

**Report to:** Cabinet

**Date of Meeting:** 15 February 2016

**Report Title:** Revenue Budgets 2015/16 (Revised) and 2016/17, plus Capital Programme 2015/16 to 2018/19

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### **Purpose of Report**

1. This report presents the revised revenue budget for 2015/16 and a budget for 2016/17. The revised budget for 2015/16 takes account of the known variations to expenditure and income streams that have occurred since setting the budget in February 2015.
2. In setting the budget for 2016/17, recognition has been taken of the very significant ongoing reductions in external funding for 2016/17 and beyond. The report identifies that a balanced budget can be achieved in 2016/17 although this involves using £881,000 of reserves built up for this purpose. The forecast deficit for 2017/18 is some £1.49m and in 2018/19 is £2.48m. The alignment of the Council's available resources to its priorities requires the continuing review of services during the next 12 months in order to achieve balanced budgets in the years beyond.
3. Your meeting is a key part of the budget setting process. Full Council on the 24 February 2016 will be responsible for setting a balanced budget and determining the Council Tax. If the recommendations in the report are approved by Council there will be an increase in the Borough's part of the Council Tax in 2016/17 of 2.08% (£5 for a Band D property).
4. Please note that that the final grant settlement figures from government were received late on the 8 February 2016 and have necessitated this updated report. The Council still awaits figures for Housing Benefit Administration Grant.

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### **Recommendation(s)**

Cabinet is recommended to:-

- (i) Approve the revised revenue budget for 2015-16 (Appendix A).
- (ii) Approve the draft 2016/17 revenue budget (Appendix A)

- (iii) Approve a 2.08% (£5 for a Band D property) increase in the Borough Council's part of the Council Tax.
- (iv) Agree that the absolute Minimum level of Reserves that shall be retained be increased to £5m (plus General Fund Balance) from the current level of £4m.
- (v) Approve the Capital Programme 2015/16 (revised) to 2018/19 (Appendix P).
- (vi) Approve the proposed expenditure from the Renewal and Repairs Reserve, and Information Technology Reserve (Appendices J and I respectively) and those items from other reserves shown in Appendix H that can proceed without further reference to Cabinet or Council.
- (vii) Approve that the use of the monies identified in the budget for "Invest to Save" schemes be determined by the Assistant Director - Financial Services & Revenues in consultation with the Leader of the Council.
- (viii) Approve the revised Land and Property Disposal Programme (Appendix L), and agree that disposals can be brought forward if market conditions make it sensible to do so.
- (ix) Agree that schemes marked with an asterisk in the Capital Programme can proceed without further reference to Cabinet or Council.
- (x) Agree work on Priority Income and Efficiency Reviews (PIER) should continue, and where possible identify a sustainable budget for a period in excess of 1 year. A mid-year review, for members and officers, to be undertaken in the light of the continuing severe government grant reductions.
- (xi) Agree the establishment of a Hardship Fund in respect of Council Tax Support.
- (xii) Approve the detailed recommendations in Appendix M, which relate to the setting of Council Tax in accordance with Sections 31 to 36 of the Local Government Act 1992.
- (xiii) Approve that the budget be amended as necessary to reflect the final grant figures from government (once received) in respect of Benefit Administration Grant.

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## Reasons for Recommendations

1. Major reductions in funding in 2016/17 are set to continue to 2019/20 and possibly beyond and this will impact heavily upon the Council's ability to provide services and grants across all areas of existing activity.
2. Since 2010-11 funding has been reduced by more than 54% in cash terms on a like for like basis. To ensure key corporate priorities are achieved it remains imperative that the limited resources available are properly targeted.
3. The Council needs to be in a position to match its available resources to its priorities across the medium term and to maintain sufficient reserves and capacity to

deal with potentially large and unexpected events in addition to fluctuations in income and expenditure levels.

4. The Council is exposed to a much greater degree of volatility in the level of funding it receives through Non Domestic Rates. In addition it is also exposed to a much higher degree of volatility in terms of Council Tax Support claims – the Council now receiving an upfront sum as part of the annual grant settlement rather than reimbursement of actual costs.

5. Further reductions in grant funding have major implications for the Council and as such work needs to continue to identify and make savings in order to produce balanced budgets in 2017/18 and beyond.

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## Introduction

1. 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.
2. On a national basis significant public spending cuts continue to be made, which along with reduced levels of benefit payments flowing from the welfare reforms will impact heavily on individual households. Lower levels of disposable income may result in even more pressure on Council services such as Housing and Revenue Services
3. The Council when setting the budget in February 2015 forecast that there would be a deficit in 2015/16 of some £429,000, and £480,000 in 2016/17. A balanced budget for the two years being achieved by using limited amounts of the Council's reserves. The position has changed significantly with lower levels of reserve use in 2015/16, but higher in 2016/17. The level of risk has increased – particularly the uncertainties surrounding Business rate income.
4. From information supplied with the government grant settlement, the reduction in the Settlement Funding Assessment for Hastings BC in 2016/17 is 12% or £863,000. With the level of government grant continuing to decrease at such significant levels in the years ahead, and the limited ability to increase Council Tax or increase charges, the Council will need to make further substantial savings in order to produce sustainable balanced budgets in the years ahead.
5. The Council's external auditors have commended the Council on its approach to financial management over the last few years and its approach to maintaining and enhancing reserves whenever possible. This approach has helped the Council in its transition to date and the continuation of this approach is proposed.

## Strategic Priorities

6. The Council's strategic priorities were refreshed for 2015/16 in the light of consultation and the continuing challenges that the Council and the community face and they continue to remain valid for 2016/17. 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.

