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3 September 2021

The Cabinet will meet virtually in accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) Regulations 2012. Public access is available via a live stream video through the [Mid Sussex District Council's YouTube channel](#).

Dear Councillor,

A meeting of **CABINET** will be held **VIA REMOTE VIDEO LINK** on **MONDAY, 13TH SEPTEMBER, 2021 at 4.00 pm** when your attendance is requested.

Yours sincerely,
KATHRYN HALL
Chief Executive

A G E N D A

	Pages
1. Roll Call and Virtual Meeting Explanation.	
2. To receive Declarations of Interest from Members in respect of any matter on the Agenda.	
3. To receive apologies for absence.	
4. To confirm Minutes of the previous meeting held on 26 July 2021.	3 - 6
5. To consider any items that the Leader agrees to take as urgent business.	
6. Budget Management 2021/22 – Progress Report April To July 2021	7 - 22
7. Service And Financial Planning – Guidelines For 2022/23	23 - 34

Working together for a better Mid Sussex



To: **Members of Cabinet:** Councillors J Ash-Edwards (Chair), J Llewellyn-Burke (Vice-Chair), J Belsey, R de Mierre, S Hillier, R Salisbury and N Webster.

Agenda Item 4

Minutes of a meeting of Cabinet held on Monday, 26th July, 2021 from 4.02 pm - 4.31 pm

Present: J Ash-Edwards (Chair)
J Llewellyn-Burke (Vice-Chair)

J Belsey
R de Mierre

S Hillier
R Salisbury

N Webster

Also Present: Councillor A Eves

1. ROLL CALL AND VIRTUAL MEETING EXPLANATION.

The Leader conducted the roll call to confirm the Members present and welcomed Cllr Salisbury following his appointment as the Cabinet Member for Housing and Planning.

Tom Clark, Head of Regulatory Services advised that The Local Authorities (Executive Arrangements) (Meetings and Access to Information) Regulations 2012 permit remote attendance at Cabinet meetings provided they are live streamed to allow for public access.

2. TO RECEIVE DECLARATIONS OF INTEREST FROM MEMBERS IN RESPECT OF ANY MATTER ON THE AGENDA.

None.

3. TO RECEIVE APOLOGIES FOR ABSENCE.

No apologies were received as all Members were present.

4. TO CONFIRM MINUTES OF THE PREVIOUS MEETING HELD ON 7 JUNE 2021.

The minutes of the meeting held on 7 June 2021 were agreed as a correct record and electronically signed by the Leader after a minor amendment. A comment had been attributed to the Cabinet Member for Economic Growth instead of the Cabinet Member for Environment and Service Delivery.

5. TO CONSIDER ANY ITEMS THAT THE LEADER AGREES TO TAKE AS URGENT BUSINESS.

None.

6. BUDGET MANAGEMENT 2021/22 - PROGRESS REPORT APRIL TO MAY 2021.

The Leader drew Members' attention to the tabled amendments for Appendix B.

Peter Stuart, Head of Corporate Resources introduced the report which established the Council's position for the start of the financial year. He highlighted that the Council had budgeted for a pay freeze in line with Government's advice. An offer of 1.5% has been made to and rejected by Unison, 1.5% has been allowed in the current financial year and the budget forecast for future years. The income compensation scheme finished at the end of June. Some projected income receipts had not reduced as expected and income receipts would still be unpredictable for a while. The use of the Leisure Reserve reduced the projected overspend but this overspend will change during the year. He noted the amendments to Appendix B for the Rural Connectivity Project.

Simon Hughes, Head of Digital and Customer Services advised that Appendix B has been amended to reflect an inter authority agreement with Brighton and Hove City Council (BHCC) to provide project management and design expertise. Mid Sussex District Council has experience in delivering similar fibre projects. All costs have been recovered including some additional costs. The Mid Sussex network will connect with that of Brighton and Hove. The Council can leverage investments with investors including the Brighton Digital Exchange and the Digital Catapult, which focuses on supporting and developing business to create further opportunities.

The Deputy Leader noted the overspend. The Council should still be prudent as the future is uncertain, but climate change targets must be met. Burgess Hill Place and Connectivity has funding including Section 106 match funding.

