

ARUN DISTRICT COUNCIL BUDGET 2020/21

REPORT BY THE GROUP HEAD OF CORPORATE SUPPORT

1.0 Introduction

- 1.1 The Fair Funding Review has been delayed and 2020/21 represents a roll forward settlement. The 4 year settlement that the Council accepted in 2016/17 (Revenue Support Grant; and Top-ups and Tariffs related to Retained Business Rates, including s31 grants) ended in 2019/20.
- 1.2 The 2020/21 provisional local government finance settlement had been anticipated in early December, following the consultation published on 3rd October, but was delayed by the General Election. A statement from the Ministry of Housing Communities and Local Government (MHCLG), said: “The department anticipates the provisional settlement will be a priority for ministers to consider after the general election”. The provisional settlement was received on 20 December 2019 with the final settlement anticipated in January 2020.
- 1.3 This report sets out the Capital, Housing Revenue and General Fund Revenue budget for 2020/21. These budgets have been prepared taking account of the following:
 - The Medium Term Financial Strategy 2019/20 to 2024/25 considered at Cabinet 2nd September 2019.
 - The technical consultation on the local government finance settlement issued by the Ministry of Housing, Communities and Local Government (MHCLG) on 3 October 2019.
 - Housing Revenue Account business plan 2019-2020 update approved at Full Council 13th March 2019.
 - The successful application of the West Sussex Rate Retention Pool for 2020/21
- 1.4 The Local Government Act 2003 requires the Chief Financial Officer to report on the robustness of the estimates made for the purposes of calculating Council Tax and housing rent levels, and the adequacy of the proposed financial balances. I am satisfied that the estimates, as presented in the draft budget, are sufficiently robust and that the reserve balances proposed for 2020/21 are adequate. However, there is significant risk from 2022/23 for the General Fund when the Council’s Funding Resilience reserve is anticipated to be depleted. In addition, the HRA Business Plan and future years budgets need to be closely monitored to ensure that the stock

acquisition programme and enhanced repairs and improvements programme remain affordable.

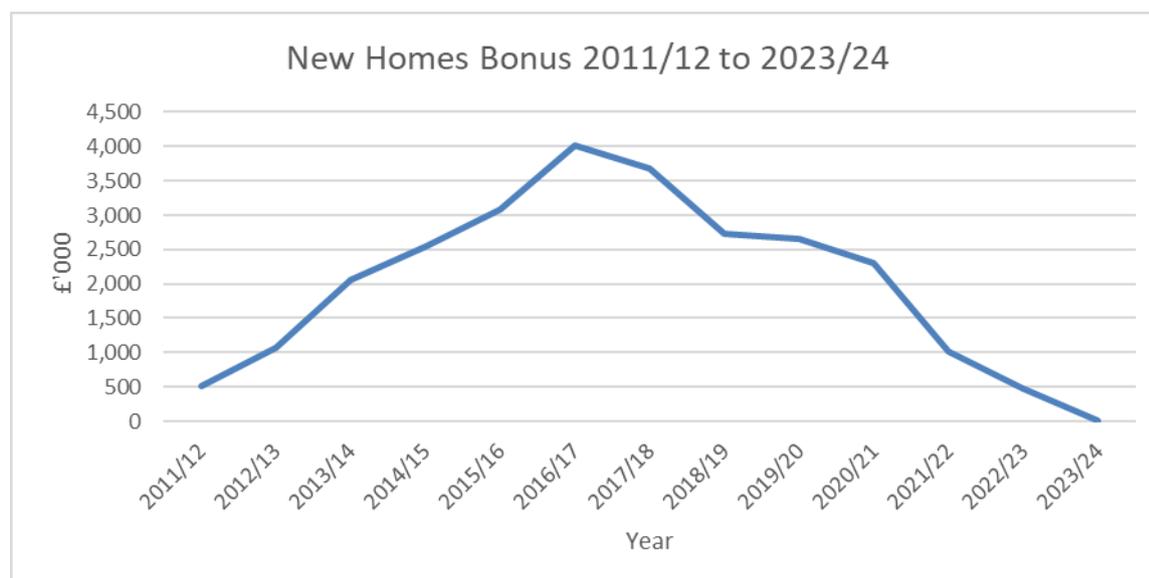
2.0 Local Government Finance Settlement and Council Tax

