5. DRAFT CORPORATE PLAN AND BUDGET FOR 2017/18

REPORT OF:	HEAD OF CORPORATE RESOURCES
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Wards Affected:	All
Key Decision:	Yes
Report to:	Cabinet 13th February 2017

Purpose of Report

1. To seek Cabinet's consideration of the draft Corporate Plan and Budget for 2017/18, taking account of the views expressed by the Scrutiny Committee for Leader, Resources and Economic Growth at its meeting on 18th January 2017. **Cabinet is asked to consider this report in conjunction with** Appendix 1, which is the relevant extract from the Scrutiny minutes.

2. This report also provides Cabinet with some updated information in relation to particular items contained within the Plan where circumstances have changed since its publication. A verbal report of any changes will also be given.

Summary

3. Whilst the financial outlook for local government as a whole continues to be challenging, the provisional settlement announced for us on 15th December 2016 was in line with expectations. Revenue Support Grant fell to the level indicated previously and for which we were prepared and other sundry lesser grants continued much as flagged.

4. As a result of this, the draft service and financial plans for 2017/18 considered by the Scrutiny Committee on 18th January 2017 will not require any changes. This enables the Council to approve a balanced budget that:

   - Allocates resources to the Council's priorities;
   - Protects key frontline services;
   - Continues the journey to financial independence;
   - Increases efficiency in some service areas;
   - Invests in key projects over the longer term;
   - Continues to protect the Council's reserves position and fund the proposed capital programme.

5. There are some minor changes to individual budgets but none that result in service changes.

Recommendations

6. **Cabinet is requested to recommend to Council the proposals for 2017/18, as set out in the report to the Scrutiny Committee and as amended by this report, specifically:**

   (i) The proposed increase in Council Tax;
   (ii) The proposed placements in the Specific Reserves;
   (iii) The proposed Capital Programme; and
   (iv) The service commentaries and supporting summary budget tables for each business unit.

Background

7. 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 budget and service review which has covered all the Council's services.

8. The draft proposals were published for a period of consultation with all Members on 19th December 2016. The consultation period included a workshop for all Members on the 9th January 2017 and a meeting of the Scrutiny Committee for Leader, Resources and Economic Growth on 18th January 2017 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.

Consideration of the Corporate Plan and Budget 2017/18 by the Scrutiny Committee for Leader, Resources and Economic Growth

9. The Scrutiny Committee were asked to consider six aspects of the Corporate Plan and Budget, as follows;

- The financial outlook facing the Council;
- The proposed service changes and challenges in promoting large scale projects;
- The proposed increase in Council Tax;
- The proposed placements in the Specific Reserves;
- The proposed Capital Programme; and
- The service commentaries and supporting summary budget tables for each business unit.

10. The draft minutes at Appendix 1, demonstrate the full and helpful discussion at the Scrutiny Committee with Members asking a wide range of detailed questions. These did not result in any changes to the proposals but were very helpful to officers and Portfolio Holders.

Changes to the draft Corporate Plan and Budget 2017/18 before the Scrutiny meeting

11. As mentioned above these papers were prepared before the Provisional Settlement was announced although this did not result in any changes. Since then, the only addition to the budget has been to add a £10k annual contribution to a county-wide team to deal with immigration issues and a slight net reduction to the DWP Housing Benefit Administration Grant / Local Council Tax Support Administration Subsidy Grant of £4k.

12. These minor variations have been dealt with by reducing the Balance Unallocated to £12k. This contingency budget has traditionally been the balancing figure used to absorb such changes whilst keeping the budget in balance overall.

Capital Programme

13. The Capital Programme was supported as presented, and there are no alterations in the projects proposed save for Justification Statements being updated.

Financial Implications

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

Risk Management Implications

15. In the preparation of the draft corporate plan and budget, risks will have been assessed and those that can be mitigated will have a plan attached. It is not therefore considered that these proposals bring forward any significant risk.

