

5. DRAFT CORPORATE PLAN AND BUDGET FOR 2016/17

REPORT OF: ASSISTANT CHIEF EXECUTIVE AND HEAD OF FINANCE
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Wards Affected: All
Key Decision: Yes
Report to: Cabinet
01 February 2016

Purpose of Report

1. The purpose of this report is to seek Cabinet's consideration of the draft Corporate Plan and Budget for 2016/17, taking account of the views expressed by the Scrutiny Committee for Leader and Service Delivery at its meeting on 12 January 2016.
2. **Cabinet is asked to consider this report in conjunction with Appendix A of the report also presented to the Scrutiny Committee, which is the draft Corporate Plan and Budget for 2016/17**, and Appendix 1 to this report, which is the relevant extract from the Scrutiny Committee minutes which record the discussion and Appendix 2, which is the Medium Term Financial Plan tabled at the meeting.
3. This report would usually also provide Cabinet with some updated information in relation to particular items contained within the Plan where circumstances have changed since its publication. However, this year the Final Settlement is later than usual so a verbal report of any changes will be provided at the Cabinet meeting.

Summary

4. Whilst the financial outlook for local government as a whole continues to be challenging, the provisional settlement announced on 17 December 2015 provided unexpected message both for the shorter and longer term. In the short term, Revenue Support Grant fell more sharply than expected from £1.67m to £0.845m. This change has been countered by changing the financing of the Burgess Hill Growth reserve funding (of £440k) from revenue to being financed from reserves. In the longer term, the introduction of a tariff to claw back RSG in the later years was an unwelcome development which had not been flagged in any prior briefing. This does not affect this 16/17 budget and we await more details on this.
5. As a result of this small change the draft service and financial plans for 2016/17 considered by the Scrutiny Committee will not require any changes. This enables the Council to approve a balanced budget that continues to:
 - Support the Council's ambition to be financially independent of central government
 - Expand the Green Waste Service
 - Provide for investment in our leisure centres
 - Positively and prudently plan for the delivery of significant housing and economic growth in Burgess Hill
 - Continues to support our community through the maintenance of grants to local organisations

- Supports vulnerable members of our community
6. Due to the Final Settlement being published after publication date for this report, it will be necessary to verbally report any changes in the settlement figure.

Recommendations

7. **Cabinet is requested to recommend to Council the proposals for 2016/17, as set out in the report to the Scrutiny Committee for Leader and Service Delivery on 12 January 2016, and as amended by this report, specifically:**
- (i) the proposed level of Council Tax in 2016/17;**
 - (ii) the proposed Capital Programme;**
 - (iii) the service commentaries and summary budget tables for each Business Unit;**
 - (iv) Transfer £4m from General Reserve to an earmarked Land and Property Specific Reserve;**
 - (v) Transfer £440,000 from General Reserve into the Burgess Hill Growth Reserve.**

Background

8. The proposals set out in the draft Corporate Plan and Budget have been made using the same tried and tested approach as in previous years and are the result of a process of lengthy and detailed service redesign and budget reviews which has covered all the Council's services.
9. The draft proposals were published for consultation with all Members on 18 December 2015. The consultation period included a workshop for all Members on the 6 January 2016 and a meeting of the Scrutiny Committee for Leader and Service Delivery on 12 January 2016 where the proposals were discussed in detail. This report takes account of the comments made by the Committee where the proposals presented were supported unanimously. A record of this discussion can be found at Appendix 1.

Consideration of the Corporate Plan and Budget 2016/17 by the Leader and Service Delivery Scrutiny Committee

10. The Scrutiny Committee were asked to consider five aspects of the Corporate Plan and Budget, as follows;
- The financial outlook facing the Council;
 - The proposed service changes;
 - The proposed increase in Council Tax;
 - The proposed investment in the Land and Property Specific Reserve;
 - The proposed capital programme; and
 - The service commentaries and supporting summary budget tables for each business unit.
11. The Scrutiny Committee supported all aspects of the proposals, including the increase in council tax levels.
12. The draft minutes of the Scrutiny Committee, at Appendix 1, demonstrate the full and helpful discussion with Members asking a wide range of detailed questions. These did not result in any changes to the proposals but provided very helpful guidance to officers and Portfolio Holders.