The Cabinet Member for Economic Growth commended the officers for the digital fibre project which is on budget and on time. He highlighted the loss of season ticket income noting it will be difficult to know if the income will bounce back. He queried the loss on green waste bins, the additional capital revenue costs and requested clarification on the extension of the local Council Tax Support scheme (CTS).

The Cabinet Member for Customer Services confirmed her decision as portfolio holder to continue the CTS scheme to ensure help for residents during challenging times, the total support to be offered is less than last year.

The Head of Corporate Resources advised that income could fall short of the predicted level and noted an inconsistency in the report which would be adjusted to match Appendix B.

Judy Holmes, Assistant Chief Executive confirmed the Council had taken early delivery of more green waste bins and are well placed to recoup the income.

The Cabinet Member for Customer Services thanked the Deputy Leader and the officers for a good report and highlighted the Full Fibre Project. She queried the continued loss of the Leisure Management Fee for this and future years requesting updated figures at the earliest opportunity. She welcomed the use of reserves to aid rough sleepers for next Winter.

The Assistant Chief Executive highlighted the difficulty in predicting and budgeting during uncertain times. The Leisure Services contract requires the Council to support the leisure service, noting the Council is working closely to help them manage their costs and increase their income. There is a fine balance in ensuring a safe environment and increasing capacity. The Council has engaged consultants to assist in monitoring the financial returns provided by the leisure service provider.

The Leader welcomed the report and advised the Council would monitor the projected overspend as the Government are no longer underwriting losses. The next report would provide a better financial position for the Council. He took the Members to the recommendation which was agreed unanimously.

RESOLVED

That Cabinet recommend to Council for approval:

- (i) that £432,728 grant income relating to Homelessness Prevention be transferred to Specific Reserves as detailed in paragraphs 26;
- (ii) that £6,400 grant income relating to the Cold Weather Fund be transferred to Specific Reserve as detailed in paragraph 27;
- (iii) that £563,194 grant income relating to the Covid-19 Test and Trace Contain Management Outbreak Fund (COMF) be transferred to Specific Reserve as detailed in paragraph 28;
- (iv) that £21,215 grant income relating to Implementing Welfare Reform be transferred to Specific Reserve as detailed in paragraph 29;
- (v) that £27,618 grant income for new burdens relating to Verify Earnings & Pensions be transferred to Specific Reserve as detailed in paragraph 30;
- (vi) that £5,000 grant income in respect of a payment for Rough Sleepers be transferred to Specific Reserve as detailed in paragraph 31;
- (vii) that £2,973 grant income relating to Revenues and Benefits New Burdens be transferred to Specific Reserves as detailed in paragraph 32;
- (viii) that £166,800 grant income in respect of New Burdens Local Authority Discretionary funding be transferred to Specific Reserve as detailed in paragraph 33;
- (ix) that £33,632 grant income relating to Domestic Abuse Safe Accommodation funding be transferred to Specific Reserves as detailed in paragraphs 34;
- (x) that £25,000 grant income relating to Additional Emergency Accommodation funding be transferred to Specific Reserves as detailed in paragraphs 35;
- (xi) that £107,395 grant income relating to Admin Subsidy be transferred to Specific Reserves as detailed in paragraphs 36;
- (xii) the variations to the Capital Programme contained in paragraph 50 in accordance with the Council's Financial Procedure rule B3.

To note:

- (xiii) the remainder of the report.

7. COPTHORNE NEIGHBOURHOOD PLAN.

Judy Holmes, Assistant Chief Executive highlighted the Council's good progress in delivering Neighbourhood Plans (NP), this plan would leave one left to complete. Andrew Marsh, Business Unit Leader for Planning Policy confirmed 18 Neighbourhood Plans were already in place. Cabinet is recommended to approve the Copthorne NP for referendum. The Parish Council requested designation of the NP area in 2012 and work started the same year. Though work on the Plan paused in 2017, it resumed in September 2020 and was submitted to the Council for consultation and examination in February 2021. The examiner's report was received in June 2021, he confirmed the NP met the legal requirements and recommended the plan go to referendum after some amendments, which are listed in Appendix 1. The Business Unit Leader for Planning Policy confirmed that the officers and the Parish Council have accepted the examiner's proposed recommendations. Subject to Cabinet's approval the provisional date for the referendum is 16 September 2021. If over 50% of residents agree the plan can be made by Council at its meeting on 29 September 2021. It will then form part of the Development Plan for the assessment of planning applications.