## Financial Planning - Medium Term Financial Strategy

7. The Medium Term Financial Strategy, approved in November 2015, provided indicative budget forecasts for the 3 year period 2016/17 to 2018/19.
8. Given the need to plan for future years, the Medium Term Financial Strategy, identified key principles to be followed when compiling the budget as well as identifying the financial risks and opportunities more closely. The Financial Strategy is robust in that it integrates the financial and policy planning procedures of the Council.

9. That robustness is built upon a foundation of key principles:

- (i) Ensure the continued alignment of the council's available resources to its priorities.
- (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 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 existing budgets to identify efficiency savings and to ensure existing spend is still a council priority (Priority Income and Efficiency Reviews – PIER)

- (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.

- (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 2015 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.

## **The Key Factors Impacting on the Budget**

### **Funding from Business Rates**

10. The government launched the Business Rates Retention (BRR) scheme on 1 April 2013 as one of the main forms of local government funding. Instead of a single grant settlement for 2016/17 the Council receives details of Revenue Support Grant (RSG) and the Business Rate Baseline Funding level (expressed as Baseline Need). The two figures effectively make up the Settlement Funding Assessment (SFA). Whilst the government calculate a notional business rate figure they believe each Council should collect, ultimately it is the actual level of business rates collected that will determine the total funding received for this element of the settlement i.e. the level of RSG is guaranteed throughout the year whilst the business rate element is not.
11. To fund the Baseline Need element, the Council has an expected level of business rates (or National Non Domestic Rates (NNDR)) that is to be collected. Due to differences between Baseline Need and the level of business rates actually collected there is a further budget adjustment required.
12. The estimated rateable value of businesses in Hastings amounts to some £57.9m. Multiplying this figure by the rate poundage and after charity and other reliefs the Council will collect some £21.3m of which the Council share is some 40% (£8.5m in 2016/17). For Hastings however with a Baseline Need that is lower than the Business Rate Baseline a Tariff is paid to central government – this amounts to £5,370,609 in 2016/17.
13. The Council is required to make an annual assessment of the income it expects to collect from business rates, and to provide these figures to government, East Sussex County Council and the Fire and Rescue Authority who each receive a share of the actual rates collected. The estimate of the business rate income collected that will be retained by the Council in 2016/17 amounts to £3,059,000.
14. The picture for 2016/17 and beyond is further complicated by elements of business rates being reimbursed separately by central government e.g. extension of 100% relief for small businesses. The grant of up to £1,500 for shops and cafes towards business rate costs has not been extended beyond March 2016 – the total costs of which are also reimbursed by Section 31 grant. For 2016/17 a sum of £605,868 (estimate of HBC's share) has been allowed for these various elements - payable under Section 31 of the 2003 Local Government Act.
15. The rateable value (RV) of business properties at the start of the 2016/17 year is forecast to be some £57.9m. However given the level of appeals, forecasting income

levels for 2016/17 and beyond remains challenging. Business rates and the levels of appeals/ growth/ decline has been highlighted as a real risk and will continue to impact significantly on the Council's level of funding. It is one of the key risks that the Council faces in terms of income volatility.

16. The application to government to establish a Business Rates Pool was successful for 2015/16 and the arrangement is continuing in 2016/17. This results in monies that would otherwise be paid to the government in terms of a levy being retained within East Sussex. Hastings BC's share is estimated to be £58,000 in 2016/17.

### External Funding – Annual Grant Settlement (and 4 year indicative forecast)

17. The 2016/17 provisional finance settlement was announced on the 17 December 2015 and the final settlement on 8 February 2016. The settlement provides details of the Revenue Support Grant and the levels of Business rates that the government expects councils to retain – the two figures combined make up the Settlement Funding Assessment.

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

18. In terms of the cash grant that the Council receives from the government (Revenue Support Grant) the government have provided indicative figures of the grants receivable for the next 4 years. The Council will lose £891,000 in Revenue Support Grant in 2016/17, and by 2019/20 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	-23.9%	-£891	-23.9%
2017/18 (Est)	£2,038	-£797	-28.1%	-£1,689	-45.3%
2018/19 (Est)	£1,542	-£496	-24.3%	-£2,185	-58.6%
2019/20 (Est)	£988	-£554	-35.9%	-£2,739	-73.5%

19. The final settlement figures are unaltered from that of provisional settlement save that the Council will receive a small amount of Transition grant funding in 2016/17 (£5,493) and also in 2017/18 (£5,466).
20. A major change in funding in 2015/16 related to Discretionary Housing Payments (DHP's) - this is advised separately to the grant settlement. A funding reduction saw the national pot reduced from £165m to £125m and represented a single year cut of 24%. The Council's own allocation was reduced from £327,607 to £230,368 a reduction of £97,239 - representing an even greater cut of 30%. In setting the 2015/16 budget the Council added £50,000 to its DHP budget (for one year) and this will be fully utilised. The grant figure for 2016/17 has just been received and amounts to £277,703 – very similar to the existing budget.
21. In brief the annual grant settlement figures for 2016/17 were in line with overall expectations in the Medium Term Financial Strategy.

### Summarised Grant Position

22. 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 some 54%. 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).
23. The cash that the Council will lose in 2016/17 i.e. £891,000 is partially offset by the additional funding the Council will receive from New Homes Bonus. However New



Homes Bonus is set to decrease in the years ahead and the loss of £2.739m of Revenue Support Grant over the next 4 years represents a reduction of 73.5% from 2015/16 levels.

### **Core Spending Power**

24. The government have come up with the new term, which is similar to the previous Revenue Spending Power. Efficiency Support grant is no longer mentioned in the settlement and nor is there any mention of a safety net.
25. Core Spending Power sets out the expected available revenue for local government spending through to 2019/20 using Office of Budget Responsibility (OBR) estimates.
26. 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.
27. 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 next 4 years.