Equality and Customer Service Implications

16. There are no such implications within this report.

Other Material Implications

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

Background Papers

None

Appendix 1

Extract of Draft Minutes of
Scrutiny Committee for Leader, Resources and Economic Growth on 18th January 2017

6. DRAFT CORPORATE PLAN AND BUDGET 2017/18

Councillor Jonathan Ash Edwards as portfolio holder introduced the Report. The Report outlined the refreshed Corporate Priorities which reflect the current direction of the Council. In relation to the Budget the Report reflected the Council's aspiration to be financially independent to mitigate impact of the reduction in Revenue Support Grant year on year. The Council has taken a strategic approach to enabling investment in services and community grants. This Council is fortunate in that it is able to be proactive and support communities at a time when a number of other authorities are unable to do so. The Council continues to invest in generating an income stream; however it must also remain vigilant and diversify sources of income in order to continue to invest in services.

A Member asked why if CPI is at 1% is the Council seeking an increase in Council Tax of 1.99% as this must be justifiable.

The portfolio holder confirmed that the Council Tax rate is for Members of the Council to consider annually and as the Revenue Support Grant decreased the Council needed to be mindful of the proportion each source of income generates. It was considered that 1.99% was reasonable and he noted this Council had frozen the Council Tax precept for the previous five years. In real terms the Council Tax for Mid Sussex is low and is fact the third lowest of all Sussex authorities.

A Member noted the second bullet point of paragraph 2.5.1 and sought assurances that the Council was keeping a customer focus for all. He further noted the diminishing Revenue Support Grant. In relation to Business Rate Retention in the future he considered what opportunities were open to the Council and how this may affect the Council's finances. On a final point he noted the £900k reserve for The Orchards Shopping Centre and was pleased to see this included as a starting point for supporting the recent acquisition.

The portfolio holder confirmed the Council wanted to ensure services are accessible to all, as there was increasing expectation of being able to interact with the Council from a number of sources.
In relation to Business Rates Retention, this was being looked at by the Economic Development Working Group. As this was still an unknown the Council must remain cautious, but be clear in obtaining value for money rather than subsidising economic activity that would take place in any case.

A Member welcomed the positive Report and noted the Burgess Hill Regeneration. He was, however, concerned about how The Orchards Shopping Centre was going to be managed and further noted that there was no mention in the Report of Basepoint business units. On a final point he sought clarification on the term "market supplement" in relation to staffing.

The portfolio holder confirmed that a Management Agent had now been appointed to manage The Orchards Shopping Centre. The £900k reserve was an important start and would give the Council some flexibility in how the asset might be managed and enhanced in the future.

The Chief Executive, Kathryn Hall, provided an explanation of each of the sections contained in the Report and reminded Members that the Council is legally obligated to have a balanced budget.

A Member wished to confirm that spending was not being increased and instead the Council was being prudent.

The Chief Executive confirmed that the Council proposed to live within its means and therefore this represented very little change.

The Member noted and welcomed the proposed Reserve for The Orchard Shopping Centre.

The Chief Executive indicated that the Reserve is a meaningful start and the Council hoped to achieve more with the asset in the longer term. Any investment in the Orchards Shopping Centre and alteration to the Reserve would be a Member decision.

A Member sought clarification on the Council Tax increase and the expected tariff in 2019/20 and 2020/21 that appeared to need to be returned to Central Government as this was a concern.

Peter Stuart, Head of Corporate Resources, informed Members that whilst the figures reflected a payback to Central Government from 2019 the baseline would change as Local Government funding evolved. As such on page 27, years 3 and 4 were indications only.

The Member asked if other authorities were in a similar position and the Head of Corporate Resources confirmed that some were affected in the same way.

The Leader of the Council, Garry Wall, confirmed that the funding outlook in years 3 and 4 will look different nearer the time as local government funding became clearer. He reminded Members that the 100% Business Rate Retention was still being worked through and the Council continued to lobby Central Government on the ethics of funding. Whatever the outcome it was important that the Council was cognisant of the challenges ahead and community priorities.