- 2.1 The MHCLG's technical consultation on the local government finance settlement sets out the Government's intended approach to the 2020/21 settlement. The Government is proposing to 'roll forward' the 2019/20 local government finance settlement. However, this could be subject to change depending on the outcome of the consultation.
- 2.2 The Council stopped being in receipt of RSG (Revenue Support Grant) in 2018/19. The negative £430k (payment to the Government) proposed for 2019/20 was cancelled by the Government and is also cancelled for 2020/21. The Fair Funding Review (FFR) and 75% Business Rate Retention scheme have been delayed. This was reflected in the assumptions contained in the Council's latest Medium Term financial Forecast that was considered at cabinet on 2 September 2019.
- 2.3 The Business Rate Retention scheme was introduced in April 2013. The scheme focuses on promoting economic growth through the local retention of business rates. The scheme has also transferred a considerable risk to the council by linking MHCLG support directly to the local economy. This is a strong incentive for the Council to ensure that the business ratings list is fully inclusive and to encourage a buoyant local economy. It is also important to note any significant negative changes in the value of the ratings list will directly reduce the level of funding received in future, such as valuation appeals which can be backdated.
- 2.4 The Council has benefitted from, comparatively, large increases in its business rates base due to the substantial growth in the area. A full reset of the Business Rates system in 2021/22 which would change the current tariffs, top ups and baselines and effectively remove the growth that an authority is able to retain. The delay in the new system has significantly benefitted the Council, but constitutes a significant risk going forward.
- 2.5 The West Sussex Business Rate Retention Pilot led by WSCC with all Districts and Boroughs and the County as members ends on 31 March 2020. The bid for a new business rates pool consisting of West Sussex County Council, Adur, Arun and Horsham has been successful.
- 2.6 The New Homes Bonus (NHB) was introduced in 2011/12. The aim of the grant was to create an incentive which rewards local authorities that deliver sustainable housing growth in their areas. The NHB is shared between Arun (80%) and WSCC (20%). The scheme has undergone major reviews and changes having started off with 6 years of payments, which was reduced to 4 years. The scheme is being wound down, with 2020/21 being a one-off payment and only the legacy payments for prior years will be received in future years.
- 2.7 The New Homes Bonus for 2020/21 is £2.295m (reduction of £369k). This includes the affordable homes premium. The baseline or deadweight adjustment for growth deemed to have happened anyway continues at 0.4 percent for 2020/21. The level of

NHB is summarised in the table below and, again the withdrawal of this funding stream constitutes a significant risk:

NHB Payment relating to:	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
2011/12	509	509	509	509	509	509	0	0	0	0
2012/13		556	556	556	556	556	0	0	0	0
2013/14			1,000	1,000	1,000	1,000	1,000	0	0	0
2014/15				484	484	484	484	0	0	0
2015/16					539	539	539	539	0	0
2016/17						926	926	926	926	0
2017/18							728	728	728	728
2018/19								540	540	540
2019/20									470	470
2020/21										557
Total	509	1,065	2,065	2,549	3,088	4,014	3,677	2,733	2,664	2,295

2.8 The New Homes Bonus, which is anticipated to be zero by 2023/24 is summarised and projected in the chart below:



2.9 Non-ringfenced government grants have increased by £261k to £9.036m in 2020/21 (£8.775m 2019/20). This is due to an anticipated increase in Retained Business Rates (including Collection Fund Surplus relating to prior years) of £671k. It has already been mentioned in 2.4 above that the proposed Business Rate reset planned for 2021/22 will significantly adversely affect the level of Retained Business Rates for future years. The negative RSG of £430k (anticipated from 2019/20) was not implemented by the government (with the Government bearing the additional cost) in 2020/21 and this will now be rolled up in the Better Funding Formula from 2021/22. The Housing Benefit administration grant has been reducing significantly with an additional reduction of £39k anticipated in 2020/21 to reflect the introduction of Universal Credit which has resulted in case load transfer to the Department of Work and Pensions (DWP).

