**APPENDIX A**

# Medium Term Financial Strategy 2016/17 to 2018/19

## 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.

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.

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 2016.The corporate planning process ensures there is full integration of all key strategies and the policies of the council.

6. The Comprehensive Spending Review (CSR) in October 2010 covered a 4 year period (2011/12 to 2014/15) and overall the local government 'Departmental Expenditure Limit' (DEL) would reduce by 28% over the period. The chancellor's budget in March 2013 announced further reductions in Department Expenditure Limits (DEL) of 1% in 2013/14 and 1% in 2014/15. A further one-year spending review for 2015/16 was announced in June 2013. He reiterated that public spending control is central to the government's commitment to reduce the deficit. The review on the 26 June 2013 (termed Spending Round) identified that the overall cut for local government for 2015/16 was set at 10%.

7. The government's autumn statement on 25 November 2015 is expected to give details of spending plans for the next 4 years and given the scale of the national deficit further

significant cuts need to be anticipated.

8. The chancellor has previously announced that health, schools and development assistance will be protected which means that cuts in DEL will fall disproportionately on the remaining public services including local authorities.

9. This report updates the MTFS taking into consideration known factors and makes broad assumptions on funding for 2016/17 and the years thereafter as well as making assumptions around service and corporate pressures.

10. Announcements in October 2015 surrounding business rates and the retention of 100% of the income by local authorities by the end of the parliament may change the projected figures included within this strategy document as and when details and implications emerge. The Strategy will be updated as necessary.

## Local Government Spending Control Totals

11. The overall reduction in Settlement Funding Assessment (Business Rates, Revenue Support Grant and other rolled in grants) for 2016/17, is expected to be some 10%. However the impact is not uniform between upper and lower tier authorities and shire districts/ boroughs such as Hastings can expect a reduction of some 12% in 2016/17 although figures will not be known until the settlement is received from the government in December 2015.

| Settlement Funding Assessment | 2015-16 (£ million) | 2016-17 EST (£ million) | Reduction |
|---|---|---|---|
| England | 20,693 | 18,624 | -10.0% |
| Shire Districts/Boroughs | 923 | 812 | -12.0% |

12. The government announced in the autumn 2013 statement a safety net mechanism for authorities whose Revenue Spending Power (Business rates and grant income combined with new homes bonus and Council Tax monies) reduced by more than 6.9%. This has subsequently been reduced to 6.4%.Such authorities being eligible to apply for assistance by means of the Efficiency Support Grant regime.

13. The government previously stated that reductions in funding for 2015/16 and 2016/17 would be in line with the reductions of the first two years of the Comprehensive Spending Review - a 26% reduction could therefore be anticipated.

14. For the purposes of financial planning for the years beyond 2016/17, whilst the local government sector as a whole is anticipating cuts of some 10% p.a. this will not fall equally between the tiers of local government and a further 12% cash reduction in funding has therefore been assumed for Hastings in 2017/18 and in each year beyond.

15. It is entirely possible that due to the changes in national insurance contributions in respect of contracted out pension schemes that the grant reductions may be lower in

2016/17 but higher in later years.

## Strategic Priorities

16. The council's strategic priorities were reviewed for 2015/16, and whilst remaining valid may be amended for 2016-17 as part of the corporate planning process. These are:-

    **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.

    **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.

    **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.

    **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.

    **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

    **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.

    **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.

17. 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 continues to be well placed to deliver the programme in 2016/17 following the setting effectively of a

two year budget in February 2015. Significantly reduced resources will however inevitably impact on service delivery in the years ahead.

## Key Principles of the Medium Term Financial Strategy (MTFS)

18. 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 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)

**(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.**

**FINANCIAL CONTEXT - The National Economic Climate**

19. Economists suggest that the UK economy could be facing another short period of deflation on the back of oil prices slipping and a relatively strong pound. That combination will maintain downside inflationary pressures on both food and consumer goods prices. That said, the Bank of England will see these as temporary, externally driven influences and both the bank of England and the Monetary Policy Committee (MPC) expect inflation to increase in the new year.