Changes to the draft Corporate Plan and Budget 2016/7 before the Scrutiny meeting

13. As mentioned above these papers were prepared before the Final Settlement was announced. Cabinet will be updated verbally if these figures change and any subsequent change to the budget will be incorporated into the Corporate Plan presented to Council at its meeting on 24th February 2016.

Capital Programme

14. The Capital Programme was supported as presented, and there are no alterations in the projects proposed.

Financial Implications

15. There are no financial implications other than those identified in this report.

Risk Management Implications

16. In the preparation of these proposals, the risks associated with each have been identified. Mitigating actions have been identified to address risks wherever possible. The whole of the draft Corporate Plan and Budget for 2016/17 will be subject to risk analysis through the Council's risk management process and a report will be presented to Cabinet in March. Through this process any risks which are considered to be significant will be identified, and the contingency and mitigation plans in place to manage these will be assessed to ensure they are sufficiently robust.

Equality and Customer Service Implications

17. Proposals for new or changed services will be subject to Equality Impact Assessments at the appropriate time. There are none proposed within this report.

Other Material Implications

18. There are no other material implications other than those already set out in this report.

Background Papers

None

**Extract of Draft Minutes of Scrutiny Committee for Leader and Service Delivery –
12 January 2016**

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The Chairman advised that the report would be considered in three sections with opportunities for Members to ask questions after each stage.

Section 1 & 2 – Introduction and Financial Context

The Chief Executive introduced the report by stating that the guiding principle when drawing up the Draft Corporate Plan and Budget had been to become as financially independent from Government as possible. She advised that this approach had been vindicated as the level of Revenue Support Grant (RSG) had reduced significantly and quicker than officers had expected.

She referred Members to pages 18 – 21 which outlined a summary of the main changes for 2016/17 and the key characteristics of the proposals were positive as, during a time of pressure for the public sector, the Council is looking to invest an additional £1.2 million in services for the coming year. Examples of this include the expansion of the Green Waste service which it is anticipated will generate an income of £750k over the Council term and investment in the significant development at Burgess Hill.

The Chief Executive explained that the Local Government Settlement had been received very late this year and that officers had delayed publication of the papers until it was received. Following the publication of the papers, officers received further information from Government which has affected the Medium Term Financial Plan in years 3 and 4. She drew Members' attention to page 14 of the report which showed a positive balance for years 3 and 4. However in light of this new information this position has changed as outlined on the tabled revision of the Medium Term Financial Plan. She explained that the outlook for years 3 and 4 were now showing a deficit and this was due to the introduction of a tariff payment back to Government. The Chief Executive advised that no further information around this tariff has been provided at this time but assured Members that the Budget for 2016/17 is balanced.

The Vice-Chairman asked for an explanation on the calculation of the Net General inflation figure. The Head of Finance and HR replied that this is the cumulative figure of inflation and factors in the Bank of England's projections of a 2% increase in years 2 to 4.

One Member asked a series of questions around the financing for the expansion of the Green Waste service and inflation figures.

The Chief Executive advised that the set up costs for expanding the green waste service were a mix of Capital and Revenue. She said that the definitions of Capital and Revenue are specifically prescribed for Local Government. She went on to say that alongside this investment the proposal was for a modest price increase of £5 pa to reduce some of the risk associated with growing the business.

The Chief Executive referred Members to pages 9 – 10 of the report which provided a comprehensive breakdown of inflation calculations. The Head of Finance and HR advised that the largest factor was salaries which would account for £106k of the total £330k net inflation in that year. He also advised that the Local Government pay increase had been fixed at 1% for the next two years.

The Chairman noted the Member's concerns about the volatility of inflation and asked the Head of Finance if declining fuel figures globally had been taken into account. The Head of Finance confirmed this and stated that he was extremely confident with the figures for 2016/17 and advised that much of the "basket" of increases had been calculated from the September CPI figures which added further certainty.