### Income Generation

28. The Council generates significant income, but is seeking to generate more in future years. This will form an increasingly important aspect of the Council's activities in order to support key services and some of the key areas are identified in the Corporate Plan. There is expected to be a call on the remaining Invest to Save Reserve in order to set up some of the initiatives.
29. The Council depends upon income streams and investment returns to balance the budget. Given that income streams remain a risk, fees and charges have been kept under careful review and are considered annually against the background of Council priorities and people's ability to pay.
30. Off Street car parking charges were increased in April 2015 and set for a 24 month period i.e. no further increases to these charges until April 2017.
31. In respect of most other fees and charges, with some exceptions (higher and lower), these have been increased by inflation or are set by statute. The majority of planning fees are determined nationally by government. The government have just announced that they will "consult on allowing well-performing planning departments to increase their fees in line with inflation at the most, providing that the revenue reduces the cross subsidy that the planning function currently gets from council tax payers".

### Investment Interest

32. The low levels of interest received on balances looks set to continue for the next 12 months or so. Base rates are not expected to be increased in 2015/16, but may do so late in 2016/17. Current assumptions, given the restricted counterparties list and short investment periods, are for investment returns of around 0.7% in 2015/16 and 2016/17. The Treasury Management Strategy will continue to advocate a policy of keeping the respective levels of debt and investment under review.

## **Inflation**

33. This has not been such a major issue in the last few years. Inflation in November 2015 was 1.1% (Retail Price Index) whilst the government's preferred measure CPI (Consumer Price Index) was 0.1%. Comparable rates for November 2014 being 2% (RPI) and 1% (CPI).
34. The Council allowed 2% for inflation in 2015/16 (1.2% where contract linked to CPI), but only increased budgets where contracts with inflation clauses were present. The same approach is being taken for 2016/17 – effectively a freeze on most supplies and services budgets.
35. Inflation, according to the Bank of England August 2015 inflation report is expected to start increasing again and be at or around the 2% target in the next two years. Based upon these projections, general inflation is being estimated at 1% in 2016/17 and 2% beyond for the purposes of this budget.

## **Public Sector Pay Settlement and National living wage**

36. The salaries budget together with national insurance and pension costs is some £11m - each 1% therefore equating to around £110,000 (around £100,000 on the General Fund).
37. A pay offer of 1% in each of the next two years was made by employers in December 2015 (plus higher percentages for those on lower salaries in order to meet National living Wage requirements). This offer is in line with the estimates included in the Medium Term Financial Strategy. In addition there are contractual increments (equivalent of around ½%).
38. The Council remains committed to paying the living wage (£8.25 per hour), which is significantly higher than the national minimum wage of £6.70 per hour, and the new minimum wage premium for over 25s of £7.20 per hour that will come into force across the UK in April 2016. As a result of the latter the Council can expect the costs of external service provision to rise e.g. cleaning contracts. The Council will need to ensure it reviews specifications closely in order to ensure overall costs do not rise and this may also result in service reductions.

## **Demand for Public Services & Universal Credit**

39. There continues to be a high demand for public services especially housing benefits, homelessness. In Hastings, new working age claimants without children started claiming Universal Credit as from April 2015.
40. Recent announcements advise that the implementation of the full Universal Credit service is expected to commence roll out, in stages, from May 2016. Testing the new service is occurring in Sutton, Croydon and Southwark. Further tests in five other jobcentres are scheduled from November 2015 to May 2016. The government announced that the actual roll out will begin with five job centres a month, accelerating to 50 jobcentres a month from the end of 2016 - with full implementation completed by the middle of 2018.
41. Details of the roll out plan, including the locations for 2016/17 offices, should be provided shortly by the DWP. In view of the degree of uncertainty this brings to

planning for Housing Benefit services Ministers have agreed not to make the planned reductions to the Housing Benefit Administration subsidy for Local Authorities, consequent on Universal Credit, for the 2016/17 year.

42. The Transition phase is expected to be completed by the middle of 2018 and the government will then start the final stage of converting the stock of existing Housing Benefit claims onto Universal Credit – to be completed by early 2021.
43. Over the next three to five years there will therefore be a run-down of Housing Benefit delivery for people of working age by Local Authorities. There are no plans, as yet, to make changes to the delivery of Housing Benefit for pensioners in this period. As such, there is an on-going requirement to deliver Housing Benefit for the foreseeable future. A number of staff would be affected by the proposals over this period within the Revenues team and the contact centre.
44. The government have clarified their position on staff transfers under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended) more commonly known as TUPE. The Government have reached a firm conclusion that because of the nature of Universal Credit as a new benefit, delivered in a new and fundamentally different way, there would be no “relevant transfer” of staff working on Housing Benefit. Where staff are unable to be deployed it has been announced that the DWP will meet the full costs of compulsory redundancies, once Local Authorities can show that all redeployment and reassignment activity has been undertaken.
45. The level of Benefit Administration Grant receivable in 2016/17 has again been reduced – this time by more than 6% on a like for like basis. The cut in 2016/17 amounts to an estimated £50,000 (reducing the total to an estimated £750,000 - DCLG figures awaited). The Council’s expenditure in this area has likewise again been reduced in 2016/17 and a further service review has been undertaken – the results of which are awaited.
46. Sizeable reductions are expected in 2017/18 and in the years thereafter as Universal Credit is rolled out – reductions in grant is matched with reductions in expenditure in the forward projections.