20. The Office for National Statistics announced on the 14 October that the UK jobless rate had reached a seven year low, with unemployment falling to 5.4% between June and August. However, this news was slightly overshadowed by the moderate slowdown in average earnings excluding bonuses, which contracted to 2.8% from their previous level of 2.9%. Average earnings are a key aspect of the MPC's discussions on controlling Bank Rate, in that higher earnings have the potential to drive inflation. For this reason, the possibility of a rate hike seems to be drifting further away, with gilt yields falling consequently. Despite this slowdown in earnings, a decrease in unemployment would suggest that the UK labour market is withstanding the effects of an easing in global growth, with an employment increase of 140,000 over May to August pushing the employment rate to a record high level of 73.6%. Further, temporary deflation is helping some Britons experience the highest growth in their real incomes since the financial crisis.

21. Retail sales declined in the early summer but consumption growth supports the economy, while non-mining, commercial building investment surged. Analysts were looking for 2.8% annualised growth for the quarter but there may be upside potential.

22. The Eurozone, meanwhile, has not been overly affected by the Greek debt crisis and the greater concern is likely to be the slowing in the labour market recovery.

23. Retail sales do not indicate a problem. Consumer confidence remains strong. The housing market recovery appears to be back on track, with the Halifax and Nationwide price measures rising in August and mortgage approvals picking up. The average rise across the UK being 5.2% in the year to August.

24. Analysts expect the UK economy to experience another bout of temporary deflation in the months ahead after CPI slipped to zero in June and to -0.1% in September as oil prices have fallen. In addition, the downturn in Chinese growth has the potential to further depress commodity prices but these will take time to feed through into CPI figures.

25. The strength of sterling will keep a lid on consumer goods import prices, and in the meantime push them lower. As noted, deflation should prove short lived as rising agricultural commodity prices will see food deflation declining as the year runs down, while services inflation will be pushed higher as wage gains impact. This should partly offset the softness in goods inflation, which looks likely to persist. Overall, economists do not see inflation moving too far from the zero level for the remainder of the year, before gradually increasing back to the 2% target in a couple of years' time.

26. The markets are still looking for the first UK rate rise around June 2016, but there are signals that the MPC is set to become split on the timing of the course of interest rate rises at coming meetings, given more hawkish comments from some members.

27. Economic forecasting remains difficult with so many external influences weighing on the UK. Whilst the economy has been showing good signs of recovery it remains exposed to vulnerabilities in a number of key areas – particularly China, developing countries and some countries in Europe.

28. 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 will be reviewed.

**Risks and Opportunities**

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

- External funding in terms of the annual grant settlement for 2016/17 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 is one risk that has materialised and one 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. The government stated that they were looking to conclude the majority of these appeals by July 2015 – they achieved 94% in respect of the appeals outstanding in 2013. However in the spring of 2015 the Council received many more appeals (£16m by rateable value) making the total outstanding some £21m at the end of the last financial year. The majority of these remain outstanding at the time of writing. The appeals provision within the Council's accounts amounted to over £2.5m at 31 March 2015.

- 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

- Delays in achieving capital receipts

- Delivery of the identified PIER savings.

- Pension Fund Performance and changes to the national scheme – including National Insurance implications.

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

- There are opportunities for joint working, shared services and joint procurement that have proven to be successful in reducing costs to date e.g. Waste and Street Cleansing contract, Grounds Maintenance contract, Building Control service.

- 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 have financial repercussions if business plan objectives are not achieved.

**External Funding**

30. The Settlement Funding Assessment (SFA) consists of two main elements,

(i)Revenue Support Grant (RSG)
(ii)Retained Business Rates

31. Retained business rates are based on the baseline outlined in the 2013/14 local government settlement. The council has experienced, and continues to experience high levels of rating appeals many of which have gone back to 2005 and have thus resulted

in large payments to businesses. Despite the level of appeals the Council is expecting to achieve growth in retained business rates for 2015/16 and 2016/17.

**Council Tax and Business Rates**

32. The current funding gap in the MTFS assumes an increase in Council Tax of 1.9% in 2016/17. In determining the actual level of Council Tax for 2016/17 the council will need to take into consideration the government's referendum principles which for 2015/16 were based on the requirement to hold a referendum for increases above 2%. Each 1% increase now yields approximately £55,000.

