Agenda Item No: 13

Cabinet recommendations for consideration by Council at the Meeting of the Council on Thursday, 23 February 2017

Cabinet – 8 February 2017

63 General Fund Revenue Budget 2017/2018

The Cabinet considered Report No 22/17 which related to the 2017/2018 General Fund Revenue Budget which, it was proposed, be recommended to the Council.

Section 25 of the Local Government Act 2003 contained the statutory duty on the Chief Finance Officer to report to the authority on the robustness of the estimates it made when setting the Council Tax and on the adequacy of its proposed financial reserves. The Chartered Institute of Public Finance and Accountancy had issued updated guidance in July 2014 in relation to reserves and balances which had been taken into account in the preparation of the Report.

The Council's reserves and balances needed to cover all significant identified risks and operational service needs. As part of the annual budget and closing of accounts processes, the Council reviewed and approved the position on its reserves. A statement of the Council's Main Reserves projected through to 31 March 2018 was set out at Appendix D to the Report whilst paragraphs 9.7 to 9.10 of the Report set out further details in respect thereof.

The Council Tax Collection Fund Balance and the Non Domestic Rates Collection Fund Balance were key components of the Council Tax setting process. A principle of the Medium Term Financial Strategy (MTFS) was to achieve a zero balance, or as close as possible, each year. A review of the

likely Collection Fund position was made at 31 March 2017 including a review of the provision for doubtful debts.

There was an estimated credit balance of £1.7m on the Council Tax Collection Fund which could be utilised in the 2017/2018 budget. The surplus would be redistributed to preceptors as detailed in paragraph 10.2 of the Report.

A debit balance of £1.4m was estimated on the Business Rates Collection Fund at 31 March 2017 as a consequence of the provision needed in respect of business rates valuation appeals. The balance would be charged against the 2017/2018 budget shared as detailed in paragraph 10.3 of the Report.

Paragraph 13 of the Report set out the Report of the Chief Finance Officer who was the Council's principal financial advisor and who had statutory responsibilities in relation to the administration of the Council's financial affairs. The budget proposals that were set out in the Report had been prepared in accordance with the Council's policy framework and reviewed by the Corporate Management Team, Heads of Service, Lead Councillors and the Scrutiny Committee.

The commentary within the Report provided a framework for achieving a sustainable medium term budget position. The level of the Council's reserves, balances and provisions were adequate and prudent for the commitments within the MTFS.

Paragraph 5 of the Report related to the 2017/2018 General Fund Budget for which, in the table in paragraph 5.1, indicated the change in resources that were made available to the Council from the Government.

The General Fund Budget Summary for next year was shown at Appendix B to the Report together with the movement between 2016/2017 and 2017/2018. A statement showing the major variations that arose from the Council's efficiency programme, inflation, variations in income and changes in demand for services, was given at Appendix C.

With regard to the Business Rates that were retained by the Council under the retention arrangements that had been introduced by the Government from 1 April 2013, the amount shown for 2017/2018 was indicative at the level included within the 2016/2017 budget. The Government was late in releasing details of the National Non-Domestic Rates (NNDR) transitional relief scheme which would apply to businesses affected by the 2017 Revaluation. As a result, software suppliers were required to delay the release of the NNDR system updates that would make the necessary calculations. At the time that the Report was being prepared, the Council's system was in the process of being updated. The Report indicated that the final estimate of retained business rates income, derived from the detailed business rates estimates, that were to be reported to Government through the annual NNDR1 return, should be available to the Cabinet at this meeting. It was expected to offset the change between projection and final estimate by a contribution to/use of the Strategic Change Reserve. It was reported at the meeting that the final adjustment was

£112,500.

Paragraph 4 of the Report set out details relating to the Council's council tax requirement for 2017/2018 in respect of which the average band D tax each year was calculated as indicated in paragraph 4.1 and for which the aggregate requirement comprised two elements namely Special Expenses and General Expenses as outlined in paragraph 4.2.