### **Council Tax Support Scheme**

47. It was announced in the spending review of 2010 that support for Council Tax (Council Tax Benefit) would be localised from April 2013 and expenditure (government funding) reduced by 10% (some £1.16m).
48. The Council produced a scheme (in conjunction with all Districts and Boroughs in East Sussex) which has sought to mitigate the impact on those who can least afford to pay Council Tax. A number of groups are protected by government e.g. pensioners, the impact thus falling on those of working age.
49. The Council considered the Council Tax Support scheme for 2016/17 at its meeting on the 16 December 2015. It was agreed by the Council that the scheme would remain the same for 2016/17, save for updating in line with increases and the establishment of a Hardship fund. It is recommended that a new earmarked reserve is established for this purpose in the initial sum of £80,000 and that hardship

payments are funded from the reserve during the year. The funding for this reserve to be met from the Land Charges Claim reserve – which is no longer required.

50. The Council Tax Support Scheme continues to pose a significant financial risk for the Council. That risk being that should claimant numbers increase the additional costs now fall on the Council and its preceptors rather than the government. The Council will need to continue to retain adequate reserves for this purpose. However, there has currently been a reduction of some 3% in the numbers seeking assistance and this has resulted in fewer discounts being granted. This impacts positively on the calculation of the Council Tax Base as agreed at the Cabinet meeting in January 2016.
51. Given that overall levels of government funding continue to decline year on year, the Council will again need to review the affordability of the scheme during 2016/17.

### **Council Tax Exemptions**

52. In January 2013 the Council reviewed, under the Local Government Finance Act, the level of discounts and exemptions it provided in order to bridge the gap in funding from Central Government and at the same time minimise the impact on the less well-off residents in the Borough.
53. At the time Class C (Empty Properties) that were left empty and unfurnished were entitled to six months Council Tax exemption. The Council has the discretion to vary both the discount percentage and the time period and it was agreed to reduce the time period from six months to 30 days.
54. Given the Councils priority of seeking to minimise the impact of budget cuts and welfare reform impacts on the less well-off residents in the Borough, the full Council determined at its December 2015 meeting that the Council Tax Support Scheme for 2016/17 would remain unaltered. However, given the ongoing grant reductions the Council has to make cuts in services, and it is recommended that the time period is now reduced to nil days.
55. This does not affect the remaining exemptions e.g. registered charities, people in care homes, prisoners, student examples, carers. More information on exemptions is available on the Council website.
56. The savings arising from this would amount to some £315,000 in a full year of which some £45,000 would be a saving to Hastings Borough Council. The County Council, Police and Fire Authority who are all experiencing funding pressures would also benefit.

### **Pension Fund Contributions**

57. The Council's contributions to the pension fund, managed by East Sussex County Council, are determined every three years following an actuarial valuation. A valuation was undertaken in 2013 with revised contribution rates payable from April 2014.
58. The rates 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 £248,000

59. 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.
60. Valuations are undertaken every three years with the next valuation therefore in 2016 with revised contribution rates becoming payable in April 2017. An additional 1% is being estimated for forecasting purposes i.e. a basic contribution rate of 21.6% (up from 20.6%)
61. Looking further ahead however the cost pressures are expected to continue to increase. Employers and employees National Insurance contributions will rise as a result of changes to the state pension scheme that are to be introduced in April 2016 and which end the ability to contract out of the state second pension scheme. This will result in a significant extra cost to the Council estimated at £206,000 p.a.

### **Grants**

62. The Council receives a number of revenue grants each year e.g. Housing Benefit Administration grant, but has also been very successful in attracting numerous “one off” type grants in the last couple of years e.g. Coastal Revival Fund, Regional Growth Fund, Rogue landlord funding. The Council has been very successful to date in bidding for European funding and is looking to bid for more in the future. Resources within Regeneration have been redirected to achieve this, but funding opportunities are more difficult to achieve and match funding is harder to identify.

### **New Homes Bonus**

63. 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 represents an increase of some £382,000 on that received in 2015/16.
64. 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 are out to consultation until early March 2016 and changes will commence in April 2017.
65. 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.
66. 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							200,000	200,000
Year 8								200,000
Total	194,710	384,548	503,645	886,315	1,005,857	1,387,912	1,203,364	901,597

67. 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 £184,000 in 2017/18 and a further £302,000 in 2018/19 (£486,000) in total unless the national grant distribution methodology is substantially revised.

### Revised Budget 2015/16

68. The revised 2015/16 Net Council Expenditure budget amounts to £15.8m, against an original budget of £15.6m (Appendix A).

The main variations are summarised in Appendix C. These include:-

(1) Social Letting Agency – The business plan for the initiative predicted a break even position for the first year. Currently a deficit of £103,820 is forecast for 2015/16 and a deficit of £59,650 in 2016/17. The scheme is expected to achieve a break even position by the end of 2016/17. There is a real risk that the current funding format will be amended shortly which along with changes in the housing market may necessitate a review of the scheme by Operational Services.

(2) Selective Licensing – the reprofiling of the scheme's cash flow projections are expected to result in a deficit of £102,000 in 2015/16 rather than a break-even position. The 2016/17 budget is forecasting a surplus of £232,000 and as such the 2015/16 deficit will be funded by the General Reserve, with an equivalent contribution being made to the General Reserve in 2016/17 from any selective licensing surplus achieved.

## 69. Non Domestic Rates – Appeals and backdated refunds

The uncertainty and volatility around the business rate income, from amended valuations and appeals will have a large negative impact on the 2016/17 accounts. The volatility risk is mitigated to a degree by retaining sufficient reserves. The Council (along with many others across the country) has received a backdated claim for mandatory rate relief for the last 6 years in respect of NHS properties amounting to some £4.3m in respect of Hastings. This claim has not been accepted at this stage and the implications of doing so are not included in the revised budget for 2015/16 or for 2016/17.