2.10 The changes in Government grant funding are summarised in the table below:

Non-Ringfenced Grant Income			
	Budget	Budget	
	2019/20	2020/21	Change
	£`000	£`000	£`000
Business rates retention*	5,357	6,028	671
New Homes Bonus:	2,664	2,295	(369)
Other non-ringfenced grants:			
Housing Benefits Administration Grant	399	360	(39)
Localising Council Tax Support Administration Grant	170	168	(2)
Business rates collection allowance	185	185	0
Total Other Non-ringfenced grants:	754	713	(41)
Total non-ringfenced grant income	8,775	9,036	261

*restated: including s31 grants, Tariff and Levy

2.11 Council Tax Income – Arun excluding Parish Councils is summarised below:

Actual 2018/19	Arun excluding Parish Councils	Budget 2019/20	Budget 2020/21	Change
60,402	Tax base *	61,281	62,244	963
£176.40	Band D Tax	£181.62	£186.57	£4.95
	Percentage increase			2.73%
£10,655,000	Council Tax Income (excluding parishes)	£11,130,000	£11,613,000	£483,000

*the tax base represents the number of Band D equivalent dwellings in the district adjusted for exemptions, discounts, council tax reduction and the collection rate percentage

The Council Tax income of £11.613m for Arun (excluding Parish/town Councils) referred to in the General Fund Summary (appendix 1) is based on an Arun Band D Council Tax of £186.57, which represents an increase of £4.95 or 2.73% (£5.22 or 2.96% 2019/20). Arun's tax base for 2020/21 shows a significant increase over 2019/20 (from 61,281 to 62,244). This is mainly due to the completion of new dwellings in the District. The government's calculation of the Council's spending power is based on a £5 increase in band D Council Tax.

3.0 Budget Assumptions

- 3.1 The budget for 2020/21 includes a 2.0% pay award. As in previous years, no provision has been made for price increases in goods, services and contracts except where there is clear evidence of the need for it.
- 3.2 With regard to fees and charges, increases have been applied either in accordance with statutory provisions, or, where the Council has discretion, by inflation, having regard to specific service circumstances.
- 3.3 HRA rents have been set at 2.7% (CPI plus1%). Garage rents have been set at 5%.

4.0 General Fund Revenue Budget

- 4.1 A summary of the General Fund Revenue budget showing 2019/20 Original Budget and 2020/21 proposed budget, summarised by Service Portfolio is shown in **Appendix 1**. A summary of the projected movement on General Fund Reserve is shown in the table below:

General Fund Reserve Movement	Original Budget	Current Budget	2020/21 Budget
	£`000	£`000	£`000
Net Budget Requirement	24,525	24,722	26,013
Financed by:			
Government Grants and Retained Business Rates	(8,815)	(9,012)	(9,036)
Council Tax (including collection fund surplus)	(15,710)	(15,710)	(16,360)
Taken From / (Added to) Balances	0	0	617
General Fund Balance 1 April	7,076	7,076	7,000
Supplementary Estimates			
Current Budget Variation Estimated Outturn 2019/20*		85	
Original Budget addition to / (draw down from) General Fund	0	0	(617)
Total (Taken From) / Added to Balances	0	0	(617)
General Fund Balance 31 March	7,076	7,161	6,383

* November 2019

- 4.2 The original budget for 2019/20 assumed no change in General Fund Reserve. Two supplementary estimates for Residential Services have been considered at cabinet (C/027/091219 and C/028/091219) totalling £672k. Comprised of £500k for nightly paid accommodation and £172k for restructuring costs associated with Residential Services. The report also highlighted the on-going base budget growth of £260k for the Residential services restructure (detail in 4.5). The supplementary estimates are subject to approval by Full Council on 15th January 2020. These changes result in an anticipated General Fund balance of around £7m at the end of 2019/20, subject to the positive current budget variation continuing. The General Fund balance is anticipated to drop to around £6m at the end of 2020/21 (£4m minimum balance).