A further Member noted that there appeared to be some good news in relation to pensions in the medium term. He did, however, note pressures referred to on page 29 in relation to paying pitches. He enquired if this pressure could be offset by fees from increased usage.

Simon Hughes, Head of Digital and Customer Services explained the meaning of the term “market supplement” and when such a supplement is used.
The Head of Corporate Resources confirmed that the Pension Fund was now in a minor deficit being 89/90% funded and as such no increase in the budget allocation was required unlike the previous 3 years.

The Assistant Chief Executive confirmed that in isolation certain areas of the budget indicates pressures, however, these are offset by income. In relation to the Basepoint starter business units there are not currently any obligations which fall to the Council and after 3 years the centre will begin to provide an income for the Council.

A Member raised the matter of the New Homes Bonus which currently represents in the region of 15% income and Central Government’s intention to withhold payment during 2017/18 should a Local Plan not be submitted.

The Chief Executive reiterated that New Homes Bonus was not being relied on by the Council in order to provide services and as such should that eventuality occur then it would affect the Council’s Reserve budget only.

It was queried if the New Homes Bonus was being distributed to Town and Parish Councils. It was confirmed that it was not as the Local Planning Authority is the intended recipient.

A Member wished to thank officers and Councillor Jonathan Ash-Edwards for achieving a council tax freeze for the past five years; he further welcomed a refresh of the Council's priorities.

Another Member enquired if there were other investment opportunities similar to The Orchards Shopping Centre.

The Leader of the Council reminded Members that it was a deliberate strategy not to rely on the New Homes Business for delivering services unlike some other authorities. He noted that where an authority had been using this funding to support services they were now in a difficult position. This Council's strategy was to invest to support services. The Council would not stop looking for financial opportunities to invest and Members would be involved in these.

A Member welcomed the more detailed explanation in the Report that had been provided from each service.

The Assistant Chief Executive took the opportunity to update Members on the Council's bid to secure funding for starter homes. The Council was one of only 30 authorities to have been successful. A further area of good news was in relation to the Local Enterprise Partnership where the Council had secured £15 million funding for the Burgess Hill Growth Area.

A Member noted that there had been budget pressure in relation to Temporary Accommodation and she was concerned that the starter homes initiative, whilst welcome, would not necessarily assist in alleviating this demand. To this end she enquired as to what controls are in place to manage this service pressure and overspend.

The Assistant Chief Executive confirmed that the Council works proactively with the private rented sector to secure appropriate housing and has a robust affordable housing programme making using of council owned land and planning policy which seeks 30 % affordable housing.

The Leader of the Council acknowledged that this was a complex area of work with the impact of welfare reforms and the market place proving particularly challenging. The Council has points of contact to provide advice and has strong relationships with Registered Social Landlords. Planning committees also play a part in the delivery of affordable housing. The Council is working with Central Government on the Starter Homes initiative and is also supporting investment in Burgess Hill. The Council is utilising its money to encourage inward investment and are giving the support that is needed.

A Member asked if the Starter Homes were being funded by the Council and sought to establish if they are part of the 1,500 homes proposed at Burgess Hill.

The Assistant Chief Executive stated that the 500 starter homes were not the confirmed number and that of the 1,500 homes at Burgess Hill some of them would be starter homes. The Council has a separate Affordable Housing programme and the Starter Homes will be additional to that existing programme.

A Member noted the performance of the Development Management service which had achieved more applications without increased staffing levels. He further noted the strengthening of the service in relations to trees.

A further Member acknowledged the performance of the Development Management Service and to also convey his thanks to the team.

Head of Corporate Resources, Peter Stuart, drew Members attention to the potential budget of 25% for Wellbeing. West Sussex County Council had confirmed an 8% reduction in funding for 2017/18. He further reminded Members that Adur was leaving the Census Partnership and Horsham had recently indicated they are reviewing their Membership. Mid Sussex would seek to retain skills and minimise disruption to service users.

A Member enquired whether a Service Level Agreement could be entered into in order to have continuity in the Health and Wellbeing Service.