The Council was committed to passing on changes in the cost of the upkeep of open spaces which reflected the devolution of such assets to town and parish councils.

By applying a 1.9% increase to the General Expenses element of the Council Tax gave a Band D tax amount of £178.74 as shown in the table in paragraph 4.4 of the Report. The increase in the total council tax requirement in the sum of £4.44 was within the £5 limit for triggering a referendum.

The Scrutiny Committee, at its meeting on 12 January 2017, had considered a Report relating to the 2017/18 Budget Overview and Tax Base in respect of which it had agreed that no specific comments in respect of the Report be forwarded to the Cabinet ahead of this meeting.

Resolved:

63.1 That the contributions to reserves and use of reserves, as set out in Appendix D to Report No 22/17, be noted;

63.2 That it be noted that the Scrutiny Committee, at its meeting on 12 January 2017, had considered a Report relating to the 2017/18 Budget Overview and Tax Base in respect of which it had not made any no specific comments to the Cabinet;

63.3 That the Council Tax and Business Rates Collection Fund balances to be returned in 2017/2018, be noted;

63.4 That the statutory report of the Designated Chief Finance Officer, as required by section 25(1) of the Local Government Act 2003 and as set out in section 14 of Report No 22/17, be noted; and

63.5 That completion of the statutory Non Domestic Rates Return (NNDR1) and consequent retained rating income for 2017/2018, as explained in paragraph 5.2(f) of Report No 22/17, be noted.

It was further

Recommended:

63.6 That an aggregate Council Tax requirement of £7,089,200 (a Band D Council Tax increase of £4.44, 2.3% for the aggregate Lewes District Council "Council Tax Requirement") be agreed, comprising — DCE (to note)

a. A General Expenses Council Tax requirement of

£6,496,260 (1.9% increase in tax rate)

b. A Special Expenses Council Tax Requirement of £592,940; and

63.7 That following publication of the Final 2017/2018 Local Government Finance Settlement, the Deputy Chief Executive be authorised to make the necessary adjustments to maintain the general expenses council tax requirement at the above level and to report any adjustments to the next Cabinet meeting. DCE (to note)

Reasons for the Decisions:

Cabinet is required to approve the budget in accordance with the Council's Constitution. Budget Report No 22/17 sets out the level of General Fund revenue resources needed to support the Council's priorities and services.

The Council has a statutory duty to determine its Council Tax Requirement and level of Council Tax for the coming year. Cabinet makes a recommendation to Council on this matter having taken account of the Deputy Chief Executive's statutory report on the adequacy of reserves and balances.

† *The Recommendations, and not the Resolutions, in the above Minute are for consideration by Council.*

Councillors are requested to bring with them to the meeting Report No 22/17 which was circulated with the agenda papers for the meeting of the Cabinet on 8 February 2017. If you require a further copy of the document please contact Trevor Hayward, Committee Officer, on e-mail trevor.hayward@lewes.gov.uk or telephone 01273 471600.

64 Housing Revenue Account Budget 2017/2018

The Cabinet considered Report No 23/17 which related to the Housing Revenue Account Budget 2017/2018, further details of which were set out at Appendix 1 thereto.

The national Housing Revenue Account self-financing system allowed all income generated to be kept locally and available to fund the maintenance and management of the housing stock, service debt and acquire and provide additional Social Housing.

Part 4 of the Housing and Planning Act 2016 had introduced powers:

- That required councils to consider selling high-value homes and

require them to make payments to central government calculated on the assumption that such homes would be sold as they became vacant. Implementation of the proposal, which was still being evaluated by Government, would not take place in 2017/18 as had been expected. It was not possible to evaluate the financial impact on the Housing Revenue Account with any certainty;

- That required councils, along with housing associations, to charge market or near-market rents to tenants with household incomes above £31,000 a year (£40,000 in London). The Government had subsequently decided not to proceed with that policy in its current form. However, councils had the discretion to implement the policy for tenants with income over £60,000; and

- That required councils to issue 2 to 5 year fixed term tenancies to nearly all new tenants.