On a positive note there is additional income/ reduced expenditure in the following areas:

- (1) Estates/Properties – £68,000 of additional income
- (2) Land Charges –£110,000 of additional income
- (3) Management Restructure – achieved more than the additional £100,000 of savings required by 2016/17 and has been used to offset the additional costs within Development Control as previously reported.
- (4) Contracts – inflation
- (5) Pier Claim – expenditure reprofiled into 2016/17
- (6) Rogue landlord funding – An additional £122,000 received for 2015/16.

70. It should be emphasised that in compiling the revised budget there remains some risk to the levels of income expected in the last quarter of 2015/16 e.g. bad weather.

71. Going into 2016/17 the Council needs to maintain a level of reserves that can continue to ensure a managed transition to a much lower level of activity in the years ahead. The Council set aside monies to support initiatives that achieve real savings (Invest to Save). The balance remaining on the Invest to Save Reserve at 31 March 2016 is estimated £249,000 (some £90,000 of which is already committed). The balance is expected to be fully used in 2016/17.

The use of this funding is considered fundamental to assisting the Council in the transformation to a lower spending authority – a business case is required before such money can be used. In February 2015 it was agreed that the use of the monies be determined under delegated powers by the Chief Finance Officer in consultation with the leader of the Council. It is recommended that the use of these sums is again determined for 2016/17 and beyond under delegated powers by the Chief Finance Officer in consultation with the leader of the Council.

72. There remains a limited amount of contingency budget in 2015/16 (£90,000), of which some £50,000 has been earmarked: A further contribution of £40,000 in respect of the Pier, and a contribution of £10,000 towards the ice skating rink at Priory Meadow.

73. In summary the deficit for the year was estimated to be £429,499 and is now forecast to be £89,450 (net) – £107,000 is largely in respect of the projected deficit on Selective Licensing (£102,000) which is partially offset by a £17,550 surplus from all other activities. It is recommended that if there are any underspends at year end these are transferred to the Invest to Save Reserve.



## Budget 2016/17

74. The Revenue Support Grant receivable in 2016/17 of £2,835,000 represents an £891,000 (23.9%) reduction from the 2015/16 settlement. The impact of the settlement in 2016/17 would have been more severe had it not been for the receipt of additional New Homes Bonus monies.
75. In addition to the reductions in central funding there are a number of costs that impact on 2016/17. These include pay increases, and particularly the increase in National Insurance contributions estimated at some £206,000 p.a. (from the ending of contracting out of national pension scheme).
76. The Council's total net expenditure in 2016/17 is estimated at £15.698m (amount to be met from Grant and Collection Fund). This compares to a revised estimate of £15.670m for 2015/16 and represents an increase in net expenditure of 0.18%. This is largely the result of the additional £640,000 received in respect of Disabled Facility Grants. If this was ignored there would be a decrease of 3.9% on a like for like basis.
77. The estimate of the deficit arising from business rate appeals is again very large - some £638,660 (£816,000 in 2015/16). This is recovered in the 2016/17 accounting period as a charge to the General Fund.
78. The estimated balance on the Collection Fund at 31 March 2016 in respect of Council Tax is a surplus of £164,593 (Hastings BC share), but the estimated deficit of £638,660 (HBC share) in respect on business rates, brings the net deficit to some £474,067. This compares to a £566,383 deficit that was charged to the 2015/16 budget.
79. Redundancy costs fall within the year that the decision is made. £175,000 has been allowed for in 2015/16. Additional costs are also anticipated in 2016/17 beyond the £175,000 allowed in the base budget. A further £225,000 is therefore being funded from the Redundancy Reserve i.e. £400,000 in total for 2016/17.
80. There are a limited number of growth areas within the revenue budget, and no new growth areas should be contemplated in the year unless offsetting savings are identified. Key areas to note include:
- i) A sum of £100,000 has been included to meet the Council's legal costs associated with the Pier claim that is due to be heard by the Supreme Court in June 2016. Some £70,000 of this is being reprofiled from 2015/16.
  - ii) A sum of £200,000 in each of the next two years (£400,000 in total) has been included in the budget to address Cliff maintenance issues – following recent surveys. This is a provisional figure and will be dependent upon receipt of quotes and the prioritisation of work. It is recommended that the sum is financed from the Renewals and Repairs reserve. It should also be noted that there will need to be consideration of an annual maintenance budget from 2018/19 onwards and that the figure of £400,000 may well need to be enhanced in order to complete all recommended work within the advised timescales.

- iii) The PIER saving in respect of the Digital by Design transformation will continue for a number of years as the Council transforms itself. The changes are not yet fully implemented but savings amounting to £62,000 rather than the £235,000 originally estimated have been identified for 2016/17 – largely process driven. It should be noted that the Council fully expects the savings to be achieved, but over a more extended timescale. The remaining £173,000 has been included within PIER for 2017/18.
- iv) Discretionary Housing Payments – The Council included an additional £50,000 of support for payments in 2015/16 (taking it to £28,000) following the 30% drop in funding from the 2014/15 level as detailed in Paragraph 20 of this report to help ease the transition of the funding reductions and support those who are the most vulnerable in the community. The government have advised that funding for 2016/17 will be some £277,000 and the Council's contribution has not been continued.
- v) Development Control –The proposed budget includes an increase in the corporate training budget of £6,000 p.a. so as to facilitate the further ongoing professional training of planning staff. Similarly budgetary provision has been included for £10,000 p.a. regarding office based planning placements from the University of Brighton.

The cost of the above Development Control initiatives to be funded by discontinuing the individual planning letters that are sent out to neighbours and interested parties. In future electronic communication channels are to be used as well as planning notices (People are already able to register on the Council's website to receive such notices).