33. The Council did not take up the government's Council Tax Freeze Grant offer last year, and raised Council Tax by 1.9%. It is not known whether the government will make a similar offer (of an equivalent 1% for 2016/17). The freezing of Council Tax has had, and continues to have, a significant and cumulative impact on the council's budget and is simply not sustainable for the council in the long term.

34. The 2016/17 budget projection assumes a further contribution of £164,000 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 £208,000 has been included in the strategy but this figure could be amended significantly before the year end.

**Settlement Funding Assessment**

35. The council retains an element of the business rates and also receives Revenue Support Grant, which now has Council Tax Freeze grant, Homelessness and Council Tax Reduction Support monies rolled into it. The government has until now control the total monies available to local government by controlling the level of Revenue Support Grant provided each year.

36. The estimated cash decreases in the Settlement Funding Assessment make stark reading and are shown below. The actual figures for 2016/17 and indicative figures for 2017/18, and maybe beyond, should be released in the local government settlement in December.

| Year | Settlement Funding Assessment (£ 000's) | Cash Decrease (£ 000's) | Percentage Change (Annual) | Percentage Change (Cumulative) |
|---|---|---|---|---|
| **2014/15** | £8,331 | | | |
| **2015/16** | £7,193 | -£1,138 | -13.60% | -13.60% |
| **2016/17 (Est)** | £6,330 | -£863 | -12.00% | -24.02% |
| **2017/18 (Est)** | £5,570 | -£760 | -12.00% | -33.14% |
| **2018/19(Est)** | £4,902 | -£668 | -12.00% | -41.16% |

37. The table below summarises the grant funding position since 2010/11 and for the next three years. For comparative purposes the figures exclude specific grants such as Benefit Administration grant, Homelessness grant, and Council Tax Freeze grant.

| | 2010/11 £m | 2015/16 £m | 2016/17 (Est) £m | 2017/18 (Est) £m | 2018/19 (Est) £m |
|---|---|---|---|---|---|
| **Area Based Grant** | 3.6 | | | | |
| **Formula Grant** | 9.1 | | | | |
| **NDR/ Revenue Support Grant (excluding estimate of rolled in grants)** | | 5.2 | 4.3 | 3.6 | 2.9 |
| **New Homes Bonus** | | 1.0 | 1.1 | 1.1 | 1.1 |
| **Transition Funding** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Efficiency Support Grant** | | 0.1 | 0.0 | 0.0 | 0.0 |
| **Total** | **12.7** | **6.3** | **5.4** | **4.7** | **4.0** |
| **Cumulative Cash Reduction** | | -6.4 | -7.3 | -8.0 | -8.7 |
| **Cumulative % Reduction** | | -50% | -58% | -63% | -69% |

38. The above table assumes that £102,000 of Efficiency Support Grant received in 2015/16 will not be built into the base of the 2016/17 settlement.

**Revenue Spending Power & Efficiency Support Grant**

39. In 2010/11 the government introduced the concept of "Revenue Spending Power" (RSP) which is the sum of:

- Council Tax requirement
- Specific Government Grants e.g. New Homes Bonus
- Settlement Funding Assessment (Business Rates and Revenue Support Grant)

40. Last year's Autumn Statement also identified that for 2015/16 and beyond, any council will be able to apply for Efficiency Support Grant if their RSP falls by more than 6.4%. In 2015/16 the Council has received a sum of £102,000. No such grant is anticipated for 2016/17 unless the settlement is significantly worse than the estimates contained within this strategy.

**Business Rate Retention Scheme**

41. 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).

42. 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.

43. 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 (RPI). Local authorities retain a proportion of all business rate growth or conversely experience a reduction in resources if the business rate base declines.

44. 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 2020 and periods of 10 years between resets thereafter. The system, the calculations required, accounting treatments, and particularly the budgeting requirements are not straightforward.

45. 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.

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

47. 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 £650,000 for Hastings in 2015/16.

48. There remains uncertainty as to the government's proposals for 2016/17 and beyond. If all the reliefs were to end the Council would need to recover relatively small sums from many more small businesses. This could reduce the collection overall collection rate and increase administration costs – as well as the adverse impact on small businesses.

49. 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**

50. 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 are under considerable pressure e.g. Priory Meadow and reduced rental income can be anticipated for some years ahead.