The Cabinet Member for Housing and Planning confirmed it was helpful that the Parish Council have accepted the examiner's recommendations in full and was glad to see another NP come through. He highlighted that all NPs would be subject to revisions as Government issue revised requirements. He recommended the report to Cabinet for approval.

The Cabinet Member for Economic Growth noted his support and asked what the test was for the loss of employment floor space and land when the purpose is no longer viable.

The Business Unit Leader confirmed no set test is in place. The Inspector for the Site Allocation DPD when reviewing policy SA34 which seeks to retain employment space, suggested the Council add wording relating to a viability test. This is still to be agreed but similar local authority wording states that "the land has been marketed for a certain length of time".

As there were no further questions the Leader took the Members to the recommendations which were agreed unanimously.

RESOLVED

That Cabinet:

- a) Formally accepted the Examiner's recommended modifications to the Copthorne Neighbourhood Plan to enable the Plan to proceed to Referendum;
- b) Agreed to publish the 'Decision Statement' as set out at Appendix 1 of the report.

The meeting finished at 4.31 pm

Chairman

Agenda Item 6

BUDGET MANAGEMENT 2021/22 – PROGRESS REPORT APRIL TO JULY 2021

REPORT OF: Head of Corporate Resources
Contact Officer: Cathy Craigen, Chief Accountant
Email: Cathy.craigen@midsussex.gov.uk Tel: 01444 477384
Wards Affected: All
Key Decision: No
Report to: Cabinet
13th September 2021

EXECUTIVE SUMMARY AND RECOMMENDATIONS

Purpose of Report

1. This report reviews the progress on the Revenue Budget, Capital Programme and Revenue Projects and Treasury Management for 2021/22.

Summary

2. The forecast revenue outturn position for 2021/22 at the end of July is showing a projected net overspend of £559,000 against the original budget. This largely relates to the cost of the pending unbudgeted pay award, the continued impact of Covid19 that has resulted in further unbudgeted Leisure centre re-opening costs together with reduced Town Centre rental income. However, all Leisure costs reported to date will be met from the Leisure Covid Support Specific Reserve created in 2020/21 which will reduce the forecast overspend to £277,000.
3. This overspend will reduce when a proportion of lost income is claimed from the MHCLG Income Compensation scheme which will apply to the first quarter of the year. The amended scheme has yet to be set out so it has not been possible to quantify the compensation figure. Depending upon the extent of the overspend, some draw on reserves may be necessary to balance the budget by year end.

Recommendations

4. To recommend to Council for approval:

- (i) that £50,000 grant income received to fund the Burgess Hill Station project be transferred to Specific Reserves as detailed in paragraph 29;
- (ii) that £445 grant income relating to New Burdens funding for Council Tax data submissions be transferred to Specific Reserve as detailed in paragraph 30;
- (iii) that £14,000 be reallocated to the Planning Performance Agreement Specific as detailed in paragraph 31;
- (iv) that £100,000 be transferred to the Gatwick DCO Specific Reserve as detailed in paragraph 32;
- (v) the variations to the Capital Programme contained in paragraph 39 in accordance with the Council's Financial Procedure rule B3.

To note:

- (vi) the remainder of the report.

REVENUE SPENDING

Position to the end of July 2021

5. This is the second budget management report for the current financial year. This is intended to inform Members how key income and expenditure targets are performing after the first four months of 2021/22 and to give an indication of the likely position at the end of the year.

Expenditure and Income to date

6. Table 1 details 'actuals' to date for the key income categories and salaries expenditure, compared to their profiled budgets. It gives a snapshot position on performance to the end of July only. This table also details the projected year-end position for these key income categories, but this only forms part of the consideration for the year-end predictions for the Council's overall revenue budget.