The budgets had been prepared on the basis of the national Housing Revenue Account Accounting Code of Practice, with management, maintenance and debt financing costs offset by income from rents, service charges and other contributions. Further details relating to the budget were set out in the Report.

The Welfare Reform and Work Act 2016 required local authority and housing association rents to be reduced by 1% per year for 4 years, starting in April 2016. The budget had been prepared on the basis of an overall 1% reduction in dwelling rents from 3 April 2017. Details relating to the projected rents which were based on data from December 2016, were set out in tables 5 and 6 in paragraph 9.3 of the Report.

The Council had two properties for which the rents were set as Affordable Rents that were based on 80% of the monthly Market Rent. The agreements under which those properties were acquired provide that the rents would increase in April each year by the Retail Price Index (RPI) which, in September, amounted to 2.2% plus 0.5%. Such rents were also subject to the Government's 1% reduction policy referred to above.

Garage Rents were not within the scope of formula rents instead it was left to each council to formulate its own policy in respect thereof. The Council had undertaken a substantial programme of refurbishment works to council garages and, in approving such programme, the Cabinet had agreed that garage rents should reflect the local garage rental market.

A market review of garage rents was undertaken every five years and, in November 2015, District Valuer Services had undertaken a review of market rents. The new rents were implemented from April 2016 which were uprated each subsequent year by the September RPI.

The Council's private sector leasing (PSL) scheme was outside the scope of formula rents and was accounted for in the General Fund. There were currently eighteen such properties that were leased from owners/landlords for

a period of three years and sub-let to homeless families.

The annual rent increase, if any, to owners was dealt with in the head lease. The Council's policy was to increase PSL rents each April by the September RPI inflation factor.

Paragraphs 13 to 17 of the Report set out details relating to proposals in respect of Service Charges. The Communal Service Charge was recently reviewed with the aim of aligning the charges for tenants with those of leaseholders which reflected the organisational change within the Council and the new contracts for grounds maintenance and communal cleaning. The revised charges were implemented from April 2016, with all reductions implemented and increases capped at £3 per week. Such approach had been adopted for the 2017/2018 charges.

The Homeless Accommodation Service Charge for 2017/2018 had been reviewed, in accordance with agreed Council practice, to reflect the proposed budget. The communal element of the charge was eligible for housing benefit.

The Supported Housing Service Charge had been updated to reflect the 2017/2018 budget to achieve full cost recovery. The communal element of the charge was eligible for housing benefit.

Following East Sussex County Council's withdrawal from the Supporting People scheme, the Council had introduced, from May 2016, a redesigned Support Scheme for tenants in sheltered accommodation. The charge for 2016/17 was £3.36 per week which had subsequently been reviewed to reflect the first year of operation. The charge achieved full cost recovery and would increase to £4.14 per week from 3 April 2017.

All other service charges had been updated to reflect the 2017/2018 budget and achieve full cost recovery. They included sundry charges for digital television reception, residual lifeline services and domestic cookers provided at certain properties.

Recommended:

64.1	That the Housing Revenue Account budgets for 2017/18, as set out at Appendix 1 to Report No 23/17, be approved;	DSD (to note)
64.2	That a reduction in dwelling rents of 1%, effective from 3 April 2017, as set out in Section 9 of the Report, be approved;	DSD (to note)
64.3	That a reduction of 1% in Affordable Rents, effective from 3 April 2017, as set out in Section 10 of the Report, be approved;	DSD (to note)
64.4	That an average garage rent increase of 2.2%, effective from 3 April 2017, as set out in Section 11 of the Report, be approved, which is in line with the Business Plan and current Council policy on garage	DSD (to

rentals; note)

64.5 That an increase of 2.2% in Private Sector Leased Property rents, effective from 3 April 2017, as set out in Section 12 of the Report, be approved; DSD (to note)

64.6 That revised Service Charges, effective from 3 April 2017, as set out in Sections 13 to 17 of the Report, be implemented; and DSD (to note)

64.7 That the 30-year Housing Business Plan be updated. DSD (to note)

Reason for the Decisions:

To enable the Council to fulfill its legal obligations to produce a balanced Housing Revenue Account for 2017/2018.

