position

	2016/17 (£000's)	**2017/18 (£000's)**	**2018/19 (£000's)**	**2019/20 (£000's)**
Net Expenditure	15,113	15,358	15,358	15,694
Funding	(14,292)	(15,676)	(13,070)	(12,553)
Shortfall	**821**	**1,683**	**2,522**	**3,141**
Use of Reserves	(821)	(950)	(950)	(341)
Estimated Shortfall	0	733	1,572	2,800

88. The table above shows deficits of £1.7m in 2017/18, £2.5m in 2018/19 and £3.1m in 2019/20, before the use of reserves. The above figures assume PIER savings that have already been identified will be achieved or alternative savings to at least the same amount will be achieved.

Council Tax

89. The council has a record of lower than average tax increases.

Year	Hastings BC Tax Increase	National Average Increase	Hastings BC Council Tax Band D (£)
2004/05	4.5%	5.9%	196.44
2005/06	3.8%	4.1%	203.86
2006/07	2.4%	4.5%	208.75
2007/08	3.5%	4.2%	216.06
2008/09	3.5%	3.9%	223.62
2009/10	3.5%	3.0%	231.45
2010/11	1.9%	1.8%	235.85
2011/12	0%	0%	235.85
2012/13	0%	0.3%	235.85
2013/14	0%	0.8%	235.85
2014/15	0%	0.9%	235.85
2015/16	1.9%	1.1%	240.33
2016/17	2.1%	3.1%	245.33

90. In considering any Council Tax increase in 2017/18 because of the fact that the council taxbase has decreased (due to the Council Tax Support Scheme and the government now paying grants to individual councils) 1% on the Council Tax will equate to around £60,000.

91. For 2016/17 the government announced that should a council wish to increase Council Tax by 2% or more and £5, then it will be required to hold a referendum. At the time of writing the same thresholds are expected for 2017/18.

92. As previously stated the MTFS includes the assumption of a 1.99% or £5 increase (whichever is higher) in Council Tax for 2017/18 and the years beyond.

CAPITAL

93. Resources for major capital projects remain scarce. For projects to be considered schemes need to meet the following criteria:-

(a) Contribute towards achieving the council's corporate priorities
and one or more of the following,

(b) be of a major social, physical or economic regeneration nature,

(c) meet the objective of sustainable development,

(d) lever in other sources of finance such as partnership/lottery funding or provide a financial return for the council,

(e) is an "invest to save" scheme and reduces ongoing revenue costs to assist the revenue budget.

94. The council's capital programme for 2016/17 and the next 2 years, as approved in February 2016, amounts to some £10m (£3.4m net of grants and contributions). The programme has since been enhanced with a number of acquisitions and new schemes. The capital programme will be considered as part of the budget process and decisions taken in the light of available resources.

95. Incremental impact on Band D Council Tax: In determining the affordability of new capital proposals the council is required to consider the incremental impact on the Council Tax for future years. The impact is expressed in Band D equivalent amounts on the Council Tax. The purpose is to give the council the opportunity to consider options for capital proposals and to highlight the potential future financial burden of capital investment decisions. Some capital investments will generate efficiency savings which go part way to mitigating the revenue implications.

96. For the purposes of planning the council uses 9% as the cost of capital (4% capital repayment and 5% in respect of long term interest). If an asset has a shorter life (than 25years) then the capital repayment percentage (4%) must increase e.g. percentage becomes 10% for an asset with a 10 year life. When looking at the viability of individual schemes being proposed real rates of interest are used.

97. Whilst the capital programme has significantly reduced in the last few years, opportunities for income generation may see a reversal. In the current year the acquisition of Aquila House for £4.4m (including costs) is an example.

98. There is a need to maintain assets to avoid higher maintenance costs and declining assets. This is vital where the council's commercial estate is involved if rental streams are to be maintained and industry is to be attracted to the area - and also given the increase in competition for tenants. The council maintains a Renewal and Repair Reserve for significant items of programmed work. Where major works or alterations are required these will be included within the capital programme.