51. Development Control income increased considerably in 2014/15 but is currently projected by the service to below the budget forecast. Income from land Charges has however increased.

52. 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).

**Income Generation**

53. 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.

54. Given the significant funding reductions in the years ahead and the freedoms available for competent councils, the Council will be looking to increase the income it can generate through from its own resources e.g.  property and services, and is also

exploring new areas such as housing companies. Each and every opportunity will, like now, need to be supported by a careful evaluation of the opportunities and associated risks.

**Investment and Borrowing**

55. 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 2015 from their current level of 0.5%. There have been suggestions of an increase in the late spring of 2016 whilst others are indicating June 2016. Assumptions, given the restricted counterparties list and short investment periods, are for investment returns of around 0.7% again in 2016/17. The Treasury Management Strategy will continue to advocate a policy of keeping the respective levels of debt and investment under review.

56. The council has additional borrowing requirements in 2015/16 to finance the Coastal Space housing initiative being carried out in partnership with Amicus Horizon and also in respect of new industrial premises and other capital schemes.

**Inflation**

57. This has not been a major issue over the last couple of years. Inflation in August 2015 was 1.1% (Retail Price Index) whilst the government's preferred measure CPI (Consumer Price Index) was 0%.

58. The new waste and street cleansing contract is linked to CPI. The council allowed 1.2% for CPI inflation in 2015/16, and 2% for those linked to RPI, but only increased budgets where contracts with inflation clauses were present i.e. a freeze again for all other service expenditure areas. The same approach is being taken for 2016/17 and 2017/18.

59. 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 strategy.

**Public Sector Pay Settlement**

60. A pay offer of 2.2% (plus a lump sum payment for some grades) was made last year. This commenced in January 2015 and applies until 31 March 2016 i.e. a two year offer. The figures in the strategy assume a 1% increase for 2016/17 and beyond. In addition there are contractual increments (equivalent of around ½%).

61. The salaries budget together with national insurance and pension costs amounts to some £12m – each 1% therefore equating to around £120,000 p.a.

## Localisation of Council Tax Support & Benefit Administration Grant

62. 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.

63. Over the last 12 months a review of the scheme has been undertaken in conjunction with the other East Sussex Councils. Options have been explored and a report will shortly be considered by full Council. A decision has to be made before the 31 January on whether to amend the scheme for 2016/17. 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.

64. 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 little impact on the service to date. Details of the full programme and the levels of work that will remain with the council are still unclear. The impact of all of this on the Council Tax and Housing Benefit administration grant receivable in the years ahead (£800,124 receivable in 2015/16) remains an uncertainty.

65. The costs cannot be properly budgeted for as yet – and are thus not included within the strategy. The government have previously stated however that TUPE will not apply and thus the council would be responsible for any redundancy costs – should these arise.

66. The Benefit Administration Grant continues to be reduced on an annual basis. Further reductions of 7% p.a. have been included for budget planning purposes for 2016/17 and subsequent years.

## Investment in Council Assets

67. 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.

68. The council has committed to invest in its industrial units, with a new industrial unit at Castleham within the Capital programme, and other potential investments under review. The costs of major construction works has been rising rapidly due to the economic upturn. Some further calls on the Council’s resources are therefore likely to arise in the short term.

69. 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.

**Delays in Receiving Capital Receipts**

70. The council's original land disposal programme for this financial year is estimated to produce capital receipts amounting to £482,000 in 2015/16, £530,000 in 2016/17, and £2,770,000 in 2017/18.

71. The programme is being reviewed as part of the budget. Currently the programme is on track.

72. 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.

73. 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**

74. 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.

75. 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.

76. 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 and commencing in this financial year. 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

77. 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 was undertaken in 2013 with revised contribution rates becoming payable from April 2014.

    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 £248,800

78. 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. A small increase in the Council's contributions has been included for 2017/18.

## National Insurance Contributions

79. As part of the Budget on 20 March 2013, the chancellor announced that changes to the single-tier state pension will be brought forward one year to 2016/17. The changes will mean increased National Insurance (NI) contributions for contracted out employees and higher NI contributions for employers. This has been estimated to cost local government employers £1 billion nationally.