4.3 The Council has received and is anticipating the receipt of significant one-off sums for maintenance in perpetuity in respect of a number of sites. However, the receipt of these sums will also lead to the requirement for additional revenue expenditure in respect of maintaining the relevant sites. These sums are not included in the budget for 2020/21 or the estimated outturn for 2019/20 as the timing of the receipts is not certain. These receipts will be used for the future development / maintenance of the Council's assets.

4.4 A summary of headline changes is given in the table below:

General Fund Budget 2020/21	Changes +/- > £ 100k	£`000
Pay award (2%)		255
Increments		108
Increase in Residential Services establishment		260
Increase in homelessness - nightly accommodation		240
Major Contracts inflation (including property growth)		168
Reduction in Recycling Credits (second year)		857
Housing Benefit Increase in Rent Allowances (net)		220
Fall out of District Election (net)		(105)
Revenues and Benefits IT system		140
Increase in fees and charges		(150)
Fall out of 2019/20 contingency items		(383)
Contingency Items 2020/21		1,589
Capital expenditure financed from revenue fall out of 2019/20 programme		(2,020)
Capital expenditure financed from revenue 2020/21 programme		2,728
Increase in Financing from Earmarked Reserves		(1,407)
Council Tax increase		(483)
Reduction in New Homes Bonus		369
Increase in Business Rates		(213)
Collection Fund* (surplus)/ deficit		(552)
Homelessness Reduction Grant (one off)		(507)
Other changes +/-<£100k		(497)
Net change in budgeted reserve movement		617
* Council Tax and Retained Business Rates		

4.5 In addition to the 2% pay award of £255k, the establishment has increased by £260k due to the additional posts in Residential Services to deal with homelessness and homeless prevention. A comprehensive review on how the Council delivers its homeless and housing options services, was carried out, with the aim of a greater focus on the prevention and relief of homelessness in order to move applicants on from emergency accommodation more quickly. The resulting restructure increased the permanent establishment by 6 posts. C/028/09122019 plus two (2 year) fixed term contract posts funded from the balance of the current flexible Homelessness support grant. £260k of the Flexible Homelessness Support Grant (total £507k for 2020/21) has been earmarked to fund these posts in 2020/21, however, these posts result in

base budget growth from 2021/22 (the balance of the expenditure to be funded from the grant has been included in the contingency budget).

- 4.6 Expenditure on nightly paid accommodation has been increasing significantly with estimated outturn net expenditure of £1.130m for 2019/20. A supplementary estimate of £500k has been requested (C/027/09122019) for the remainder of 2019/20. The increase is mainly due to an increase in the overall homeless levels and because the Homeless Reduction Act, which increased the time when an applicant can present as homeless or threatened with homelessness from 28 to 56 days. This has led to more presentations and more use of emergency accommodation. The Homelessness budget has been increased by £240k for nightly paid accommodation as the full benefit of the additional staff (paragraph 4.5 above) from less placement into emergency accommodation and shorter stays is not anticipated until 2021/22. An additional £250k has been added to the contingencies budget, which will be drawn down if required.
- 4.7 The GF budgeted pension deficit contribution has reduced by (£421k), this is mainly due to the effect of the triennial valuation of the fund which has resulted in a significant reduction (£389k) in the lump sum annual payment for past service costs. However, the current cost, which is charged to service has increased by £360k (this is included in the establishment in the portfolio totals). This net reduction for the GF is (£61k).
- 4.8 Major contracts are anticipated to increase by £168k (comprised of £144k inflation and £24k due to increase in the number of properties), with a (£81k) increase in the contribution from the Leisure contract.
- 4.9 The Council will no longer be in receipt of recycling credits for 2020/21 resulting in a further budget reduction of £857k. The Budget was already reduced by £131k in 2019/20 following the termination of the Memorandum of Understanding by West Sussex County Council.
- 4.10 The change in financing is mainly due to the enhanced capital programme for 2020/21 being funded from earmarked reserve. Please see section 8.6 for further details.
- 4.11 Housing Benefit payments and case load began to fall in the last quarter of 2017/18, largely due to the introduction of Universal Credit and the situation has continued to date (current rate of 100 per month). The budget for Rent Allowance payments has been reduced to £33.000m from the budget for 2019/20 of £34.750m (outturn 2018/19 £37.508m). There has been an increase in the eligible rents over the Rent Officer determination, where subsidy is only payable at 60% (with the Council having to fund the balance). These changes have resulted in a £220k adverse variation on Rent Allowances when allowing for Housing Benefit subsidy received.
- 4.12 The Rent Rebates budget shows a favourable variation of (£92k) after subsidy, mainly due to an increase in recoveries of overpayments from non HRA Rent Rebates. The net effect of Housing Benefit payments after the receipt of government subsidy is extremely difficult to predict as it is a demand led service and subsidy (and administration grant) is dependant on caseload, changing economic conditions and the level of subsidy provided. This has also been reflected in the reduction in Housing Benefit Administration grant that is received from the DWP (see 2.9 above).