Table 1: Key income/expenditure to the end of July 2021

INCOME	2021/22	Profiled	2021/22	Pressure/ (Saving)	Pressure/ (Saving)	Projected Year-end Variance £'000	*To Note: 2021/22 Budget
	Actual to July	2021/22 Budget	Original Budget	To end July	To end May		Unadjusted For Covid-19 £'000
	£'000	£'000	£'000	£'000	£'000		£'000
Car Park Charges	(471)	(495)	(1,481)	24	50	48	(2,151)
Development Management Fees	(486)	(403)	(1,209)	(83)	(5)	0	(1,494)
Building Control Fees	(174)	(180)	(446)	6	(9)	0	(446)
Land Charges	(64)	(57)	(153)	(7)	(1)	0	(153)
Licensing Act Fees	(30)	(15)	(145)	(15)	(6)	0	(145)
Hackney Carriage Fees							
Outdoor Facilities	(32)	(46)	(139)	14	17	0	(139)
Income	(150)	(101)	(279)	(49)	(5)	0	(279)
Garden Waste	(538)	(509)	(1,638)	(29)	15	0	(1,638)
Leisure Contract							
Industrial Estates	0	0	0	0	0	0	(1,444)
Rents	(546)	(555)	(1,340)	9	(1)	0	(1,340)
Town Centre Rents	(738)	(897)	(2,063)	159	67	109	(2,063)
Depot Rent	(48)	(39)	(77)	(9)	(5)	0	(77)
General/Miscellaneous Property	(132)	(153)	(293)	21	(3)	0	(293)
Total Income	(3,409)	(3,450)	(9,263)	41	114	157	(11,662)
EXPENDITURE							
Salaries	4,426	4,286	12,857	140	60	234	12,857

*For information only - It shows the 21/22 budgets without the income reductions built in. (i.e. Before budgets were reduced to take account of the income decreases where demand has been affected by the pandemic).

7. Car parking income is below budget by £24,000 in the first four months of the financial year. This is detailed in Table 2 below. This is made up of lower than budgeted Season Ticket income, £18,000 and Pay and Display £6,000.
8. A pressure for Season ticket income was included in 2021/22 budget of £87,000 representing an expected 45% continued annual loss in income resulting from the pandemic, and season ticket holders not renewing. By outturn 2020/21 the shortfall was an 85% loss. The forecast was therefore revised in the last report to reflect a 70% loss for this year, a further £48,000 shortfall, with some recovery anticipated as travel picks up, but this is not expected to return to pre pandemic levels. No further change to this forecast is anticipated at this stage.

9. For Pay and Display, there was a pressure of £583,000 included in 2021/22 budget, which represented a 30% annual shortfall on 2020/21 pre pandemic budget. Although the first four months have recorded a further shortfall, it is expected that this be recovered over the remainder of the year as restrictions are lifted and therefore no further change to the budgeted 30% shortfall for the year is expected at this stage. These forecasts will be kept under review for the remainder of the year.

Table 2: Car Parks Income					
	2021/22 Actual to July (Over)under target	2021/22 Original Budget	2021/22 Unadjusted For Covid-19	Outturn 2020/21	Forecast 2021/22 (Over)under target
	£'000	£'000	£'000	£'000	£'000
Pay and Display	6	(1,375)	(1,958)	1,065	0
Season Tickets	18	(106)	(193)	163	48
Total	24	(1,481)	(2,151)	1,228	48

10. At the end of July planning application fee income is above target by £83,000. A pressure of £285,000 was included in 2021/22 budget, representing an anticipated 20% continued loss of Planning Fee income as a result of the pandemic, where a reduction in larger applications resulted following the uncertainty and loss of confidence in the Economy. This uncertainty is expected to continue for the foreseeable future and recovery of income to pre-pandemic levels are not anticipated for this financial year. Although the most recent month of July appears to show recovery, this is due to three major applications received and is not thought to be indicating an ongoing trend at this point. However, this will be kept under review for the remainder of the year.
11. At the end of July, Building Control Income is under target by £6,000. This is mainly due to the profiling of income, which can fluctuate. Therefore, no full year variation is anticipated at this stage.
12. At the end of July Land Charges income is over target by £7,000. However, as the Stamp Duty holiday reduced at the end of June and the Corona Virus Job Retention scheme contributions also decrease it is expected that the housing market will slow down. Therefore, no variation to the full year projection is anticipated at this stage.
13. Licencing income is £15,000 above target for April to July. This is mainly due to the profiling of income, which can fluctuate. Therefore, the forecast remains unchanged.
14. Hackney Carriage Fees are below target by £14,000 for the first four months of this financial year. This is mainly due to the profiling of income, which can fluctuate.

