

Extract From the Medium Term Finance Strategy

The Objectives of the Council's MTFS are as follows:

	Objective
1	To provide a robust framework to assist the decision making process.
2	To enable the Council to be proactive rather than reactive.
3	To act as a barometer and give early indication of need to review priorities.
4	To show how resources support the Council Plan over a four year period.
5	To support sustainable services through reserves, equalisation and renewal funds.
6	To hold a working balance at an adequate level to respond to unexpected events and opportunities.
7	To be flexible and responsive to changing needs and legislation.
8	To support the Council's service and core strategies.
9	To provide forward indications of Council Tax levels.

A number of Principles have been established to underpin the financial objectives:

	Key Principles
1	Resources will be prioritised to meet statutory (core service) obligations.
2	We will work with partners and the local community to determine priorities.
3	We will constantly review and reconcile priorities in line with the available resources.
4	Capital receipts will only be used to fund capital programmes, when banked.
5	General Fund capital receipts will be used to improve and replace existing assets.
6	Capital receipts from Council house sales will be reinvested in a housing capital programme or to improve and replace existing assets.
7	The budget for investment income will take account of specific market advice. If investment rates rise or are expected to rise, we will not use the additional income to fund items within the recurring base budget.
8	We will aim to achieve a zero balance on the Collection Fund when estimating the Council Tax collection rate each year.
9	Council Tax amounts will be transparent and sustainable. This means that the Council Tax Requirement will not be lowered through the use of one-off balances or reserves without a published intention to realign priorities with the Medium Term Financial Strategy.
10	Changes to the Council's priority programme must be reported to Cabinet and supported by a risk assessment and financial appraisal showing part year and full year costs, including the revenue consequences of any capital investment and lifetime costs.
11	Every request for capital investment must be supported by a Business Case which shows how the cost of that investment will be repaid over time.

General Fund Budget Summary	2015/16 Budget £	2016/17 Budget £	Year on year change £
Service Delivery			
Housing and Environment	3,086,600	2,587,800	(498,800)
Planning and Revenues	392,900	364,200	(28,700)
Customer Service	1,877,600	1,821,700	(55,900)
Waste and Recycling	2,511,300	2,800,400	289,100
	7,868,400	7,574,100	(294,300)
Business Strategy and Development			
Business Strategy and Performance	702,800	694,000	(8,800)
Regeneration and Investment	784,200	540,300	(243,900)
Strategic Policy	457,800	468,700	10,900
	1,944,800	1,703,000	(241,800)
Corporate Services			
Property and Facilities	507,800	456,400	(51,400)
Legal	428,600	417,400	(11,200)
Democratic Services	677,500	617,300	(60,200)
Human Resources	399,800	395,500	(4,300)
Information Technology	1,245,200	1,389,600	144,400
Finance	781,200	732,800	(48,400)
Audit, Fraud and Procurement	265,300	265,600	300
	4,305,400	4,274,600	(30,800)
Corporate Strategy and Programmes	826,700	835,700	9,000
Financing, interest, grants, etc	685,200	706,500	21,300
Recharges to the Housing Revenue Account	(3,255,400)	(3,208,000)	47,400
Reserves used to finance non-recurring expenditure	(795,800)	(490,100)	305,700
Efficiency Savings (Corporate)	(281,000)	(400,000)	(119,000)
Recurring Net Expenditure	11,298,300	10,995,800	(302,500)
Contributions to Reserves	2,466,000	2,215,500	(250,500)
Reduction in Contribution from NHB	0	(58,900)	(58,900)
Net Budget Requirement	13,764,300	13,152,400	(611,900)
Council Tax (Increase @ 1.9%) [A]	(6,632,400)	(6,823,300)	(190,900)
Council Tax Collection Fund Surplus	(65,000)	(172,400)	(107,400)
Retained Business Rates	(3,006,900)	(3,070,000)	(63,100)
Retained Business Rates Deficit on Collection Fund	0	639,800	639,800
Contribution from <i>Uncommitted</i> Reserve	0	(639,800)	(639,800)
Government Grants:			
- Revenue Support	(1,704,000)	(995,000)	709,000
- New Homes Bonus	(1,376,500)	(1,592,000)	(215,500)
- Housing Benefit and Council Tax Support administration	(484,800)	(424,300)	60,500
- Section 31 Grant	(75,400)	(75,400)	0
- New Burdens	(21,700)	0	21,700
Use of General Fund Revenue Balance	(397,600)	0	397,600
Sources of Finance	(13,764,300)	(13,152,400)	611,900
Taxbase [B]	34,979.8	35,797.1	
Aggregate Council Tax = [A] ÷ [B]	£189.61	£190.61	£1.00 0.53%