4.13 The budget has also increased by £140k for additional costs associated with the replacement Revenues and Benefits system. The introduction of the new system is expected to make efficiency savings from 2020/21.

4.14 The Contingencies and Special Items budget is assessed each year as a provision for known possible service changes that have not been sufficiently developed to fully cost into the budget. These budgets, totalling £1.589m, are a significant increase (£1.206m) from 2019/20 (£383k), will be vired to service during 2020/21, made available as corporate underspend or returned to balances if not required. The significant increase from 2019/20 to 2020/21 is mainly due to the budget growth items identified in the Council's Strategic Targets 2019-2023 report summarised below:

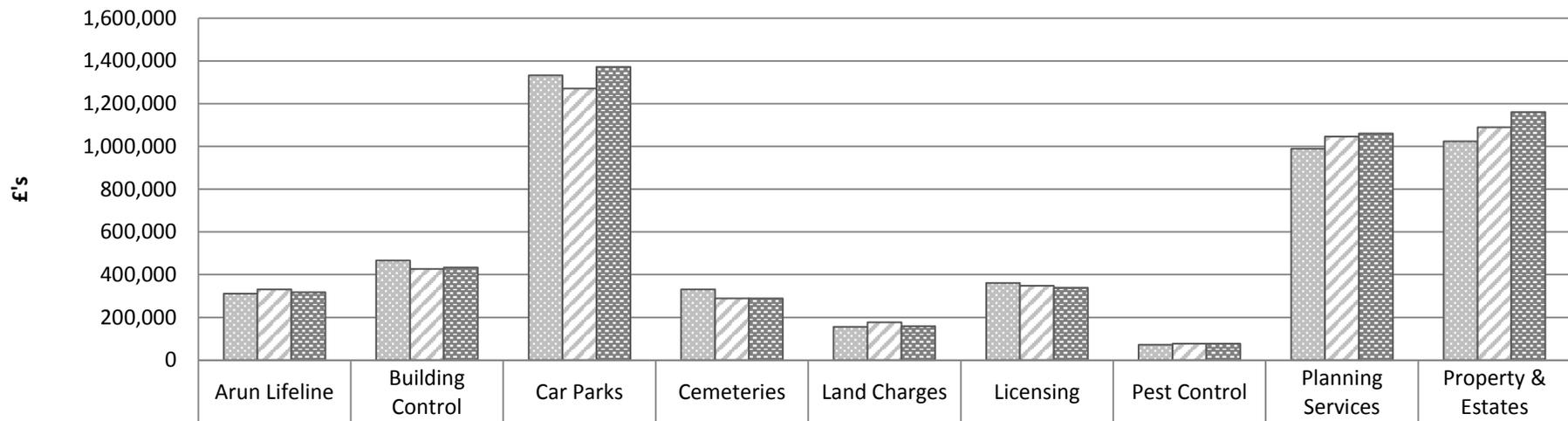
Strategic Council Targets 2019-2023 related budgets 2020/21	Budget 2020/21 £`000
Commercial and Acquisition Manager	80
Sustainability Officer	60
Committee Clerk	37
Equality and Diversity	10
Town Centre Events experience	60
New Start up business town centre fund	50
Local Plan budget	194
Total	491

Other significant items in the contingency budget include a sum of £250k relating to nightly paid accommodation which is in addition to the £240k (total £490k) that has been included in the Homelessness service budget. The budget also includes the balance of the expenditure (£247k) to be funded from the Homelessness Support grant (see 4.5 above for further details).