Minimum Revenue Provision (MRP)

99. Local authorities are required each year to set aside some of their revenues as provision for debt repayment. Unlike depreciation which is reversed out of the accounts, this provision has a direct impact on the Council Tax requirement. The provision is in respect of capital expenditure that is financed by borrowing or credit arrangements e.g. leases. For example, an asset that cost £100,000 and has a 10 year life, and that was financed by borrowing, would necessitate putting aside £10,000 in each year (£100,000 divided by 10) to repay the debt.

100. The council is required to make a “Prudent Provision” which basically ensures that revenue monies are set aside to repay the debt over the useful life of the asset acquired. Should the existing financing assumptions alter, and additional borrowing is required, there will be a direct and additional pressure on the revenue budget.

101. The MRP is set to increase substantially in 2017/18 and beyond as a result of additional borrowing in 2016/17. The Council’s MRP policy, to be determined by full Council in February 2017 for the forthcoming year, may also be amended to enable a different approach to be adopted where property and investment decisions are involved. Such a change to mirror debt repayments linked to borrowing through annuities for example.

Reserves

102. The strategic reasons for holding reserves are:-

(a) A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing

(b) A contingency to cushion the impact of unexpected events or emergencies

(c) A means of building up funds to meet known or potential liabilities. Such reserves are referred to as Earmarked reserves.

(d) To assist in the transition to a lower spending council in the years ahead.

(e) To provide the council with some resources in future years to meet corporate objectives particularly in the areas of economic development and community safety.

103. It should be noted that capital receipts can generally only be used for capital purposes. There is a new flexibility which allows new receipts to be used to meet effectively invest to save initiatives. Capital receipts could also be used to meet the Minimum Revenue Provision but this is only a short term expedient. Reserves and movements thereof will be reviewed as part of the budget process.

104. For the purposes of the strategy reserves at 31 March 2017 are estimated to consist of:-

General Reserves	Estimated Balance at 31.3.2017 £‘000s

Revenue Reserves	7,188
Capital Reserve (Revenue monies)	336
Total	**7,524**

Earmarked Reserves	**Estimated Balance at 31.3.2017 £'000s**
Renewals and Repairs Reserve	1,183
Insurance & Risk Management Reserve	320
IT Reserve	74
S106 Reserve	422
VAT Reserve (incl. Senior and Youth support &Capital contributions)	30
Government Grant Reserve	448
Revenue Hardship Fund	80
Monuments in Perpetuity	42
Ore Valley	250
Mortgage Reserve (LAMS)	157
Invest to Save and Efficiency Reserve	0
Resilience and Stability Reserve	300
Transition Reserve	1,640
Redundancy Reserve	423
Community Safety Reserve	350
Economic Development Reserve	503
Other reserves	161
Total	**£6,383**

105. The Council's earmarked reserves are reviewed at least twice a year 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, which he considers appropriate.

106. The protection of key services remains of crucial importance to the council and the Transition Reserve, Economic Development Reserve and Community Safety Reserve has provided the council with the opportunity to protect some key services and activities into the future e.g. the ability to continue regeneration and attract grant funding to the town remains a key priority. The strategy continues to identify

the use of these reserves in 2017/18 and beyond.

107. The budget report will advise further on the minimum level of reserves to be maintained. Given the future grant losses, the need to transform services on a continuing basis until 2020 and potentially beyond, and the need to cope with unexpected events or claims the minimum level of reserves retained was increased to £5m. The claim from Manolete partners in respect of the pier and restricted access is an example of the need to retain adequate reserves.

108. At 31 March 2017 General and Capital Reserves will amount to an estimated £7.3m, of which some is already committed e.g. empty homes strategy. The balance and use of the reserves will be considered further as part of the budget process and be determined in light of the 2017/18 budget, priorities for income generation and the risks that the Council faces.

Budget 2017/18 and beyond

109. To help ensure that the council can continue to deliver key services over the next three years and continue the process of transformation to a lower spending council, the use of specific reserves established e.g. Transition Reserve will occur.

110. To achieve a balanced budget in 2017/18 (without using reserves) further savings of £1,683,000 would need to be identified.

111. To achieve a balanced budget in 2018/19 (without using reserves) savings of £2,522,000 need to be identified. This figure reduces to £733,000 after allowing for part use of the Community Safety Reserve(£100,000), part use of the Economic Development Reserve (£100,000), and a further £750,000 from the Transition Reserve.