Another Member raised two questions around whether car parking charges needed to increase following the loss of RSG and how the figure of 1.99% increase in Council Tax had been chosen and if there was scope for a further increase.

The Chief Executive said that the Service and Financial Planning Working Group had done work to assess the correct level of increase for Council Tax and had agreed to recommend a 1.99% increase. She went on to advise that the Government effectively capped Council Tax increased at under 2%.

With regard to the car park charges, the Chief Executive said that officers felt there was no need to raise them at this time however this would always be an option open for Members to consider in the future.

One Member asked about the price increase for the Green Waste Service and if this needed to be higher. The Chief Executive said that the Working Group had looked at this in detail and compared the prices which other local authorities charge for this service. She advised that it was felt that the £5 increase was reasonable and that this was moving towards the higher end of the price scale but Members were able to recommend a higher charge if they felt this was appropriate.

Another Member asked for further clarification on the New Homes Bonus (NHB) table on page 7 of the report and the overall balance sheets.

The Chief Executive explained that NHB was an unring fenced grant from Government for every new house built per annum. She said that this is payable for 6 years and therefore the figures in the table up to the 6th year forecast were accurate but after that they were assumptions. It was noted that the Government was currently undertaking a consultation on NHB and that the Chancellor had already announced that it would reduce by up to two-thirds by 2017/18. The Chief Executive confirmed that the Council put NHB into reserves and did not rely on it for revenue like other authorities.

The Head of Finance and HR said that with regard to balance sheets, local government had prescribed procedures which they could not deviate from and therefore some practices were different from the private sector and that it was standard practice for this Council not to use reserves to fund the revenue account.

A couple of Members asked questions about the Rates Retention Scheme and were concerned that the projected figure might be adversely affected by increase change of use of properties from commercial to domestic.

The Head of Finance and HR advised that Mid Sussex continued to be attractive to local businesses and there was a steady increase in NNDR receipts forecast. . He confirmed that it is the Government's intention for the 100% retention to be brought into effect but it would not occur for 2016/17.

Section 3 – Service Commentaries and Summary Budget Tables

The Chairman advised that each Head of Service would introduce their section with an opportunity for Members to ask questions. It was noted that there were also detailed service plans for each department available on request.

The Assistant Chief Executive provided a short introduction on the work and budgets of Performance and Partnerships and Corporate Estates and Facilities. She advised that a key priority was to continue the successful partnership work in the face of potential cuts in funding from West Sussex County Council and the Police and Crime Commissioner. She referred Members to page 17 where the proposal was to set aside £50k to protect key frontline services for key community work and services which residents rely on.

The Assistant Chief Executive advised that the Corporate Estates and Facilities team had just undergone a restructure and they would be crucial in helping the Council achieve its goal of financial independence through prudent investments and value for money management of the Council's assets.

One Member acknowledged the work of the Health and Wellbeing team and questioned whether £50k would be sufficient to fund this work. The Assistant Chief Executive clarified the £50k would not replace the existing funding from West Sussex County Council for the Health and Wellbeing Service but would be used to continue the key MSP work which might otherwise need to be cut in the face of reduced funding. She advised that the Health and Wellbeing budget is allocated to West Sussex County Council and passed down to the District Council to deliver Health and Wellbeing services.

Another Member questioned the expenditure for CCTV cameras as stated on page 23 of the report. The Assistant Chief Executive advised that this was a capital bid for the previous year for the provision of 5 CCTV cameras which are monitored and maintained by Sussex Police. She said that the scheme has slipped into 2016/17 as Sussex Police are currently retendering their CCTV monitoring contract.

The Head of Digital and Customer Services provided an introduction to his service commentary. He stated that the key priorities would include the implementation of a new Customer Relationship Management System (CRM), the Digital Strategy and improving the range of channels for customer contact. He referred Members to the budget variances which showed staff movements following a team restructure and advised that this would generate small savings through the reduction of licences needed.