80. Based on the current number of contracted out employees, the initial cost estimate for the council is potentially up to £270,000 p.a. The Chancellor stated that "public sector employers will have to absorb the burden, as is always the case with tax changes" before adding that "any spending review in the next parliament will, of course, take the £3.3 billion cost into account". It remains to be seen how transparently these costs are acknowledged, or whether they would simply be absorbed into overall RSG changes and therefore be unidentifiable. As a new burden government funding could reasonably be expected, however there is no indication to date that they will fund this and hence the initial estimate has been included in the funding estimates – thus increasing the shortfall.

## Staffing, Information Technology and Property

81. 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.

82. 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.

83. 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.

**Grants**

84. 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. Future Cities, and Active Women Programme, European funding. The council will continue to look to attract such funding in the years ahead.

**New Homes Bonus**

85. 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 bonus is payable for a period of 6 years. The sums receivable :-

| Year | In Year | Prior Years | Total Receivable |
|---|---|---|---|
| | £ | £ | £ |
| 2011/12 | 194,710 | | |
| 2012/13 | 189,838 | 194,710 | 384,548 |
| 2013/14 | 119,097 | 384,548 | 503,645 |
| 2014/15 | 382,670 | 503,645 | 886,315 |
| 2015/16 | 119,542 | 886,315 | 1,005,857 |
| 2016/17 Est | 300,000 | 1,005,857 | 1,305,857 |

86. 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. Hastings is using the monies received to help achieve a balanced budget.

87. 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.

88. It has been estimated that a further £300,000 will be received in 2016/17 (in addition to the £1,005,000). In future years the actual income being dependent upon the level of new income against the income achieved 6 years earlier. The estimate for 2017/18 has therefore been decreased by £100,000 from 2016/17 levels.

89. There is a real risk that this grant regime could be ended, particularly if all business rates are returned to Councils.

## Indicative Base Budget Position for 2016/17 to 2018/19 and Assumptions

90. An Indicative budget forecast for the 3 year period 2016/17 – 2018/19 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 2016.

Summary of Financial Position

| | 2015/16 (£000's) | 2016/17 (£000's) | 2017/18 (£000's) | 2018/19 (£000's) |
|---|---|---|---|---|
| Expenditure | 15,615 | 15,526 | 15,908 | 16,187 |
| Funding | (15,093) | (15,408) | (14,618) | (13,945) |
| Funding Shortfall | 522 | 118 | 1,290 | 2,242 |
| Use of Reserves | (522) | (118) | (950) | (950) |
| Estimated Shortfall | 0 | 0 | 340 | 1,292 |

91. The table above shows deficits of £118,000 in 2016/17, £1.3m in 2017/18 and £2.2m in 2018/19, 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**

92. The government has awarded grants from 2011/12 onwards if the council freezes Council Tax. For 2015/16 the government announced a similar scheme equivalent to a 1% increase in Council Tax and this was to be rolled into the Settlement Funding Assessment. Such freezes are not sustainable for the Council and the Council determined a 1.9% increase to apply for 2015/16. A Band D Council Tax payer pays £240.33 in 2015/16 in respect of the Hastings demand.

93. 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 |

94. In considering any Council Tax increase in 2016/17 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 £55,000. In 2015/16 the freeze grant payable was still based on the 2012/13 taxbase i.e. some £70,000.

95. For 2015/16 the government announced that should a council wish to increase Council Tax by more than 2% it will be required to hold a referendum (in 2012/13 the threshold was 3.5% and in 2013/14 and 2014/15 it was 2%). At the time of writing the percentage for 2016/17 is not yet known.

96. As previously stated the MTFS includes the assumption of a 1.9% increase in Council Tax for 2016/17.

**CAPITAL**

97. 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.

98. The council's capital programme for 2015/16 and the next 2 years, as approved in February 2015, amounts to some £5.2m (£3.3m net of grants and contributions). The capital programme will be considered as part of the budget process and decisions taken in the light of available resources.

99. 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.

100. 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.

101. Whilst the capital programme is significantly reduced over the forthcoming years, opportunities are still being sought for funding.

102. 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)**

103. 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.

104. 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.

105. The MRP is expected to increase in 2016/17 as a result of additional borrowing in 2014/15 and 2015/16.

## Reserves

106. 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.

107. It should be noted that capital receipts can generally only be used for capital purposes. Reserves and movements thereof will be reviewed as part of the budget process.