112. To achieve a balanced budget in 2019/20 (without using reserves) savings of £3,141,000 need to be identified. This figure reduces to £2,800,000 after allowing for part use of the Community Safety Reserve(£100,000), part use of the Economic Development Reserve (£100,000), and a further £141,000 from the Transition Reserve.

113. These figures do need to be treated with some caution given that there are funding decisions awaited from the government and greater uncertainties than ever in the budgeting process. The volatility in income streams has increased in respect of the business rate retention scheme.

114. The Reserves policy, to be determined as part of the budget process, will continue to take account of these risks, and will also need to take into account the ability of the council to address the indicative funding gaps within the timescales identified. For the purposes of financial planning the use of £3.062m of reserves has been included within the strategy for the period 2016/17 to 2019/20 which would still leave the council with sufficient reserves to meet significant and unexpected expenditure items. The Council needs to find cumulative savings, after the use of these reserves, amounting to £5.1m to achieve balanced budgets.

115. The key determinants of the gap for future years include, the EU exit vote (Brexit) and impact on income streams and funding, funding settlement in 2019/20, the new homes bonus, Benefit Administration grant, Business rates income and appeals, NHS rates claim, the level of savings that can be identified and actually achieved and the level of additional income that can be generated.

116. In view of the reduced resources available in 2017/18 and beyond the council will need to continue to review the level of service it can provide and transform the way it delivers those services. Priority at least in the short to medium term needs to be directed towards income generation and balancing the budget.

Risk Management

117. Numerous risks are highlighted in this strategy, and further comment is made below. To balance the budget the council continues to seek efficiency savings, review the capital programme, review fees and charges, look for income generation opportunities and potentially identify further cuts in services and staff numbers. It will need to further prioritise its objectives and identify where it will need to make savings to balance the budget in the years ahead.

118. Given the long term uncertainty in funding streams and potentially taking on more risk when making investment decisions the council needs to take every opportunity to strengthen reserves e.g. to cover void periods for example if investing in housing or commercial property, whilst also using them to continue to transform itself to a lower spending council.

119. The council needs to continue to invest in its people, its IT services and its commercial assets. The council continually seeks to identify further opportunities for collaborative working, plus identify, investigate and implement efficiencies, the level of service in contract specifications, identify income generation opportunities and ensure that potential savings are monitored and achieved.

120. The council maintains risk registers for corporate risks and for individual services. These continue to be updated and reviewed on a regular basis and steps are taken to mitigate the risks wherever possible and practical. The transition to a lower spending council, by joint working, joint procurement and reduced staffing levels also poses additional risks.

121. Key financial risks to the council in future years include:-

i. Government funding, including the New Homes Bonus grant

ii. Business Rate Retention scheme – volatility thereof, and level of appeals

iii. Council Tax Support Scheme and Council Tax collection rates

iv. Income Streams – preservation and particularly enhancement

v. Joint working/ shared services.

vi. Staffing / Knowledge management. The loss of key staff through early retirement or redundancy.

vii. Welfare Changes (Universal Credit and Council Tax Support Scheme).

The Council Tax Support Scheme was introduced from April 2013 accompanied by government funding reductions of 10%. Whilst the council mitigated much of the impact on those claiming benefits it may not be able to do so to the same degree in the future following further reductions in government support. There remains the additional risk of increased benefit payments being made in the year – the financing risk now falling on the council. To help protect the council a Resilience and Stability Reserve was established for 2013/14 onwards to help meet any unavoidable additional costs that arise in the year.

viii. Restructuring Costs

In order to make savings of the magnitude required, the council will need to reconsider what services it can provide and to what level. Further restructuring is inevitable if a sustainable budget is to be achieved in the years ahead. Voluntary and/or compulsory redundancies have large financial consequences for the authority, both in terms of direct payments but also generally on the pension fund - in addition to the effect on the capacity of the organisation and knowledge management implications. The council established a redundancy reserve which will continue to assist in transforming the council to a lower spending organisation in the years ahead.

ix. Treasury Management

Investment security and level of returns, plus level of debt and repayment thereof. The exposure to interest rate movements and inflation

x. The Economy

The economic and financial instability in the world continues to be major risk especially so following the Brexit referendum.

xi. Income generation and risks arising from new initiatives e.g. social lettings agency, licensing schemes, new factory units. These would include added exposure to void periods and business rate and debt liabilities for example.