One Member asked about potential savings from new telephony systems. The Head of Digital and Customer Services advised that there would be some savings from the reduction of licences following the removal of Lagan. Telephony integration with the CRM should also provide some extra capacity within the Customer Services Team. He also said that an audit on the telephony system would be carried out to identify options for the future. The efficiencies will come from the changes in work practice that comes from improvements in the way people can work.

The Head of Economic Promotion and Planning provided an introduction to her service commentary. She advised that the priorities of the Planning Policy Team would be preparing to take the District Plan and the Community Infrastructure Levy through Examination in Summer/Autumn 2016.

She said that the Development Management Team would expect to see a continuation of last year's trend for a significant number of large planning applications prior to this, including the applications for the Burgess Hill Northern Arc. This was reflected in the summary budget which showed a staffing pressure in the previous year due to temporary staff replaced by an increase in the base budget for staffing in 2016/17. The improved job market means that the Council can no longer recruit temporary staff and instead would look to recruit permanent staff.

One Member sought clarification on the difference between the figures on the Economic Development budget. The Head of Finance and HR said that this would be due to an adjustment in the base budget and would provide a written answer following the meeting.

The Vice-Chairman asked if following a successful Examination result for the District Plan there would be a reduction in the Planning Policy Team. The Head of Economic Promotion and Planning advised that there would be no reduction as the Planning Policy Team would need to work on the production of the Site Allocations Document by 2021.

The Head of Housing, Environmental Health and Building Control provided an overview of her service commentary. She advised that one of the challenges Housing will face is retaining Affordable Rented Housing to meet the needs of the whole community following the focus of the Government towards home ownership and Starter Homes. It was noted that there was already a £12k budget pressure for temporary accommodation which was expected to continue in 2016/17 and this would be monitored.

The Head of Housing, Environmental Health and Building Control said that the Environmental Health team continued to be extremely busy and referred Members to the budget pressure which was as a result of making a part time post full time in order to manage the additional workload. She commented that the Building Control Service was finding it difficult to recruit and retain staff due to the competitive market and that in 2016/17 officers would be looking at options for the future of the service which could include a shared service or outsourcing.

One Member sought clarification to a reference in the report that stated in order to deliver local affordable housing and infrastructure the Council would need to make best use of its own assets.

The Head of Housing, Environmental Health and Building Control advised that when opportunities arise where the Council owns land they should, where feasible, work with partners to consider using it to deliver affordable housing units. She gave example of recent applications such as Holtye Road.

The Chairman asked the Leader of the Council to comment on this proposal. The Leader recognised that nationally there was a pressure for affordable housing and that it was right for the Council to look to work in partnership or on their own to help deliver affordable housing where it can. He said that this was still a work in progress and believed the Portfolio Holder in consultation with the Group would bring forward schemes which would be assessed on their merit.

The Chairman said that he felt this was an area of concern and that it would leave large numbers of people vulnerable. The Chief Executive advised that officers were trying to anticipate the impact these national changes will have on residents. She said that local businesses have registered concerns that due to the lack of affordable housing they cannot attract the right staff as they cannot access suitable accommodation.

The Vice-Chairman asked what work is done with partners to ensure that the existing housing stock is up to modern standards. The Head of Housing, Environmental Health and Building Control replied that officers are in regular contact with Registered Social Landlord (RSL) providers to ensure that proper safety standards are complied with, however the Registered Social Landlord can only provide what is financially viable for them as a business and the Council cannot force them to refresh the existing stock beyond their legal responsibilities.

The Chairman said that he would like to know that the proposal for the Council to actively use its assets to help alleviate the affordable housing pressure would move forward in the future so that the long term need will be met.

The Leader of the Council said that he welcomed the comments from the Committee and acknowledged the role that the Council had to play in providing affordable housing and when schemes are brought forward they will be carefully considered in the usual manner.

The Head of Finance & HR provided an update of his service commentary. He advised that officers would be piloting an early closedown process for the 2015/16 financial statements and that there would be a retendering for the Corporate Charge Card system. He also advised that there would be a retendering of the HR system which will improve functionality and self-service which could lead to a staff restructure.