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65 Capital Programme 2016/2017 to 2019/2020

The Cabinet considered Report No 24/17 which related to the revised 2016/2017 Capital Programme, the 2017/2018 Capital Programme, the outline Capital Programme 2018/2019 to 2019/2020 and the associated Prudential Indicators.

As part of the annual budget cycle the Cabinet considered what level of capital support to allocate to its policy programme. It also considered the medium term position in relation to likely capital needs and available resources.

Part 1 of the Local Government Act 2003 had introduced a framework for local authority capital expenditure and financing namely, the 'Prudential Capital Finance System'. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, which defined that system, required local authorities to follow the 'Prudential Code for Capital Finance in Local Authorities' (the Prudential Code) when taking their decisions. The Prudential Code required authorities to set a number of 'Prudential Indicators' before the beginning of each financial year, further details of which were set out in paragraph 6 of the Report.

The approved 2016/2017 Capital Programme was set out in lines 1 to 29 of Appendix 1 to the Report which had a total value of £26.160m that included the full cost of implementing new capital schemes although some of the expenditure would fall into 2017/2018 and, potentially, later years.

Details relating to a projection of the core resources that would be available at 1 April 2017 to fund capital expenditure, other than borrowing, were set out in paragraph 5.3.1 of the Report.

The Prudential Code required local authorities to plan their capital expenditure programme for at least three years ahead. The most detailed information was available for year 1, with the programme for years 2 and 3 liable to variation when more precise forecasting could be undertaken in respect of both the availability of capital resources and spending requirements.

The recommended Capital Programme for 2017/2018 to 2019/2020 was set out at Appendix 2 to the Report however, the items shown for 2018/2019 and 2019/2020 were provisional.

Paragraph 5.4.3 of the Report set out details relating to the Housing Capital Programme which, at lines 2 to 15 of Appendix 2, showed a total value of £6.656m in 2017/2018.

Paragraph 5.4.4 of the Report set out details relating to the General Fund Capital Programme in respect of which, at lines 16 to 33 of Appendix 2, the Non-Housing Programme had a proposed value in 2017/2018 of £7.900m which excluded any provision that Cabinet might make available when it considered the General Fund Revenue Budget for 2017/2018.

Recommended:

65.1	That the revised 2016/2017 Capital Programme of £23.819m, as set out at Appendix 1 to Report No 24/17, be approved;	DCE (to note)
65.2	That the 2017/2018 Capital Programme of £14.556m, as set out at Appendix 2 to the Report, be approved;	DCE (to note)
65.3	That the outline Capital Programme 2018/2019 to 2019/2020 of £19.612m, as set out at Appendix 2 to the Report, be approved; and	DCE (to note)
65.4	That the Prudential Indicators in respect of the Capital Programme detailed in Section 6 of the Report, be approved and adopted for 2017/2018.	DCE (to note)

Reasons for the Decisions:

As part of the annual budget cycle the Cabinet considers what level of capital support to allocate to its policy programme. It also considers the medium term position in relation to likely capital needs and available resources. The

Council's Constitution requires Cabinet to make a recommendation to Council on the level of the Capital Programme budget.

Part 1 of the Local Government Act 2003 introduced a framework for local authority capital expenditure and financing, the 'Prudential Capital Finance System'. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, which define this system, requires local authorities to follow the 'Prudential Code for Capital Finance in Local Authorities' (the Prudential Code) when taking their decisions. The Prudential Code requires authorities to set a number of 'Prudential Indicators' before the beginning of each financial year.