122. The council has a statutory duty to set a balanced revenue budget each year and this strategy seeks to highlight the major issues (in advance) in order to do so.

Equalities and Community Cohesiveness

123. The equalities implications of the budget proposals are the subject of an Equalities Impact Assessment.

Consultation

127. The 2017/18 budget proposals will be consulted upon from the middle of January 2017 and will be considered by Cabinet on the 13 February 2017 and determined by full Council on 22 February 2017.

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	Revenue Budget Forward Plan	2016-17	2016-17	2017-18	2018-19	2019-20
		Budget	Revised Budget	Projection	Projection	Projection
Ref		£000's	£000's	£000's	£000's	£000's
1	**Net Service Expenditure**	**15,367**	**15,367**	**15,514**	**15,828**	**16,148**
2	**Funding Commitments:-**					
3	Pension Fund - Employers increase			100	100	100
4	Election Costs (bi-annually)			0	70	0
5	Apprenticeship Levy (0.5%)			50	50	50
6	Pebsham Landfill Site income			25	30	40
7	Planning Staff		90	63	63	63
8	Rates Revaluation			40	80	100
9	Business Improvement District			7	7	7
10	Waste and Street Cleaning Contract			50	50	50
11	**Savings/Additional Income Identified**					
12	Aquila House Purchase (net)		(150)	(50)	(50)	(50)
13	Waste and Parking Team - temp Post			(8)	(8)	(8)
14	Council Tax Exemption - Class C			(45)	(45)	(45)
15	PIER savings - CPF			(18)	(36)	(54)
16	PIER -Digital by Design			(162)	(162)	(162)
17	Fees and Charges			(60)	(120)	(180)
18	Benefit Administration Grant - offsetting savings			(100)	(200)	(300)
19	Energy			(50)	(50)	(50)
20	Chalets -new			(40)	(40)	(40)
21	**Funding Adjustments e.g grants, R&R profiling**					
22	Profile of R&R spend			(372)	(372)	(372)
23	Income - Sport centres - Bowling Club			(15)	(15)	(15)
24	Add back govt grant reserve funded items			(138)	(138)	(138)
25	Add back White Rock area development			(50)	(50)	(50)
26	Add back Pier Legal Fees			(100)	(100)	(100)
27	Social Lettings - break even point			(59)	(59)	(59)
28	Clinical commissioning group - profile			(315)	(315)	(315)
29	Invest to Save -profile			(249)	(249)	(249)
30	Loans - Discounts and Premia profile			32	51	51
31	Contingency Provision	400	400	400	400	400
32	Interest Payments (net of earnings)	218	218	338	338	338
33	Capitalised staff costs - DFG's	(30)	(30)	(30)	(60)	(60)
34	Minimum Revenue Provision	520	520	686	680	680
35	Contribution to Reserves	996	996	996	996	996
36	Net Use of Earmarked Reserves	(2,298)	(2,298)	(1,082)	(1,082)	(1,082)
37	**Net Council Expenditure**	**15,173**	**15,113**	**15,358**	**15,592**	**15,694**
38	Taxbase	24,678	24,678	24,778	24,828	24,877
39	Council Tax	245.33	245.33	250.33	255.33	260.33
40	**Funding**					
41	From Collection Fund - Council Tax	(6,054)	(6,054)	(6,203)	(6,339)	(6,476)
42	From Collection Fund - Business Rates	(3,060)	(3,060)	(3,145)	(3,210)	(3,210)
43	Revenue Support Grant	(2,835)	(2,835)	(2,038)	(1,542)	(988)
44	New Homes Bonus	(1,388)	(1,388)	(1,103)	(801)	(801)
45	New Homes Bonus return funding	(8)	(8)	0	0	0
47	Housing Benefit Admin Grant	(750)	(750)	(650)	(550)	(450)
48	Transition Grant	(6)	(6)	(5)		
49	NNDR (Surplus) / Deficit	639	639	316	0	0
50	NNDR Pooling	(58)	(58)	0	0	0
51	Business Rates Section 31 Grant	(606)	(606)	(616)	(628)	(628)
52	Council Tax Surplus	(165)	(165)	(232)	0	0
54	**Contribution To General Fund**	**(14,292)**	**(14,292)**	**(13,676)**	**(13,070)**	**(12,553)**
56	**Funding Shortfall / (Surplus)**	**881**	**821**	**1,683**	**2,522**	**3,141**
57	**Use of General Reserve**					
59	**Use of Transition Reserve**	(581)	(521)	(750)	(750)	(141)
60	**Use of Resilience and Stability Reserve**	(300)	(300)			
61	**Use of Community Safety Reserve**	0	0	(100)	(100)	(100)
62	**Use of Economic Development Reserve**	0	0	(100)	(100)	(100)
64	**Net Funding Shortfall / (Surplus)**	**0**	**0**	**733**	**1,572**	**2,800**