APPENDIX C

General Fund Budget

Variations in recurring net expenditure 2015/16 to 2016/17

£

2015/16 Recurring Net Expenditure

11,298,300

Additional expenditure and reduced income

Pay awards and increments	140,000
Pension and National Insurance contributions	150,000
Inflation on contracts	20,000
Reduced income from Recyclate sales	200,000
Increase in capital financing costs	100,000

610,000

Additional income and reduced expenditure

Wave Leisure service fee reduction	(100,000)
Phased reduction of LCTS grant to Towns and Parishes	(35,000)
Income generation - solar panels	(150,000)
Increase in income generated from fees and charges	(80,000)
2% vacancy factor on employee costs	(200,000)
Increase in savings through Joint Transformation Programme	(119,000)
Net savings from new printing arrangement	(65,000)
Change in budget for Service Priorities	(132,000)
Other net savings	(31,500)

(912,500)

2016/17 Recurring Net Expenditure

10,995,800

General Fund Reserves - projection to March 2017

	Updated Budget 2015/16				Budget 2016/17		
	Balance at 1 April '15 £'000	Contributions & transfers £'000	Commitment £'000	Balance at 31 March '16 £'000	Contributions & transfers £'000	Commitment £'000	Balance at 31 March '17 £'000
1 Strategic Change	(2,357)	(2,786)	3,056	(2,087)	(2,346)	2,650	(1,783)
2 Asset Maintenance	(2,444)	(511)	908	(2,047)	(304)	205	(2,146)
3 Vehicle and Equipment Replacement	(2,490)	(320)	1,577	(1,233)	(320)	1,315	(238)
4 Economic Regeneration	(353)	0	220	(133)	0	60	(73)
5 Revenue Grants and Contributions	(284)	0	0	(284)	0	65	(219)
6 Unallocated	(3,680)	737	587	(2,356)	813	0	(1,543)
7 TOTAL	(11,608)	(2,880)	6,348	(8,140)	(2,157)	4,295	(6,002)

APPENDIX E

The 2020 Savings Plan	16/17	17/18	18/19	19/20	Total
	£'000	£'000	£'000	£'000	£'000
Savings Requirement per MTFS	(685)	(763)	(756)	(617)	(2,821)
Wave Leisure service fee reduction	(100)	(100)	(100)	(100)	(400)
Final phasing out of LCTS grant to Towns and Parishes	(35)	(67)	(67)	(67)	(236)
Joint Transformation Programme	(400)	(400)	(400)	(400)	(1,600)
Income generation - solar	(150)				(150)
Income generation - waste and recycling		(300)			(300)
Income generation - regeneration			(300)	(200)	(500)
Total Savings Targets	(685)	(867)	(867)	(767)	(3,186)
Surplus target over MTFS requirement	0	(104)	(111)	(150)	(365)

General Fund Budget

Medium Term Outlook as at February 2016	Base Year			
	2016/17	2017/18	2018/19	2019/20
	£	£	£	£
Recurring Net Expenditure	11,185,800	13,152,400	12,609,553	11,481,841
Pay awards and increments	140,000	140,000	140,000	210,000
Pension Contributions	50,000	50,000	50,000	60,000
Inflation on contracts	20,000	30,000	30,000	50,000
Total Budget Requirement with inflation	11,395,800			
Savings targets (corporate)	(400,000)	(762,848)	(755,712)	(617,270)
Contributions to Reserves	2,215,500		(592,000)	
Reduction in Contribution to Capital from NHB	(58,900)			
Net Budget Requirement	13,152,400	12,609,553	11,481,841	11,184,571
Council Tax	(6,823,300)	(6,993,883)	(7,168,730)	(7,347,948)
Council Tax Collection Fund Surplus	(172,400)	(65,000)	0	0
Retained Business Rates	(3,070,000)	(3,131,400)	(2,894,028)	(2,451,909)
Retained Business Rates Deficit on Collection Fund	639,800	0	0	0
Contribution from Spending Power Reserve	(639,800)	0	0	0
Government Grants:				
- Revenue Support	(995,000)	(370,000)	0	0
- New Homes Bonus	(1,592,000)	(1,592,000)	(1,000,000)	(1,000,000)
- Housing Benefit and Council Tax Support admin	(424,300)	(381,870)	(343,683)	(309,315)
- Section 31 Grant	(75,400)	(75,400)	(75,400)	(75,400)
Use of General Fund Revenue Balance	0	0	0	0
Sources of Finance	(13,152,400)	(12,609,553)	(11,481,841)	(11,184,571)
Assumed Council Tax Increase	1.9%	2.0%	2.0%	2.0%
Assumed Increase in Council Tax Base		0.5%	0.5%	0.5%