15. Outdoor facilities income is £49,000 above budget after the first four months of the year. This is partly due to income being profiled for when cash is collected, but this can vary from the income due for specific periods. No full year variation is anticipated at this stage.
16. Based on the current budget profile, Garden Waste income is £29,000 above target at the end of July. The budget allows for further expansion of the service to 23,000 customers by the end of the year. The variation to date is mainly due to the profiling of income, which can fluctuate and no variation is forecast at this stage.
17. The target for Management Fee income from the leisure centre contractor was removed for 2021/22 budget. This is subject to ongoing negotiations due to the forecast operational losses, which will include the loss of the management fee income for the remainder of the financial year and possibly for future years.
18. The actual to July for the four income areas below in paras 19 to 22 relates to income where an invoice has been raised rather than actual income received. There may be a downturn in income received for these income streams because of the impact of Covid 19 which will be reported as necessary as the year progresses.
19. Industrial Estates rent is showing as £9,000 below target at the end of July. The full year projection is expected to be unchanged.
20. Town Centre rent is £159,000 below the target at the end of July. This shortfall is mainly due to the Covid-19 rent concessions and write offs for the Orchards Shopping Centre. Many of these relate to invoices raised in 2020/21 but the write offs and credit notes have been agreed and processed in this financial year. £109,000 has been reported at this stage as detailed in Appendix A of this report.
21. Depot rent is showing as £9,000 above budget for April to July. This is due to a balance of rent payment relating to the last financial year. No change to the full year projection is anticipated at this stage.
22. General/miscellaneous property income is showing as £21,000 under target at the end of July, mainly due to an £18,000 overpayment of supplementary rent for 27-43 Church Road, Burgess Hill, relating to a prior year, being refunded to the tenant. This should be offset by some unbudgeted rent for the Redwood Centre and therefore no change to the full year projection is anticipated at this stage.
23. The salaries expenditure to the end of July is a pressure of £140,000 against the profiled budget. However, the forecast year-end variance currently stands at a pressure of £234,000, which is partly due to the previously reported £141,000 estimated pressure for a 1.5% pay award for 2021/22 following the National Employer's pay offer to the NJC unions. This was not included in the 2021/22 budget and is subject to change as it has not been formally agreed to date. This variance also relates to the cost of unbudgeted agency staff which is partly offset by vacancy savings in a number of business units. Appendix A of this report and previous reports provides further detail on the forecast variance. This position will continue to be monitored closely as we progress through the year.
24. In summary, based on current information available and as outlined in Appendix A, the current forecast year-end position (at the end of July 2021), is an overspend of £559,000 before the use of the Leisure Covid Support Specific Reserve.

Income Compensation Scheme

25. Members will know that the Scheme was very helpful in 2020/21 in mitigating the worst of the income losses. The assurance process across the sector is still underway, with the result that grant claims for that year have not yet been finalised, and the final payments have yet to be made.
26. The follow-on effect is that the scheme for 2021/22 which applies only to the first three months of the year has yet to be set out at the time of writing (25th August) and it is therefore not possible to estimate with any accuracy the compensation that will be paid in the current year.
27. We do anticipate though that a successful claim can be made which will reduce the projected overspend and the associated call on the general reserve.

Miscellaneous

28. The total remaining in Balance Unallocated is unchanged at £20,000 as there has been no utilisation to date.
29. In May, £50,000 'One Estate' Funding Grant was received from Brighton & Hove City Council to contribute to the Burgess Hill Station project. Members are requested to approve the transfer of this sum to Specific Reserves for this purpose.
30. In July the Council received £445 from Office of National Statistics (ONS) in respect of a payment for New Burdens funding in relation to Council Tax data submissions to the ONS. Members are requested to approve the transfer of this sum to the Revenues and Benefits New Burdens specific reserves to meet these additional costs.
31. In February 2020, the sum of £14,000 was received from Rampion Extension Development Limited and at Outturn 2020/21, this was reported to be transferred to the Burgess Hill Growth reserve in error. Members are now requested to reallocate this sum to the Planning Performance Agreement reserve, to fund additional staffing in respect of the delivery of a strategic housing site.
32. In 2020/21 the balance on the Specialist Advice Studies- Gatwick Specific Reserve was transferred to General Reserve as the balance on this reserve was not needed at that time. However, there will now be expenditure over the next year on the Gatwick DCO and so Members are requested to transfer £100,000 from General Reserve into a Gatwick DCO Specific Reserve to fund these anticipated costs.