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66 Annual Treasury Management Strategy Statement and Investment Strategy 2017/2018 to 2019/2020

The Cabinet considered Report No 25/17 which set out the proposed Treasury and Investment Strategies for 2017/2018 to 2019/2020. It also sought the determination of the 2017/2018 authorised borrowing limit; the Council's 2017/2018 Investment Strategy; and the method of calculating the Council's Minimum Revenue Provision.

The draft Strategy Statement was to be found at Appendix 1 to the Report which set out the background to the Council's treasury management activity in terms of the wider economy and the Council's own current and projected financial position. It detailed the approach that would be taken to borrowing and the investment of cash balances. It explained the risks that were inherent in treasury management and how they were to be mitigated.

The content of the draft Strategy Statement followed the requirements of the Chartered Institute of Public Finance and Accountancy's revised Code of Practice that had been published in November 2011 and had been prepared with the support of Arlingclose, the Council's Treasury advisers.

In 2016/2017 the Council had expanded its commercial property portfolio in order to generate revenue income streams. Such investment of financial resources in property assets was outside the remit of the Strategy which only had a remit of treasury management activity.

The Audit and Standards Committee had considered the draft Strategy Statement at its meeting on 16 January 2016 in line with the Code of Practice's recommendation that the annual Treasury Strategy should be subject to scrutiny. That Committee had made no specific comments for Cabinet to consider. However, the Committee's review had not encompassed the Prudential Indicators as some of them were still subject to final calculation pending the finalisation of the draft Capital Programme.

The draft Strategy Statement that had been presented to the Audit and Standards Committee contained values which included capital expenditure, use of reserves and capital financing requirement, which were best estimates at the time that its Report had been prepared which might have been revised when draft budget papers were finalised for consideration by Cabinet. However, it was expected that any revisions would be immaterial, with no bearing on the proposed Strategy.

Paragraph 3 of the Report set out details relating to the context of the 2017/2018 Strategy Statement and paragraph 4 outlined proposed changes to the Investment Strategy.

Recommended:

66.1	That the Treasury Management Strategy Statement and Investment Strategy 2017/2018 to 2019/2020, set out at Appendix 1 to Report No 25/17, be adopted;	DCE (to note)
66.2	That the Council's 'Prudential Indicators' for the year be those set out in Appendix B of the Strategy document;	DCE (to note)
66.3	That the Council's level of affordable borrowing, determined in accordance with the Local Government Act 2003, be subject to the following limits:	DCE (to note)

	2017/2018	2018/2019	2019/2020
Authorised limit for external debt	£85.5m	£88.5m	£91.5m

66.4	That the Council's approach to allocating debt and associated costs between the Housing Revenue Account and General Fund be as set out in Section 9 of the Strategy Statement; and	DCE (to note)
66.5	That the Council's Minimum Revenue Provision be calculated as set out in Section 13 of the Strategy Statement.	DCE (to note)

Reasons for the Decisions:

The Council has adopted the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management. In accordance with the Code of Practice, the Cabinet recommends to Council an Annual Treasury

Strategy Statement before the start of each financial year. This includes an Investment Strategy for the year ahead (which Government guidance notes should be adopted by full Council) as well as 'Prudential Indicators' which are required to be set in order to comply with the 'Prudential Code for Capital Finance in Local Authorities' (The Prudential Code). The majority of these indicators are an essential element of an integrated treasury management strategy.

The Local Authorities (Capital Finance and Accounting)(England)(Amendment) Regulations 2008 place a duty on local authorities to make a prudent provision for debt redemption. Guidance has been issued by the Secretary of State on determining 'Minimum Revenue Provision'.

Section 3 of the Local Government Act 2003 requires the Council to determine and keep under review how much money it can afford to borrow. This is known as the 'affordable borrowing limit'.

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