Key Assumptions

Line 1 General Inflation has been assumed of 2% for 2017/18 and beyond – but only applied to contracts. Wage inflation: 1% assumed for 2017/18 and beyond plus ½% p.a. representing contractual increments.

Line 3 Pension fund cost increases – an additional £100,000 p.a. for 17/18 and beyond.

Line 4 Local elections – the costs are budgeted for in 2018/19 (these occur every two years).

Lines (5) Apprenticeship levy from 1 April 2017 – may be offset by a reduction in the training budget

Line 7 Additional growth agreed by Cabinet in 2016/17

Line 8 Rating revaluation to apply from 1 April 2017. These figures will be updated once individual valuations and the impact of the transition scheme are calculated

Line 9 Subject to a vote – the strategy assumes a yes vote.

Lines 11 to 20 – savings/ income generation Including Priority Income and Efficiency Review savings achieved or to be achieved.

Lines 21 to 36 – funding adjustments and reprofiling of expenditure against base budget

Line 38 Recalculation of the taxbase. Assumes a small increase each year, and no downturn in the economy or increases in the amounts paid out in respect of the Council Tax Support scheme.

Line 39 A Council Tax increase of £5 for 2017/18 and for each of the following 2 years has been included for the purposes of this Strategy.

Lines 40 to 48 Funding. The increased scope of Universal Credit in December 2016 for all new claims (for those of working age) leads to greater uncertainty on the future funding levels of the Housing Benefit Administration Grant. For budget planning purposes a decrease of £100,000 has been assumed for each of the next 3 years. Discretionary Housing Payments are not shown separately in the funding statements – details of the level received (once known) will be included within budget papers.

Line 49 Deficit on the collection fund in respect of business rates due mainly to prior year appeals and reimbursements. This is the Council's share.

Line 50 Business rates pooling – with other East Sussex authorities including the Fire authority. This may or may not be continued in 2017/18 given the level of potential appeals.

Line 51 The government has extended a number of rate reliefs e.g. the small business rate relief scheme to £12,000 from 1 April 2017. This results in the loss of business rate income to the council. The government reimburses the monies by way of a one off grant (termed section 31 monies). The amount and timing of the payment remain uncertain for 2017/18 and beyond, but the figure detailed will increase substantially, whilst direct rates income collected (line 42) will decrease by a similar amount.

Line 52 Surplus on the Collection fund in respect of Council Tax collection, mainly due to good collection and reductions in Council Tax Support being paid. This is the Council's share.

Line 59 Transition Reserve – The council will use the Transition Reserve to support the budget in future years.

Line 60 Resilience and Stability Reserve – The Council will use the fund to meet some of the detrimental impacts of the business rate appeals.

Line 61 Community Safety Reserve – established as part of the 2011/12 budget from Transition Grant (£350,000). The use of this reserve in 2017/18 is proposed in order to continue provision of services and activities in this area.

Line 62 Economic Development Reserve – established as part of the 2011/12 budget making process from Transition Grant (£400,000). The use of this reserve in 2017/18 is proposed in order to continue the provision of services and activities in this area.

Line 64 Funding Gap: the predicted deficits in 2017/18, 2018/19 and 2019/20