He went on to advise that CenSus Revenues and Benefits would undergo significant changes to adopt more digital services in order to promote more customers using online self-administration services.

One Member asked questions about the net result of the Pension Fund. The Head of Finance and HR advised that the figures in the report show the costs required for extra contributions to the Pension Fund and advised that the status of the Fund was stable, being some 80% funded.

Another Member asked what the impact of Adur District Council leaving the CenSus Partnership should this occur. The Head of Finance and HR acknowledged that there would be cost implication to the Council as service provider to mitigate the impact should Adur District Council leave the partnership. However, the Head of Finance and HR stated that all efforts to mitigate this would be made and it was expected that any departure would not be until 2017/18.

A Member sought further clarification on the differential between the figures for Revenue Collection on page 38 of the report. The Head of Finance and HR said that this referred to the contribution towards the running of the CenSus Partnership as distinct from the non-pooled income and expenditure.

The Head of Leisure and Sustainability provided an overview of his service commentary and stated that the three key priorities for 2016/17 would be; the expansion of the Green Waste service, continuing the recycling quality project and the leisure investment projects. He referred Members to page 44 of the report and the Service Redesign saving in the budget variances. He said following the publication of the report the proposal had changed and will not be going ahead at this time and will be replaced by savings on lettings of cleaning contracts.

The Vice-Chairman stated that the Council needed to take pride in protecting the grants it awards to various voluntary sector organisations and charities which residents benefit from. The Leader of the Council added that he felt it was right to support the voluntary sector and that these organisations are grateful for this funding which is possible through the Council's prudent financial management.

One Member asked for clarification on the differences between car parks and refuse collection budgets in the budget variances. The Head of Leisure and Sustainability replied that this was due to the number of car park permits and an increase in recycling credits from West Sussex County Council.

The Solicitor to the Council provided an update for his service commentary. He advised that the Legal Team continues to be busy due to the increased workload from Planning and that the Democratic Services team are planning for two big elections in 2016/17 along with a number of Neighbourhood Plan referendums.

The Chairman asked whether in the event of the EU Referendum being called in 2016 the budget had accommodated for this. The Solicitor to the Council confirmed this and that officers were making preparations.

The Head of Finance and HR took Members through the Strategic Core budget variance and advised that this covered the costs of the Chief Executive, Heads of Service and the shared procurement service.

The Chairman thanked the Heads of Service and requested that the Committee's concerns over affordable housing be noted and taken into consideration.

Section 4 – Capital Programme

The Head of Finance and HR introduced this section of the report. He informed Members that this had been significantly reduced as opposed to previous years following the request from the Committee that projects be brought forward only when they are ready to proceed; to alleviate the frustrations of delays.

He referred Members to the table on page 50 of the report which outlined the capital projects and the sources of funding.

The Vice-Chairman stated that it was important that when projects were being developed that the local ward Members were consulted.

One Member questioned the Government funding figure following the reduction in RSG. The Head of Finance and HR advised that whilst the RSG has reduced the Government also provides funding in the form of grants for specific purposes. In this case, the £434k is to provide Disabled Facilities Grants to allow residents to make adaptations they need to their properties.

Another Member asked about the decreasing budget for Major Capital Renewals. The Head of Finance and HR replied that due to previous years investment in maintaining Council assets there is a reduced demand. In addition, he added that due to the terms of the recently let leisure contract, the contractor is responsible for full repair and maintenance of the Council's leisure facilities.

The Chairman took Members to the recommendations and on the advice of the Chief Executive it was noted that the concerns that the Committee had raised about affordable housing provision would be noted in the minutes of the general debate and was not a formal recommendation. The recommendations were agreed unanimously.

RESOLVED

The Committee noted the proposals for 2016/17 set out in the appended report and these minutes contain the recommendations that it wishes to make to Cabinet on:

- (a) the financial outlook facing the Council;
- (b) the proposed service changes;
- (c) the proposed increase in Council Tax;
- (d) the proposed investment in the Land and Property Specific Reserve;
- (e) the proposed Capital Programme; and
- (f) the service commentaries and supporting summary budget tables for each business unit."