- 81. Savings have been identified through the PIER process which amount to £471,000 in 2016/17 (Appendices - K and Kii).
- 82. In summary there is an estimated deficit of £881,000 in 2016/17. This is significantly higher than previously forecast, mainly as a result of a higher level of business rate appeals. The savings identified and New Homes Bonus monies, mean that a balanced budget can be achieved in 2016/17 using some £581,000 of the Transition Reserve and £300,000 of the Resilience and Stability Reserve. The latter reserve was set up for the purpose of coping with volatility in respect of Council Tax support and business rates.

### **Budget 2017/18 and beyond**

- 83. The settlement figures received do provide projected Settlement Funding Assessment figures for future years i.e. the four years to 2019/20. The Council will be able to sign up for these future settlements if it so advises the government by October 2016. It is not clear yet what this actually involves or what the alternative is.
- 84. The indicative Revenue Support Grant reductions to be implemented over the period 2015/16 to 2019/20 amount to £2,739,000 (73.5%). In cash terms the funding reduction in 2017/18 amounts to a further £797,000.
- 85. A deficit of £1.49m is estimated for 2017/18 and a deficit of some £2.48m in 2018/19 – before the use of Reserves (see Appendix G).

86. The Council needs to achieve a much higher level of PIER savings than those currently identified in Appendix K in order to achieve a manageable deficit in 2017/18 and the years beyond. The savings do include £235,000 p.a. following further transformation of the ways that people deal with the Council and how it works (Digital by Design). The achievement of these must remain a priority for the Council. There remains the necessity of identifying further income generation opportunities and savings for the years ahead and putting processes and actions in place to achieve them.
87. To help ensure that the Council can continue to deliver key services at this time it is proposed that the Transition Reserve be used to help fund services in 2016/17 in the sum of £581,000, for 2017/18 the sum of £750,000 and the same again £750,000 in 2018/19, along with balances from the Economic Development Reserve and Community Safety Reserve. These sums on their own are not sufficient to balance the budgets of the future years (based on current estimates and assumptions).
88. To help ensure that the Council can continue to deliver key services at this time, should there be any underspends these should be used to strengthen reserves – this is a continuing message that will help ensure that key services can continue to be provided as the Council continues its transformation to a lower spending Council.
89. In order to address the budgetary issues ahead whilst also looking to improve the customer experience, it is recommended that the Priority Income and Efficiency Review process (PIER) continues.

### **Council Tax and Council Tax Freeze Grant**

90. The government has awarded grants to councils over the last five years of varying amounts and periods to effectively freeze Council Tax. In 2016/17 no freeze grant is being offered. Last year Hastings share of the Council Tax was increased by 1.9%.
91. It is again open to the Council to increase Council Tax for 2016/17. Each 1% increase would raise some £59,300. The threshold to trigger a local referendum in 2016/17 is 2% or above as well as an increase that is greater than £5 for a Band D property.
92. The Council is unable to fully determine the Council Tax liability until the precept requirements of East Sussex County Council (ESCC), the Police and Crime Commissioner, and the East Sussex Fire Authority are known. The draft Council Tax figures in the appendices show an indicative 2.08% (£5 on a Band D property) increase for Hastings BC and a 1.99% increase plus an extra 2% for ESCC in respect of the Social Care Levy, 1.93% for the Fire Authority and a £5 (3.47%) increase for the Police and Crime Commissioner - Appendix M.
93. Council Tax is at £240.33 (Band D – Hastings BC element) and a 2.08% (£5 for a Band D property) increase in 2016/17 would take this to £245.33.

### **Capital Receipts**

94. A number of revisions to the programme have been made to take account of changing circumstances. Appendix L provides the profile of programmed receipts. In addition to the sites listed, opportunities for other asset sales and disposals continue to be explored.

95. It remains imperative that the Council maximises its capital receipts. Failure to do so will necessitate curtailment of the already limited capital programme or result in the Council having to borrow. The additional costs of borrowing fall directly on the revenue account in terms of interest payments and annual contributions towards the repayment of the principal (i.e. Minimum Revenue Provision (MRP)). If there are invest to save efficiencies then these costs may be offset. Appendix E identifies the capital financing requirement over the life of the capital programme.
96. It should be noted that capital receipts can generally only be used for capital purposes. It is recommended that asset disposals be brought forward if market conditions make it sensible to do so.

### **Capital Programme**

97. The capital programme analysed by service is attached (Appendix P).
98. The proposed programme satisfies the requirement that schemes meet the following criteria:-

Contribute towards achieving the Council's corporate priorities and one or more of the following:-

- a. be of a major social, physical or economic regeneration nature,
  - b. meet the objective of sustainable development,
  - c. lever in other sources of finance such as partnership/lottery funding or provide a financial return for the Council,
  - d. is an "invest to save" scheme and reduces ongoing revenue costs to assist the revenue budget.
99. There is a need to maintain the property portfolio in order to avoid higher maintenance costs and declining assets in future years. 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 in a period of economic uncertainty - and also given the increase in competition for tenants. To this end the Council has continued to refurbish industrial units. Likewise for the economic vitality of the town it is important that infrastructure remains well maintained. To this end the sum of £50,000 p.a. within the Capital programme is retained for public realm enhancements.
100. Whilst the capital programme is significantly reduced over the forthcoming years, opportunities are still being sought for funding e.g. application to be resubmitted to the Heritage Lottery Fund in respect of the Castle.
101. The level of Disabled Facility Grant (DFG) funding was advised on 10 February 2016. The funding from 2015/16 and beyond is from the Better Care Fund and paid to the Council from East Sussex County Council rather than directly by the government. The funding for 2016/17 amounts to £1,407,000 (£767,000 in 2015/16) and represents an increase of £640,000. The Capital programme and Appendix A have been revised accordingly for 2016/17. On a national basis funding for DFG's

has increased from £220m in 2015/16 to £394m in 2016/17. It is set to increase to £500m by 2019/20 but the government have provided no indicative figures beyond 2016/17. This is a capital grant and can be used for DFG purposes only.