108. For the purposes of the strategy reserves at 31 March 2016 are estimated to consist of:-

| **General Reserves** | **Estimated Balance at 31.3.2016 £'000s** |
|---|---|
| Revenue Reserves | 6,541 |
| Capital Reserve (Revenue monies) | 803 |
| Total | **7,343** |

| Earmarked Reserves | Estimated Balance at 31.3.2016 £'000s |
|---|---|
| Renewals and Repairs Reserve | 1,349 |
| Insurance & Risk Management Reserve | 334 |
| IT Reserve | 156 |
| On-Street Car Parking Surplus Reserve | 20 |
| S106 Reserve | 576 |
| VAT Reserve (incl. Senior and Youth support &Capital contributions) | 225 |
| Government Grant Reserve | 534 |
| Land Charges Claim | 140 |
| Monuments in Perpetuity | 41 |
| Ore Valley | 245 |
| Mortgage Reserve (LAMS) | 124 |
| Invest to Save and Efficiency Reserve | 0 |
| Resilience and Stability Reserve | 600 |
| Transition Reserve | 1,793 |
| Redundancy Reserve | 427 |
| Community Safety Reserve | 350 |
| Economic Development Reserve | 445 |
| Other reserves | |
| **Total** | **£7,386** |

109. 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.

110. 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 attract new employers to the town remains a key priority. The strategy identifies the use of these reserves in 2016/17 and beyond.

111. 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 2019 and potentially beyond, and the need to cope with unexpected events or claims the minimum level of reserves retained was increased to £4.5m. The claim from Manolete partners in respect of the pier and restricted access is an example of the need to retain adequate reserves.

112. At 31 March 2016 General and Capital Reserves will amount to an estimated £7.3m, of which some is already committed for the empty homes strategy and the cultural regeneration in 2016/17. The balance and use of the reserves will be considered further as part of the budget process and be determined in light of the 2016/17

settlement and four year spending review.

**Budget 2016/17 and beyond**

113. On the basis of the government's July budget, the council can expect double digit funding cuts for the next four years.

114. 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.

115. In February 2015 the Council effectively set a balanced budget for both 2015/16 and 2016/17 albeit subject to the achievement of a number of savings and a management reorganisation and after allowing for partial use of the Transition Reserve.

116. To achieve a balanced budget in 2016/17 (without using reserves) further savings of £118,000 need to be identified.

117. To achieve a balanced budget in 2017/18 (without using reserves) savings of £1,290,000 need to be identified. This figure reduces to £340,000 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.

118. To achieve a balanced budget in 2018/19 (without using reserves) savings of £2,242,000 need to be identified. This figure reduces to £1,292,000 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.

119. These figures do need to be treated with some caution given that there are more uncertainties than ever in the budgeting process. The volatility in income streams has increased in respect of the business rate retention scheme.

120. 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 £118,000 of reserves for 2016/17, £950,000 for 2017/18 and £950,000 for 2018/19 has been included within the strategy which would still leave the council with sufficient reserves to meet significant and unexpected expenditure items.

121. A key determinant of the gap is however the funding settlement in December 2015, this will determine the level of grant receivable in 2016/17 and provide an indication for the years ahead. Future business rate income remains uncertain particularly given the level of outstanding rating appeals, bad debt provisions and small business rate relief.

122. In view of the reduced resources available in 2016/17 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.

**Risk Management**

123. 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.

124. Given the long term uncertainty in funding streams the council needs to take every opportunity to strengthen reserves, whilst using them to continue to transform itself to a lower spending council. The council also needs to ensure that it continues 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, identify income generation opportunities and ensure that potential savings are monitored and achieved.

125. 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.

126. 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. The council is looking at further joint and partnership working

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. It remains too early to tell whether there will be a call on the reserve this 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.

x. The Economy
The economic and financial instability in the world continues to be major risk.

xi. Income generation and risks arising from new initiatives e.g. social lettings agency, licensing schemes, new factory units.

127. 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**

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

**Consultation**

127. The 2016/17 budget proposals will be consulted upon from the middle of January 2016 and will be considered by Cabinet on the 15 February 2016 and determined by full Council on 24 February 2016.