The Contingency budget also includes £250k as pump priming for invest to save projects like beach huts. The invest to save projects will be subject to financial appraisal before they can go ahead. There is also £50k for revenue Coast Protection works at Pagham (see 8.4 special projects for more detail) and £65k for the Littlehampton Town Centre Regeneration Officer's post which the Council agreed to underwrite for 2 years from 2019/20 until the receipt of a s106 in relation to the Marks and Spencer out of town food store.

4.15 Income from fees, charges and rents are included within net cost of service. In total this amounts to overall financing of £5.205m (£5.055m 2019/20), an increase of (£150k). Income is a key risk area to the budget as it is predominantly externally influenced, without a direct link to service cost and each source is unique. It is anticipated that all discretionary fees and charges will be increased by at least the rate of inflation unless there is good reason not to in order for the Council to become more self-sufficient. The graph below shows income by source and value, and demonstrates trend. The income estimates included in 2020/21 appear robust.

Income 2020-21



	Arun Lifeline	Building Control	Car Parks	Cemeteries	Land Charges	Licensing	Pest Control	Planning Services	Property & Estates
Actual 2018-19	310,995	465,838	1,332,576	330,993	156,467	361,382	71,630	989,582	1,024,224
Budget 2019-20	331,250	426,400	1,271,220	288,420	177,500	347,800	76,800	1,046,500	1,088,880
Budget 2020-21	317,100	434,000	1,372,410	288,420	158,000	338,900	76,800	1,060,000	1,159,720

5.0 Earmarked Reserves

Earmarked Reserves are amounts of money specifically identified for operational purposes and held alongside the General Fund for drawdown as required. The total value of earmarked reserves at the end of 2018/19 financial year was £15.394m (£18.460m previous year), with approved in-year virements of £3.813m during 2019/20. The carry forward balance into 2019/20 will therefore be a minimum of £11.581m, depending upon the amount of budget variation during 2019/20. Budget expenditure relating to these reserves is isolated from the cost of service for General Fund financing purposes. Earmarked reserves are drawn down into the budget as required through the virement approval process.

6.0 Risk analysis

- 6.1 Corporate and Operational risk registers have been reviewed for financial implications as part of the budget process on the criteria of probability of occurrence and materiality of impact upon balances.
- 6.2 The budget contains an assumption of a 2 % national pay award. Any increase above this level will place additional strain on the Council's budgets.
- 6.3 The future of whether the NHB is continuing is uncertain, and if it does what form it will take and this includes the level of the deadweight adjustment increasing the risk of less grant funding being available to the Council.
- 6.4 The reset of the retained business rates baseline has been postponed to 2021/22. This could effectively wipe out all or a proportion of the past gains through growth, built up since the inception of the scheme. The significant adverse effect of a full baseline reset is mentioned in 2.5 above. However, the magnitude of the change will be subject to potential damping.
- 6.5 No further significant risks have been identified relating to 2020/21. However, some lesser risks are inherent within the overall budget. These are discussed below.
- 6.6 Income: the budget includes £5.205m (£5.055m previous year) from fees, charges and rents; these have been set on the basis of achievement of the level of predicted income and previous outturn, including known changes in environment. A potential risk could be a poor summer resulting in lower car park income. A review of income has been undertaken and it is considered to be achievable.
- 6.7 The vacancy management factor has been increased by £50k to £500k to reflect the increase in the current service pension contributions charged to services. This equates to 3.7% of the total establishment budget of £13.654m for 2020/21.
- 6.8 The Homelessness Reduction Act, in addition to a general increase in homelessness, has had a significant impact on nightly paid accommodation since 2018/19. The budget includes a significant increase in the cost of nightly paid accommodation. There is however the risk that demand continues to stay at or exceed current levels, despite the changes outlined in paragraph 4.6.