Town/Parish Area Special Expenses - Site Listing

	2015/16 £	2016/17 £	Change
Lewes			
Barons Down	83	80	-3
Bell Lane	8,160	8,190	30
Castle Banks	417	420	3
Grange Road	19	20	1
Jubilee Gardens	1,238	1,240	2
Landsdown Place	161	160	-1
Lewes Library Site	706	710	4
Lewes Railway Land LNR	32,954	35,260	2,306
Malling Railway Cutting	785	790	5
Malling Street	7,781	7,810	29
Phoenix Causeway / Little East Street	14,233	14,290	57
Southover Grange Gardens	90,120	90,860	740
The Gallops	3,762	3,780	18
Timberyard Lane	1,076	1,080	4
Valence Road	320	320	0
Waite Close	781	780	-1
Watergate Lane	76	80	4
Stanley Turner	76,633	67,970	-8,663
Convent Field	74,360	64,880	-9,480
Sub-total	<u>313,665</u>	<u>298,720</u>	<u>-14,945</u>
Newhaven			
Avis Road Rec (to be devolved)	7,960	0	-7,960 D
Castle Hill, Newhaven	1,345	1,350	5
Court Farm Road Island	364	370	6
Denton Island	12,769	12,820	51
Drove Park (to be devolved)	1,462	0	-1,462 D
Huggets Green (West Quay)	6,645	6,670	25
Meeching Down Open Space	9,727	9,770	43
Newhaven Town Centre	4,708	4,730	22
Riverside Park (to be devolved)	393	0	-393 D
Valley Road / Parkour (to be devolved)	4,650	0	-4,650 D
West Quay (South) Open Space	721	720	-1
Denton Rec (to be devolved)	7,213	0	-7,213 D
Eastside Rec (to be devolved)	31,375	0	-31,375 D
Fort Road Rec, Outdoor Gym and Skate park	63,219	62,200	-1,019
Sub-total	<u>152,551</u>	<u>98,630</u>	<u>-53,921</u>
Telscombe			
Fairlight Avenue	28	30	2
Telscombe Cliff tops	18,495	18,570	75
Telscombe Playing Fields	33,041	32,830	-211
Sub-total	<u>51,564</u>	<u>51,430</u>	<u>-134</u>

Town/Parish Area Special Expenses - Site Listing

	2015/16 £	2016/17 £	Change
Seaford			
Alfriston Road OS	675	680	5
Anthony's Close	345	350	5
Aquila Park	485	490	5
Bowden Rise	1,399	1,400	1
Brickfields, Seaford	1,266	1,270	4
Chalvington Close Verge	593	600	7
Chalvington Field	12,142	12,190	48
Foster Close OS	775	780	5
Hurdis Road	1,307	1,310	3
Katherine Way Open Space	1,790	1,800	10
Micklesfield OS	4,777	5,530	753
Normansal Park OS	1,585	1,590	5
Rookery Way	705	710	5
Seaford Close	811	810	-1
St. Crispian's	7,125	7,150	25
Valley Dip Play Area	3,945	3,960	15
Downs Rec	13,839	13,920	81
Sub-total	<u>53,564</u>	<u>54,540</u>	976
Peacehaven			
Firle Road Walkway	1,890	1,900	10
Lake Park	3,404	3,420	16
Meridian Park	16,516	16,590	74
Peacehaven Cliff Tops	17,582	17,660	78
Sub-total	<u>39,392</u>	<u>39,570</u>	178
Chailey			
The Martlets, South Chailey	1,068	1,070	2
Hamsey			
The Malthouse, Cooksbridge (to be devolved)	185	0	-185 D
TOTAL	<u>611,989</u>	<u>543,960</u>	-68,029

D = Special Expenses will not be charged in 2016/2017 as a result of the devolution of these sites.