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## Revenue Budget Forward Plan

**Appendix 1**

| Ref | | | 2015-16<br>£000's<br>Budget | 2016-17<br>£000's<br>Projection | 2017-18<br>£000's<br>Projection | 2018-19<br>£000's<br>Projection |
|---|---|---|---|---|---|---|
| 1 | **Net Service Expenditure** | | 15,433 | 15,665 | 15,900 | 16,138 |
| 2 | Pension Fund - Employers Contribution Increase | | | 50 | 100 | 100 |
| 3 | Election Costs (bi-annually) | | | 70 | 0 | 70 |
| 4 | Aquila House | | | (5) | (10) | (10) |
| 5 | IT - add back one year reduction for reprofiling | | | 34 | 34 | 34 |
| 6 | Profile of R&R spend | | | (232) | (232) | (232) |
| 7 | Profile of 950th anniversary spend | | | 60 | 20 | 20 |
| 8 | Add back govt grant reserve funded items | | | (95) | (95) | (95) |
| 9 | add back on street car parking - use of reserves | | | (13) | (33) | (33) |
| 10 | Town Hall - additional letting income | | | (58) | (58) | (58) |
| 11 | PIER savings - various | | | (164) | (164) | (164) |
| 12 | PIER -Digital by Design | | | (235) | (235) | (235) |
| 13 | PIER -Grounds Maintenance | | | (100) | (100) | (100) |
| 14 | PIER -Management restructure | | | (100) | (100) | (100) |
| 15 | Local Development Framework | | | (96) | (96) | (96) |
| 16 | Fees and Charges | | | (30) | (60) | (90) |
| 17 | National Insurance (Pensions) | | | 270 | 270 | 270 |
| 18 | PIER -Revenues team- Benefit Administration Grant | | | (70) | (140) | (140) |
| 19 | Invest to Save -profile | | | (664) | (664) | (664) |
| 20 | Pebsham Landfill Site income | | | 50 | 75 | 75 |
| 21 | Government Grant Funded items | | | 0 | 0 | 0 |
| 22 | Contingency Provision | | 400 | 400 | 400 | 400 |
| 23 | Interest Payments (net of earnings) | | 170 | 181 | 181 | 181 |
| 24 | Contributions to Capital from grant and reserves | | 636 | 737 | 737 | 737 |
| 25 | Minimum Revenue Provision | | 514 | 583 | 587 | 587 |
| 26 | Contribution to Reserves | | 936 | 860 | 860 | 860 |
| 27 | Net Use of Earmarked Reserves | | (2,474) | (1,572) | (1,269) | (1,269) |
| 28 | **Net Council Expenditure** | | **15,615** | **15,526** | **15,908** | **16,187** |
| 29 | Taxbase | | 24,281 | 24,736 | 24,785 | 24,835 |
| 30 | Council Tax - estimated Band D | 1.90% | 240.33 | 244.90 | 249.55 | 249.55 |
| 31 | **From Collection Fund - Council Tax** | | (5,835) | (6,058) | (6,185) | (6,198) |
| 32 | **From Collection Fund - Business Rates** | | (3,022) | (3,053) | (3,083) | (3,114) |
| 33 | **Revenue Support Grant** | | (3,658) | (2,795) | (2,035) | (1,367) |
| 34 | **Council Tax Freeze Grant** | | 0 | 0 | 0 | 0 |
| 35 | **Efficiency Support Grant** | | (102) | 0 | 0 | 0 |
| 36 | **New Homes Bonus** | | (1,006) | (1,306) | (1,206) | (1,206) |
| 37 | **New Homes bonus return funding** | | (11) | | | |
| 38 | **Disabled Facilities Grant** | | (666) | (767) | (767) | (767) |
| 39 | **Housing Benefit Admin Grant** | | (800) | (744) | (692) | (644) |
| 40 | **NNDR (Surplus) / Deficit** | | 816 | 208 | 0 | 0 |
| 41 | **NNDR Pooling** | | (80) | (80) | 0 | 0 |
| 42 | **Business Rates Section 31 Grant** | | (479) | (650) | (650) | (650) |
| 43 | **Council Tax Surplus** | | (250) | (164) | 0 | 0 |
| 44 | **Contribution To General Fund** | | **(15,093)** | **(15,408)** | **(14,618)** | **(13,945)** |
| 45 | **Funding Shortfall / (surplus)** | | **522** | **118** | **1,290** | **2,242** |
| 46 | **Use of General Reserve** | Carry forward | (93) | | | |
| 47 | **Use of General Reserve** | Tfr to / (from) | 0 | | | |
| 48 | **Use of Transition Reserve** | | (429) | (118) | (750) | (750) |
| 49 | **Use of Community Safety Reserve** | | 0 | 0 | (100) | (100) |
| 50 | **Use of Economic Development Reserve** | | 0 | 0 | (100) | (100) |
| 51 | **Net Funding Shortfall / (Surplus)** | | **(0)** | **0** | **340** | **1,292** |