102. The schemes included within the capital programme for 2016/17 are the BDO factory, Coastal Space (partnership with Amicus Horizon) - £875,000 grant for a further 30 properties, Pelham Crescent Arcade and roadway, Public Realm, Groyne repairs, Castle Access, and continuation of the Empty Homes programme.
103. The schemes remaining in the Capital programme for 2017/18 and beyond are in respect of Groyne refurbishments (£35k), Public Realm (£50k) and the Empty Homes programme (£70k), and Sea Defence works which are externally funded.
104. The capital programme in summary (net of external funding) amounts to:-

	Revised 2015/16 £'000s	2016/17 £'000s	2017/18 £'000s	2018/19 £'000s
Gross Capital Expenditure	5,234	5,722	3,337	955
Net Capital Expenditure	2,977	3,060	155	138
Financing from own resources	2,317	985	155	148
Borrowing Requirement	660	2,075	0	0

105. In terms of net cost, the 2015/16 programme has been revised to £2,977,000 from £3,353,000. The 2016/17 programme amounts to £3,060,000 (£5,722,000 Gross).
106. The draft capital programme shows the status of the schemes
- c denotes schemes which are committed
  - n denotes schemes that are new
  - u denotes schemes which are in the programme but as yet uncommitted

107. It is proposed that schemes marked with an asterisk proceed without further reference to Cabinet or Council.

### **Capital Programme - Incremental Impact on Band D Council Tax**

108. 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.
109. Where the programme is financed by capital receipts, reserves, external grants and contributions with limited borrowing the impact on the revenue budget at a time of low interest rates is relatively small. Details of revenue cost implications are highlighted in Appendix E, but in short the Council's capital programme remains affordable for 2016/17.

## Minimum Revenue Provision (MRP)

110. 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.
111. 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 i.e. the Minimum Revenue Provision. The MRP for 2016/17 is estimated at £519,642 (excluding any notional figures for leasing arrangements).

## Reserves

112. The Local Government Act 2003 (Part 2) requires the Chief Finance Officer to report on the adequacy of the proposed financial reserves, and determine the minimum level required when setting the annual budget. 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.
113. 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 (provisions are used for liabilities with uncertain timings or amounts). Such reserves are referred to as Earmarked reserves.
  - d. To assist in the transition to a lower spending Council
  - 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.
114. The Council maintains a working balance in accordance with (a) above in the sum of £500,000. In respect of (c) above 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. The full renewals and repairs programme is attached in Appendix J.
115. The estimated reserves position, as at 31 March 2016, is shown in Appendix H. As an absolute minimum, the combined level of the Capital Reserve and General Reserve should be £5m i.e. the non- earmarked reserves. This is an increase on 2015/16 and reflects the more difficult funding regime, as well as the experience of the last year which has seen financial claims being made against the Council e.g. pier claim, land charges, and the Mandatory rate relief claim in respect of NHS

properties. This level is required to be maintained to cover unexpected expenditure, e.g. emergencies, potential over runs of gross expenditure and further down turns in income sources, and was arrived at as follows:-

- (i) 10% downturn in income (sales, fees, rents, etc) - £1m
- (ii) 5% over run in expenditure (including capital) - £2m
- (iii) Unforeseen events/losses - £2m

116. In addition, given the economic environment and all the uncertainties described elsewhere, it is prudent to maintain the two reserves at a figure above the absolute minimum and wherever possible increase the level of reserves. Any under spends must be considered as opportunities to strengthen the reserves and improve services for the future – given the funding uncertainties.
117. 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 Financial Officer is required to report on the reasons, and the action, if any, which he considers appropriate.
118. The one change is the establishment of the Hardship Fund in the sum of £80,000 from the Land Charges reserve which is no longer required. The balance on that reserve being transferred to the General Reserve.
119. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report to members on the robustness of the estimates and the adequacy of the reserves when considering the budget and Council Tax. It is the view of the Assistant Director - Financial Services & Revenues that the processes followed and the information systems used are sound and that the regular reporting and involvement of senior managers in managing budgets provides sufficient assurance that the resultant estimates are as robust as present economic circumstances allow and that the reserves are currently adequate.

### **Consultation**

120. The draft Corporate Plan and Budget is the subject of consultation (from Friday 15 January 2016). The closing date for comments (Friday 12 February) is after the dispatch of this agenda and therefore any further comments received will be reported verbally to Budget Cabinet on 15 February. Comments received from the business community, voluntary and community sector organisations and the Joint Overview and Scrutiny Committee meeting are to be included within the Corporate Plan report elsewhere on the agenda.
121. The full Council meets to set the budget on 24 February 2016.

### **Equalities and Community Cohesiveness**

122. The equalities implications of the proposals included in the draft budget and corporate plan are set out in Appendix K2. Members are reminded that they are under a duty to give due regard to considerations of equality when making decisions regarding the Budget and Corporate Plan, (Equality Act 2010). As with the consultation feedback set out above, if any information is submitted as part of the

consultation which requires a revision of this assessment, this too will be made available to Members at the Budget Cabinet meeting.

## **Risk Management**

123. Numerous risks are highlighted in this report, and further comment is made below. The risks include reduced government funding, enhanced demand for Council services, delays in asset disposals. There are continuing risks surrounding the employment of staff based on short term grant funding streams, and those delivering housing benefits over the next few years. To balance the budget the Council has had once again to seek efficiency savings, review the capital programme, review fees and charges, and make cuts in services and grants. It will need to further prioritise its objectives and identify where it would need to make savings to balance the budget in 2017/18 and beyond.
124. Given uncertainty in the economic outlook and the continuing reductions in government funding the Council needs to preserve and enhance where possible the existing level of reserves – this report makes strong recommendations for doing so based on future funding projections. The Council also needs to ensure that it continues to invest in its people, its IT services and its commercial assets.
125. The Council seeks to identify further opportunities for collaborative working, plus identify, investigate and implement efficiencies, identify income generation opportunities and ensure that potential savings are monitored and achieved.
126. 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, and reduced staffing levels also poses additional risks.