The Head of Corporate Resources confirmed that the Council had prepared a contingency of £50k; however, it was unlikely that a Service Level Agreement would be entered into owing to yearly budget pressures with the relevant services.

A Member sought clarification on the trimming of supplier prices and what this meant.

The Head of Corporate Resources stated that the Council was seeking value for money when contracts are being entered into, this did not mean that existing contracts were being renegotiated. This activity was seen to be good supply management.

A Member asked if efficiency savings were likely to be achieved with partners seeking to leave the Census Partnership or if this was likely to incur increased costs for the Council.

The Chief Executive clarified that no firm decisions had been made except in relation to Adur. One of the founding principles was in relation to economies of scale that could be achieved as a partnership and there is a possibility that these may diminish with less partners.

A Member enquired if a Procurement Manager is still employed on behalf of the Council.

The Head of Corporate Resources confirmed that there was a Procurement Team in place.

Simon Hughes, Head of Digital and Customer Services, stated that the service was aiming to deliver efficiencies and improved services for example through the Customer Relations Manager system. The focus for 2017/18 was in investing in revenue generating areas and reducing administration costs.

Tom Clark, Head of Regulatory Services and Solicitor to the Council stated that for his services it was business as usual for the forthcoming year. The Legal Team was forecast an increased revenue from s106 fees, building control was anticipating increased income from building control fees and Environmental Health was forecast a 15% increase now that the department was fully staffed.

A Member queried the budget for the Member Services Team and it was confirmed that this budget included a number of items including Member Allowances.

The Head of Corporate Resources informed Members of the projects that were coming forward in 2017/18 and stated that additional playground projects may come forward throughout the year should funding from S106 be available.

A Member noted one of the projects was to install photovoltaic panels on the Council offices and he enquired if this was likely to help the Council reduce costs.

The Head of Corporate Resources confirmed that this project had been suggested before however the savings were at that time marginal, the business case at the current time is being considered.

A Member queried the figures throughout the budget as he believed there was an imbalance between receipts and expenditure.

The Head of Corporate Resources sought to reassure Members that the figures were correct and explained that s106 monies were not reflected in the graph on page 17. The intention of the graph was to provide an overview of the position.

The Chairman asked the Head of Corporate Resources to write to the Member a detailed explanation and this was agreed.

A further Member sought clarification of Disability Grant Funding and enquired if this was being fully met by the County Council. He further noted the renewal of sanitary ware at Adastra Hall. In addition he asked for pages 70-71 of the Report to be updated. On a final note he sought clarification on the Council Chamber Modernisation project and asked if the feasibility study was included in the budget.

The Head of Corporate Resources confirmed that the County Council finance all the Disability Grant funding. In relation to the sanitary ware at Adastra Hall they were in need of modernisation before agreeing any hand over to Hassocks Parish Council. In relation to the report on Garden Waste across pages 70-71 this reflected a two stage process which was already underway; however, the Report could be updated. In regards to the Council Chamber modernisation project it was confirmed that the feasibility study was being funded separately, he further noted that expectations were high and these may need to be moderated in order to keep costs under control.

The Chairman took the Members to the recommendations which were agreed unanimously.

RESOLVED

The Committee resolved to agree to recommend to Cabinet:

a) The financial outlook facing the Council;

b) The proposed service changes and challenges in promoting large scale projects;

c) The proposed increase in Council Tax;

d) The proposed placements in the Specific Reserves;

e) The proposed Capital Programme; and

f) The service commentaries and supporting summary budget tables for each business unit.