7.0 Housing Revenue Account Budget

- 7.1 A summary of the Housing Revenue Account (HRA) budget, including Major Repairs Reserve, is shown at Appendix 2.
- 7.2 The 2020/21 budget reflects the priorities of the HRA Business Plan 2019/20 update, particularly the investment requirements identified by the stock condition survey and the proposed acquisition/new build programme. The HRA Business Plan identifies how the Council intends to deliver its strategic target of 250 new affordable homes over a ten year period. The additional properties will help improve the quality, supply and affordability of accommodation available to the residents on the Council's waiting list in urgent need of accommodation.
- 7.3 A budget of £15m was approved in 2018/19 for the acquisition/new build programme. The programme is now progressing with a number of new schemes under way and more schemes in the pipeline. Accordingly, additional budgetary provision of £9.341m has been made in 2020/21 to allow the necessary amount of flexibility in terms of planning this enhanced programme. The approved schemes are summarised in the table below:

HRA Stock Development Programme - Approved Schemes	
	Total Scheme Value £'000
Summer Lane, Pagham - 27 units	5,631
Windroos Nursery, Littlehampton - 14 units	2,320
Cinders Nursery, Yapton - 10 units	1,800
Maltravers Road, Littlehampton - 10 units	2,050
123 Longford Road, Bognor Regis - 2 units	221
Total	12,022

- 7.4 It should be noted that each new scheme will be subject to a full financial appraisal before it can proceed, and contractual commitments made. This is to ensure that the relevant schemes are affordable in terms of maintaining the minimum recommended level of HRA balance of £2m. The issue of affordability is critical especially in the light of the declining level of right-to-buy receipts which could lead to Arun meeting up to 100%, rather than 70%, of the cost of some of the new schemes. It is also essential that the £1m savings which have been identified in the HRA Business Plan are achieved.
- 7.5 2019/20 was the last of the statutory annual 1% rent reductions. For 2020/21 HRA rents will be increased by 2.7% (CPI plus 1.0%) in accordance with the provisions of the new rent standard.

8.0 Capital, Asset Management and other projects Budget

8.1 A summary of the Capital, Asset Management and other projects budget is shown at Appendix 3.

Full council will be asked to approve the capital strategy on 18th March 2020 (after consideration by Audit and Governance Committee on 13th February 2020). The capital strategy forms the policy framework for capital investment decision over the next three years informing the detailed annual capital budgets over this period. The strategy aims to balance capital expenditure needs and expectations with the scarcity of available resources

8.2 The new capital programme for 2020/21, together with the proposed method of financing, is set out in the table below.

2020/21 Capital Programme	
General Fund:	£'000
Capital/Project Programme	1,870
Asset Management	858
Disabled Facilities Grants	1,500
Total General Fund	4,228
Housing Revenue Account:	
Improvements	3,995
Stock Development	9,341
Total Housing Revenue Account	13,336
Total Programme	17,564
Financed by:	
Capital Grants	1,500
Capital Receipts (1-4-1 HRA)	
Charge to General Fund (RCCO)	2,728
Charge to Housing Revenue Account	4,095
Prudential Borrowing (HRA)	9,241
Total Financing	17,564

8.3 The capital budget for 2020/21 and future years is limited by the funding that is available. The Medium Term Financial Strategy (MTFS), approved by Cabinet on 2 September identified the requirement to allow for business-critical IT systems and infrastructure systems that fall out of maintenance/support and become life expired to be replaced. The capital budget for 2020/21 includes £580k for business critical IT. The MTFS also included an assumption that £2m would be made available for 2020/21 for one off/capital schemes. This included investment in the Council's infrastructure including essential investment in areas such as public toilets, play areas, car parks and Bognor Regis Arcade. The funds that the Council has identified are clearly

insufficient to cover all its capital expenditure requirements. The condition of the Council's General Fund assets was reviewed during 2019/20 and the schemes were ranked in order to establish a 5 year programme which would ensure that the Council's assets are maintained in an appropriate condition (prioritising expenditure on grounds of health and safety, service reliability etc.). The final prioritised programme is summarised in table 8.5.