Following devolution, the Town/Parish Councils will bear the cost of managing and maintaining the sites as part of their own budget requirements.



SOCIETY OF DISTRICT COUNCIL TREASURERS

President: Norma Atlay, CPFA

Date: 15 January 2016

Dear Sir,

The provisional Local Government Finance Settlement 2016/17 and an offer to council for future years

This letter is in response to the consultation document published by the DCLG on 17 December 2015 regarding the provisional LG Finance Settlement. The Society of District Council Treasurers has a membership of 182 Chief Financial Officers from district councils nationally. The response to this consultation seeks to represent the views of the membership of the Society.

The Society has not responded to all the questions as set out in the consultation document unless appropriate to do so as we recognise the individual districts will have differing views on some of the issues. We have set out our position on some of the key themes coming out of the provisional settlement and trust our comments will be considered as part of the final settlement.

New Homes Bonus

We welcome the Government's decision to continue with the existing NHB scheme in 2016/17 until such time as the consultation on 'sharpening the incentive' is complete. This also sees the full six year commitment honoured which has made changes to other funding streams more palatable albeit for 2016/17 only.

The four year forecast figures provided by the Government are somewhat misleading as they do not take account of the potential outcome of the proposals set out in the consultation document and so for these figures to be used in our medium term financial planning would be reckless.

We will respond in far more detail to the New Homes Bonus consultation but clearly, what is proposed, will have a dramatic impact on the finances of many district councils' finances and will undoubtedly see some district councils fail.

Many districts will have been forced to use NHB to support 'normal' service delivery in response to the significant reduction in RSG in previous years. We fully understand the pressures of adequately funding Adult Social Care but this is quite clearly a national issue as a result of an ageing population for which additional funding must be found. We strongly disagree that this funding comes from NHB to the extent proposed. There are numerous examples of district councils doing their bit to support the Government with the delivery of new affordable homes. All this will stop as councils shore up their finances to protect front line services

Calculations of Core Spending Power include the over inflated estimates of New Homes Bonus in future years and if adjusted to reflect the Governments preferred options as set out in the consultation document, the potential impact on district councils would be very evident.

The SDCT would suggest that:

- given that the consultation on NHB doesn't close until March, the government's consultation response and final proposals are issued without delay after that to give local authorities as much time as possible to plan for these changes as part of their MTFs reviews and budget setting process for 2017/18. There are a lot of different options, some of which would have a significant impact on income e.g. for those authorities that don't have a local plan in place.

Revenue Support Grant

Most councils will have forecast a significant reduction in their RSG estimates with the expectation that this core funding will have all but ceased by 2019/20. It is fair to say that we were not prepared for the significantly more dramatic reduction in RSG set out by the Government and the introduction negative RSG shown as a 'tariff'.

There are some district councils who will not receive any RSG as early as 2017/18 and incur a tariff. Four times as many councils will be affected by 2018/19 and by 2019/20, over 80% of districts will be contributing £153m to other tiers of local government.

This is as a direct result of the changes made to allocation of central funding in 2016/17 and adding council tax yield into the equation. Quite clearly, those councils with higher tax bases and above average council tax rates will be penalised.

In previous settlements, where there has been a significant shift in the allocation of funds, some damping has been applied to mitigate the impact for those most adversely affected. We note there is no indication that this will be applied to the proposed settlement.

The Government should note that whatever funding gap district councils had previously forecast for future years which brought about the need to accumulate balances will be significantly greater if no change is made to the proposals. The Governments aim of getting councils to use their balances will have been achieved and then what?

It appears to be the case that the Government places little value on the essential services provided at a local level by district councils. It is of the view that such a squeeze on the finances will force districts to look to their upper tier councils to form other organisational structures that will absorb these functions and services and provide them more efficiently without the Government being asked to fund reorganisation.

It should also be acknowledged that many district councils also provide some Adult Social Care services for example, meals on wheels and community alarm services. District Councils also provide parks, open spaces and leisure facilities which contribute to general well-being and allow residents to remain independent for longer. If such were to cease, greater pressure would be placed on upper tier council budgets in the longer term.

Much is said about streamlining" back office" services but this is already being done and there are many examples of formal sharing of services or informal

collaborations which have delivered tangible savings. It should, however, be borne in mind that after years of efficiency and streamlining services, the front line services we seek to protect need support services at current levels to enable them to function effectively.