Revenue Spending	<u>Year 0</u> 2015/16 £'000	<u>Year 1</u> 2016/17 £'000	<u>Year 2</u> 2017/18 £'000	<u>Year 3</u> 2018/19 £'000	<u>Year 4</u> 2019/20 £'000
Base Net Expenditure	12,509	12,556	12,589	12,452	12,476
Benefits	(145)	(119)	(119)	(119)	(119)
Drainage levies	-	-	-	-	-
Base Revenue Spending	12,364	12,437	12,470	12,333	12,357
Balance Unallocated	26	36	26	26	26
Council Net Expenditure	12,390	12,473	12,496	12,359	12,383
Loss of NI Discount for Pensions	-	162	162	162	162
Service Redesign proposals	-	(47)	(47)	(112)	(112)
14/15 net ongoing pressures	-	24	24	24	24
Net savings from budget working papers	-	(89)	(89)	(139)	(139)
Garden waste income	-	(46)	(205)	(256)	(256)
20 Year Life cycle savings	-	126	(39)	(223)	(456)
Contribution to Rate Retention Scheme Equalisation Reserve	38	300	300	300	300
Proposed Contribution to ICT Reserve	665	-	-	-	-
Net General inflation	-	118	330	542	754
Total Revenue Spending	13,093	13,021	12,932	12,657	12,660
External Funding (RSG)	(1,670)	(845)	(128)	294	767
Rates Retention Scheme (RRS) funding	(2,540)	(2,616)	(2,695)	(2,776)	(2,859)
Council Tax Freeze Grant for 15/16	(89)	-	-	-	-
HB Admin Grant / LCTS Grant	(438)	(378)	(378)	(378)	(378)
Council Tax Requirement @ 0% 15/16 and 1.9% future years	(8,522)	(8,844)	(9,130)	(9,421)	(9,723)
Dividend income LAPF	-	(160)	(160)	(160)	(160)
Collection Fund deficit / (surplus)	(105)	(178)	-	-	-
RRS deficit / (surplus)	271	-	-	-	-
Cumulative Balance deficit; / (surplus)	0	0	441	216	307
Difference year on year			441	(225)	91

Financing Revenue Spending	<u>Year 0</u> 2015/16 £'000	<u>Year 1</u> 2016/17 £'000	<u>Year 2</u> 2017/18 £'000	<u>Year 3</u> 2018/19 £'000	<u>Year 4</u> 2019/20 £'000
Council Taxbase	56,970.0	57,975.6	58,671	59,375	60,088
Change in Taxbase	1.25%	1.77%	1.20%	1.20%	1.20%
Revenue Budget	13,093	13,021	12,932	12,657	12,660
% change in Formula Grant /External Funding		-49.4%	-84.9%		
External Funding (RSG)	(1,670)	(845)	(128)	294	767
Rates Retention Scheme (RRS) funding	(2,540)	(2,616)	(2,695)	(2,776)	(2,859)
Council Tax Freeze Grant for 15/16	(89)	0	0	0	0
HB Admin Grant / LCTS Grant	(438)	(378)	(378)	(378)	(378)
Council Tax Requirement	(8,522)	(8,844)	(9,130)	(9,421)	(9,723)
Dividend income LAPF	0	(160)	(160)	(160)	(160)
Collection Fund deficit / (surplus)	(105)	(178)	-	-	-
Rates Retention Scheme deficit / (surplus)	271	-	-	-	-
Total Financing	(13,093)	(13,021)	(12,491)	(12,441)	(12,353)
<i>Balance [(deficit); /surplus]</i>	(0)	(0)	(441)	(216)	(307)
	(13,093)	(13,022)	(12,932)	(12,657)	(12,660)
Council Tax at Band D	£ 149.58	£ 152.55	£ 155.61	£ 158.67	£ 161.82
Change from previous year	0.00%	1.99%	1.99%	1.99%	1.99%