8.4 The capital budget for 2020/21 identifies £1.290m for high priority projects. The Council has successfully submitted significant external funding bids totalling £3.016m (Coastal Communities £2.452m; and Coast to Capital Local Enterprise Partnership £564k) for Littlehampton Public Realm improvements. The budget for 2020/21 includes £200k for the Council's contribution to the project, which is match funded by £200k from Littlehampton Town Council (C//13012020). An additional £50k is required for 2 years for coast protection work at Pagham. This leaves an unallocated balance of £610k which could be utilised to fund the enhancement of the Bognor Regis Seafront/ Sunken Gardens scheme in Bognor Regis. However, this should be viewed against the Council's other priorities and the limited funding available for capital enhancements and one off projects.

8.5 The capital programme for 2020/21 is summarised below:

Capital Programme Budget 2020/21 detail			
	£'000	£'000	£'000
	2020/21	2021/22	2022/23
Littlehampton Public Realm	200		
Littlehampton Cemetery Chapel Roof	250		
Fitzleet car park	250	266	49
Public Conveniences	150	150	165
West Beach Roadway	150		
Car Park Resurfacing	190	165	150
Add. Asset Management - Responsive Repairs		190	102
Play Areas	100		
Essential IT infrastructure	580	120	315
Future Essential Schemes/ Projects		109	219
Total	1,870	1,000	1,000

8.6 It should be noted that the the review of the Council's general fund assests revealed that they require significant funding to ensure that they are maintained at an acceptable standard. This will require the use of capital receipts and s106 contributions.

9.0 Capital Receipts

9.1 Capital receipts are an important source of funding for the Council's capital programme. There are two categories of capital receipts: "1 for 1 replacement" receipts

and general receipts. "1 for 1 replacement" receipts are those accrued under the terms of Arun's agreement with the Government to retain the additional receipts generated by the relaxation of the Right to Buy discount rules. Under the terms of this agreement these receipts can only be used for the provision of new social housing and Arun must match every £30 of receipts used with £70 of its own funding. A further condition of the agreement is that receipts must be spent within three years, failing which they must be returned to the Government plus interest at 4% above base rate. There are very few restrictions relating to the use of general receipts. On the whole these can be used for any capital purpose and there are no time constraints relating to their use.

9.2 As at 31 March 2019 the Council's available capital receipts totalled £2.791m relating to retained right-to-buy receipts (previous year £4.957m comprised of £3.028 "1 for 1 replacement" receipts and £1.929m general receipts). These receipts held, together with any new receipts accruing during 2019/20 and 2020/21 (net of amounts paid to the Government under pooling), will be used to support the Council's capital programme. The "1 for 1 replacement" receipts will be used towards funding the HRA acquisition/new build programme. General capital receipts can be applied for any capital purpose.

10.0 Conclusion

10.1 The General Fund revenue budget and Capital budgets are set robustly within the medium term financial strategy, however, balances are anticipated to reduce significantly from 2021/22. The Council's Corporate Management Team (CMT) are looking at efficiencies and income generating ideas, which will be brought back to members in 2020/21.

11.0 Recommendations:

11.1 Cabinet is requested to note that the Group Head of Corporate Support, in consultation with the Deputy Leader of the Council and Cabinet Member for Corporate Support, has approved a Council Tax base of 62,244 for 2020/21.

11.2 Cabinet is requested to recommend to Full Council that:

- i. The General Fund Revenue budget as set out in **Appendix 1** is approved.
- ii. Arun's band D council tax for 2020/21 is set at £186.57, an increase of 2.73%.
- iii. Arun's Council Tax Requirement for 2020/21, based on a Band D Council Tax of £186.57, is set at £11,612,863 plus parish precepts as demanded, to be transferred to the General Fund in accordance with statutory requirements.
- iv. The HRA budget as set out in **Appendix 2** is approved.
- v. The HRA rents for 2020/21 are increased by 2.7% (CPI plus 1%) in accordance with the provisions of the new rent standard.
- vi. HRA garage rents are increased by 5% to give a standard charge of £12.31 per week (excluding VAT), and heating and water/sewerage charges increased on a scheme by scheme basis, with a view to balancing costs with income.
- vii. The Capital budget as set out in **Appendix 3** is approved.