Key financial risks to the Council in future years include:-

- (i) Business Rates Retention – volatility in income streams arising from both local and national economic pressures, the level of successful rating appeals, and collection rates. The Council has received a backdated claim for mandatory rate relief in respect of NHS properties amounting to £4.3m for the last 6 years. If the claim were ever to be accepted the ongoing loss of revenue would amount to an estimated £776,000 p.a. of which Hastings would pick up 40% (£310,000 p.a.). The Council's share of the £4.3m would amount to some £1.7m (40%) and part of this sum would be met from the East Sussex business rate pool – if paid in 2016/17, or potentially the government in 2017/18 if the pool was to be disbanded. The Local Government Association are seeking Counsel's advice on behalf of the hundred's of local authorities potentially affected. In the meantime the minimum level of Reserves that the Council seeks to maintain need to be increased given the potential cost implications.
- (ii) Income streams – preservation and enhancement. New initiatives will need proper and effective governance arrangements and business cases will need to be robust. Careful monitoring of existing initiatives is required e.g. selective licensing, social lettings agency.



- (iii) Joint working/ shared services. The Council has achieved significant annual savings as a result of the joint procurement exercise for Waste Collection and Street Cleaning services and also for Grounds Maintenance services. It remains very important for the authority that the joint working is successful if the delivery of the savings is to be achieved.
- (iv) Staffing / Knowledge Management. The loss of key staff through early retirement or redundancy.
- (v) Welfare Reform (Universal Benefit and Council Tax Support). There is a significant financial risk involved which is that of increased benefit payments being made in the year – the financing risk falling on the Council. The scheme approved is for a further period of one year to March 2017. The Council will consider a new scheme for 2017/18 with all the implications this has on the local community and the Council in devising the scheme. The timetable for the further roll out of Universal Credit across the country is expected to be received shortly and may well have implications for the Council in 2016/17.
- (vi) Restructuring Costs. In order to make savings of the magnitude required in the future, the Council will need to further reconsider what services it can provide and to what level. Further restructuring seems inevitable if a sustainable budget is to be achieved in the years ahead against the background of continuing funding reductions. 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 as part of the budget setting process in 2011/12 which has been added to when possible (balance at 31 March 2015 was £648,000). The intention will be to meet any additional redundancy costs from either the existing 2016/17 provision or the redundancy reserve. The reserve will assist in transforming the Council to a lower spending organisation in the years ahead.
- (vii) PIER savings. The identification of new, and realisation of already identified, savings will be critical for the Council to achieve a sustainable budget in the future.
- (viii) Treasury Management – investment security and level of returns.
- (ix) Potential Liabilities – The Council is currently facing a legal claim following the closure of the Pier in 2006. Additional costs could arise from the cliffs surveys once clearance and repair work commences - which would impact on the Renewals and Repairs reserve in the first instance.
- (x) The Economy. The economic and financial instability in the world continues to be major risk. The Council relies upon its income streams to provide services. Inflationary pressures have however eased considerably.
- (xi) New Legislation – changes in the Housing Bill, changes in the waste directive on recycling targets for example are all likely to impact on the Council's activities over the next four years.

## **Economic/ Financial Implications**

127. The report supports the alignment of corporate priorities with available resources, produces a robust and balanced budget for 2016/17 (with some use of reserves). There are a number of projects within the capital programme to assist the continuation of the regeneration of Hastings.
128. The financial implications in 2016/17 and beyond are detailed in the report. However, significant further action by the Council will be required to produce a sustainable budget beyond 2017/18 and this may result in more job losses.
129. The economic regeneration of the town remains a key priority for the Council. The ability to work with partners to help stimulate the local economy will be seriously reduced following the reduction in our funding. However the Council established some limited reserves for economic development and for community safety as a means of ensuring the Council can continue to make a contribution to the regeneration of the town over the next few years. These are being retained for use in 2017/18 and beyond.
130. The loss of government funding and public sector jobs along with the reduction in the Council's spending power could have a negative effect on the local economy.

## **Organisational Consequences**

131. There is a loss of a couple of posts and the organisation seeks to minimise the impact on Council services through efficiencies. There will inevitably be consequences from time to time as this process continues given the substantial savings the Council is required to make. The Council seeks to minimise the impact wherever possible.

## **Anti-Poverty**

132. The Council took the decision to retain the Council Tax Support scheme in its existing form in December 2015 and hence help protect some of the more vulnerable households in the community.

## **Equalities and Community Cohesiveness**

133. An impact assessment is included within the Corporate Plan to be presented to Cabinet and Council.

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## **Wards Affected**

Ashdown, Baird, Braybrooke, Castle, Central St. Leonards, Conquest, Gensing, Hollington, Maze Hill, Old Hastings, Ore, Silverhill, St. Helens, Tressell, West St. Leonards, Wishing Tree

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## **Policy Implications**

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	Yes
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	Yes
Local People's Views	Yes
Anti-Poverty	Yes

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### **Additional Information**

The Appendices and supporting documents are also available from the Council's website under the heading of Hastings Borough Council budget  
[http://www.hastings.gov.uk/decisions\\_democracy/transparency/budgets\\_finance/](http://www.hastings.gov.uk/decisions_democracy/transparency/budgets_finance/)

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