Appendix 2

Medium Term Financial Plan
Cabinet 13th February 2017

Revenue Spending	Year 0 2016/17 *£'000*	Year 1 2017/18 *£'000*	Year 2 2018/19 *£'000*	Year 3 2019/20 *£'000*	Year 4 2020/21 *£'000*
Base Net Expenditure	12,799	12,502	12,037	11,839	11,878
Benefits	(119)	(119)	(119)	(119)	(119)
Base Revenue Spending	12,680	12,383	11,918	11,720	11,759
Balance Unallocated	41	12	12	12	12
Council Net Expenditure	12,721	12,395	11,930	11,732	11,771
Net on-going savings 2015/16	-	(44)	(44)	(44)	(44)
Net (savings)/pressures from Bwps	-	(150)	(3)	14	31
Reduction in contribution to Leisure Reserve	-	(200)	-	-	-
Pension fund adjustments	-	(122)	(122)	(122)	(122)
Contribution to Rate Retention Scheme Equalisation Reserve	-	200	200	200	200
Additional net rental income from Orchards shopping centre	-	(1,850)	(1,850)	(1,850)	(1,850)
Additional Contribution to ICT Reserve (Digital)	-	600	400	400	400
Contribution to Economic Development & Burgess Hill Growth Area Reserve	-	500	500	500	500
Contribution to Orchards Reserve	-	900	900	900	900
MRP for Orchards Shopping Centre		100	100	100	100
Contribution to Environmental Health staffing	-	50	50	50	50
Contribution to Economic & Community Development Fund	-	220	-	-	-
Contribution towards immigration issues		10	10	10	10
Net General inflation	-	212	424	636	848
Total Revenue Spending	12,721	12,821	12,495	12,526	12,794
External Funding (RSG)	(845)	(128)	-	767	767
Rates Retention Scheme (RRS) funding	(2,564)	(2,641)	(2,720)	(2,802)	(2,700)
Transitional Grant 16/17 & 17/18	(145)	(145)	-	-	-
HB Admin Grant / LCTS Grant	(378)	(374)	(374)	(374)	(374)
Council Tax Requirement @ 1.99%	**(8,844)**	**(9,183)**	**(9,476)**	**(9,780)**	**(10,095)**
Dividend income LAPF	(160)	(240)	(240)	(240)	(240)
Collection Fund:					
- Council Tax deficit / (surplus)	(178)	(110)	-	-	-
-Rates Retention Scheme deficit / (surplus)	697	-	-	-	-
Contribution from Rate Retention Scheme Equalisation Reserve	(304)	-			
Cumulative Balance deficit; / (surplus)	**0**	**0**	**(315)**	**97**	**152**
Difference year on year		0	(315)	412	55

Financing Revenue Spending

	Year 0 2016/17	Year 1 2017/18	Year 2 2018/19	Year 3 2019/20	Year 4 2020/21
Council Taxbase	57,975.6	59,012.1	59,720	60,437	61,162
Change in Taxbase	1.77%	1.79%	1.20%	1.20%	1.20%
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Revenue Budget	12,721	12,821	12,495	12,526	12,794
% change in Formula Grant /External Funding	-49.4%	-84.9%	-100.0%		
External Funding (RSG)	(845)	(128)	0	767	767
Rates Retention Scheme (RRS) funding	(2,564)	(2,641)	(2,720)	(2,802)	(2,700)
Transitional Grant 16/17 & 17/18	(145)	(145)	0	0	0
HB Admin Grant / LCTS Grant	(378)	(374)	(374)	(374)	(374)
Council Tax Requirement	**(8,844)**	**(9,183)**	**(9,476)**	**(9,780)**	**(10,095)**
Dividend income LAPF	(160)	(240)	(240)	(240)	(240)
Collection Fund:					
- Council Tax deficit / (surplus)	(178)	(110)	-	-	-
-Rates Retention Scheme deficit / (surplus)	697	-	-	-	-
Contribution from Rate Retention Scheme Equalisation Reserve	(304)	-	-	-	-
Total Financing	(12,721)	(12,821)	(12,810)	(12,429)	(12,642)
Balance [(deficit); /surplus]	(0)	(0)	315	(97)	(152)
	(12,721)	(12,821)	(12,495)	(12,526)	(12,794)
Council Tax at Band D	**£ 152.55**	**£ 155.61**	**£ 158.67**	**£ 161.82**	**£ 165.06**
Change from previous year	**1.99%**	**1.99%**	**1.99%**	**1.99%**	**1.99%**