**Key Assumptions**

(1) General Inflation has been assumed of 1% for 2016/17 and beyond – but only applied to contracts. Wage inflation: 1% assumed for 2016/17 and beyond plus ½% p.a. representing contractual increments.

(2) Pension fund cost increases – as per three yearly revaluation, plus an additional £50,000 p.a. for 17/18 and beyond.

(3) Local elections – the costs are budgeted for in 2016/17 (these occur every two years).

(4) Full year cost of Aquila House leases expected in 2016/17,and some additional income receivable.

Lines (5) to (9) - Reprofiling of expenditure between years – funded from reserves

(10) Additional income from letting the town hall and recharge of costs. Some income is already built into the base budget.

Lines (11) to (14) – Priority Income and Efficiency Review savings achieved or to be achieved.

(15) Profiling of expenditure
(16) A general 1% increase in fees and charges, matching inflationary increases incurred, is identified for the purposes of this strategy – except in respect of car parking income and some statutory fees.
(17) Additional National Insurance burden
(18) Priority Income and Efficiency Review savings achieved or to be achieved.

(19) No further contributions for invest to save initiatives beyond 2016/17

(20) Revised income profile on Pebsham Landfill site.

(23) Investment interest at 0.7% in 2016/17

(29) Recalculation of the taxbase. Assumes no downturn in the economy or increases in the amounts paid out in respect of the Council Tax Support scheme.

(30) A Council Tax increase of 1.9% for 2016/17 and for each of the following 2 years has been included for the purposes of this Strategy.

(33) Revenue Support Grant - this forms part of the Settlement Funding Assessment. The actual figures for 2016/17 and possibly indicative figures for 2017/18 will be released in early December 2015.

(34) Council Tax Freeze Grant: The £174,000 from 2011/12 was funded for the four years of the CSR 2010. The £174,000 in respect of 2012/13 was funded for one year only and therefore ceased for 2013/14. The 2013/14 grant of £70,012 was rolled into the Business Rates/ Revenue Support Grant baseline funding for 2014/15 and beyond. No

grant receivable for 2015/16 and none assumed for 2016/17 as the assumption is made of a 1.9% increase.

(35) Efficiency Support Grant – a further £102,000 has been received in 2015/16.Based on current support levels the Council is not expected to qualify in 2016/17.

(36) New Homes Bonus – additional sums are expected in 2016/17, but may decline thereafter depending upon the future of the government's scheme.

(38) Disabled Facility Grant – the figures are estimates of government grant funding.

(39) Housing Benefit Administration Grant. The council suffers annual reductions in the support of this service of £70,000. For budget planning purposes a decrease of 7% has been assumed for the next 3 years in line with previous government announcements.

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

(42) The government extended a number of rate reliefs e.g. the small business rate relief scheme to 31 March 2016. 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 2016/17 and beyond.

(43) 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.

(48) Transition Reserve – The council has been prudent over the last few years and has taken the opportunity to strengthen reserves whenever possible to help ease the transition to a lower spending council in the years ahead. The council agreed to strengthen this reserve from the General and Capital Reserves in the sum of £1.5m and use the Transition Reserve to support the budget in future years.

(49) 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.

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

(51) Funding Gap: the predicted deficits in 2016/17, 2017/18 and 2018/19 are £118,000, £1,290,000 and £2,242,000 respectively. After allowing for use of the Transition Reserve over three years, the savings required amount to a balanced budget in 2016/17, £340,000 in 2017/18 and £1,292,000 in 2018/19.