The SDCT would suggest that:

- The Council Tax Yield estimates are adjusted to reflect more realistic growth
- That damping is applied to the calculation of RSG to protect those councils adversely affected by the changes to the calculation of RSG allocations

Council Tax Increases

We welcome that the Government is allowing districts with lower quartile council tax rates to increase council tax by more than 2% but question how £5 has been arrived at and why this flexibility is limited to lower quartile authorities. This also penalises those local authorities that may have a higher Band D Council Tax level but a lower average Council Tax due to having the majority of properties at lower bands, which reduces their tax raising ability.

It seems to be an unnecessary bureaucratic device and the public locally find it bizarre that central government should concern itself with such tiny monetary values and micro-managing what is probably the most democratically set tax in the country. Given the other dramatic cuts to funding in RSG and NHB, councils must be given the freedom to set the council tax level locally based on local need and local understanding of the services and demands on those services.

The SDCT would suggest that:

- If the amount is to remain at £5, this flexibility to raise council tax by the greater of £5 or 2% should be for all councils.
- Councils should be free to set Council tax at the level local politicians are prepared to support in order that they can deliver the services the local electorate desire.

Council Tax Assumptions

In future years, the Government's calculation of Core Spending Power includes assumptions on council tax growth which are flawed. There is implied tax base growth of 2% per annum in the calculation of Core Spending Power as opposed to 0.8% historical annual growth.

The calculations are based on average growth between 2013/14 and 2015/16 which will have seen a certain amount of distortion and flux with the introduction of Local Council Tax Support schemes. Different councils will have introduced new schemes and changes to schemes in different years in response to previous finance settlements to offset the loss of funding for LCTS. Council tax bases will have increased not due to growth, but due to lower discounts being awarded to offset loss of funding.

The SDCT would suggest that:

- the Government use the OBR forecasts of tax base growth as in previous years.

Business Rates

The settlement documents show a significant increase in forecast business rates income between 2016/17 and 2017/18, which is due to a government assumption about a reduction in appeals following the revaluation. If this estimate is inaccurate this will lead to an even greater reduction in overall funding for local authorities.

The SDCT would suggest that:

- the government reviews these forecasts and provides some commitment to revisit the funding total if appeals are greater than forecast.

Transfers of Funding into the Settlement

We welcome that a number of funding streams are proposed to be included in the settlement but in doing so, they are subject to the reduction in RSG and for many districts paying tariffs in future years, will not see the benefit of this for very long.

There is also concern that the funding for Local Council Tax Support is no longer in the settlement and so councils are no longer fully funding this discount scheme. If this is the case, councils should be given far greater flexibility on the design of their local scheme. District Councils will no longer be in a position to pay the parish and town councils their share if we are no longer receiving it.

The SDCT are suggesting that the Government review this and that as a local council tax discount scheme, the protection for pensioners is removed and councils can have complete flexibility in the discounts given including those to single occupiers.

Four-year settlements: an offer to all councils

The Government are aware that councils have been calling for multi-year settlements since we stopped receiving them. Our ability to plan and make long term decisions has been severely hampered by the constant uncertainty and trying to second guess what policy may be applied to determining finance settlements each year.

SDCT welcome the 'offer' but question why there needs to be strings attached and what the consequences are of not accepting the offer given the impact the provisional figures will have on our finances.

Accepting the offer implies acceptance of the figures despite the concerns expressed in this response about the Government's methodology. More information is needed about the benefits and risks of accepting this offer and the implications of not.

Councils will have efficiency and savings plans in place, many of which will need revisiting in light of this settlement. It is unlikely that councils will be in a position to demonstrate how they will manage the budget deficit opening up over their medium term financial plans for some time and in the mean time, general fund balances and reserves will no doubt have to be used. We will need to understand what the Government expects to see in terms of an efficiency plan before decisions can be made about accepting this offer.

Conclusion

All local authorities understand the Government's need to address the level of public spending and all have played a part in the delivery of significant savings

over many years whilst protecting frontline public services. Our ability to keep doing this over many more years is diminishing.

We also accept that whatever methodology is used, there will be winners and losers but much of this is made easier if we understand the rationale and that the system is fair and transparent. We would welcome more transparency in understanding how some of the figures in this settlement have been arrived at and for the government to demonstrate how 'need' has been taken account of.

We hope the comments we have made in this response will inform the final settlement and that the Government will give serious consideration to the points we have made about our ability to raise income from council tax and fees and charges.

SDCT Executive