CAPITAL SPENDING ON CAPTIAL PROGRAMME AND REVENUE PROJECTS

Position to the end of July 2021

33. The Capital Programme and Revenue Projects for 2021/22 now stands at £13,137,000. This includes slippage from the 2020/21 Programme of Capital and Revenue Projects and current year project variations, as reported to Cabinet 26 July 2021. The actual and commitments to the end of July 2021 total £4,182,129.

Variances to the 2021/22 Capital Programme and Revenue Projects

34. At this early stage in the year the major variances are set out in table 3 below, the remainder being a number of smaller variations totalling less than £100,000.

Table 3: Expenditure Variations on the 2021/22 Capital Programme and Revenue Projects

	Variances £'000 (overspend)	Variances £'000 (underspends)	Notes
Burgess Hill Place and Connectivity Programme		(1,457)	1
Goddards Green Sewage Treatment works	2,237		2
Rural Connectivity Programme		(3,075)	3
Research and Innovation Fibre Ring (RIFR)		(602)	4
Telephony System Replacement (RP)		(196)	5
Affordable Housing		(1,000)	6
Temporary Accommodation		(2,800)	7
Disabled Facility Grants		(1,062)	8
Centre for Outdoor Sport (Master Planning) (RP)		(245)	9
Total	2,237	(10,437)	

Notes:

Planning Policy

- (1) Burgess Hill Place and Connectivity Programme -. Works underway. All spend is funded by grant claimed through WSCC from the funding providers (Coast to Capital LEP), and from approved s106s. A further increase to the project total is included in this report. No forecast variation is anticipated at by year end.
- (2) Goddards green Sewage Treatment Works - Works completed on this project in 2021/22 are now funded from claims we are managing that relate to Housing Infrastructure funds (HIF). The final claim under HIF will be £1,998,208 and will be made by 20 September. We are on track to be able to claim this money.

Digital & Technology

- (3) Rural Connectivity Programme -. Works underway. All spend is funded by the Coast to Capital LEP). No forecast variation is anticipated at by year end.
- (4) Research and Innovation Fibre Ring (RIFR) - Works underway. All spend is funded by the Brighton & Hove City Council (BHCC). No forecast variation is anticipated at by year end.
- (5) Telephony System Replacement (Revenue Project)- This project needed reshaping in response to other priority works, so whilst a portion of it may be allocated to some associated work this year, a large remainder will need to move into 22/23 to support these reshaped works as a council priority project.

Housing

- (6) Affordable Housing – Blackwell Farm Road not completing until 2021/22 so budget slipped from 20/21. No forecast variation is anticipated at by year end.
- (7) Temporary Accommodation -Spend is dependent on capital receipts being available. No forecast variation is anticipated at this stage.

Environmental Health

- (8) Demand-led Housing adaptations service for which a further £291,021 has been committed as at end of July. No forecast variation is anticipated at this stage.

Landscapes and Leisure

(9) Centre for Outdoor Sport (Master Planning) (Revenue Project)- Slippage from 2020/21 - This project has been delayed due to Covid and not expecting to commission consultant to do the design work until the end of 21/22. No forecast variation is anticipated at by year end.

Proposed Variations to the Capital Programme and Revenue Projects

35. The Council needs to replace the sewage pump at East Court Pavilion, East Grinstead. The existing pump has failed and there is risk of pollution, so to comply with current standards a new twin pump system needs to be installed. The project will cost £85,000 and will need to be funded from General Reserve. Further details are shown in the Capital Justification in Appendix B of this report. The programme has been amended accordingly.
36. The current programme includes £2,092,000 for the Burgess Hill Place and Connectivity Programme. As previously reported, the whole project, totalling £6,839m, will span a five -year period. As work progresses, the latest phasing of the works means that the anticipated 2021/22 spend on the project now stands at £2,675,000. Therefore, the amount included in the Capital Programme for this year needs to be increased by £583,000. This will be financed from S106s that have been approved to be released for this project. This is further detailed in MIS 29 on 21 July 2021 in which the Cabinet Member for Housing and Planning authorised the release of £67,076.35, (previously authorised for release to West Sussex County Council), to Mid Sussex District Council from Total Access Demand (TAD) contributions arising from developments at Land at 86 Junction Road, Land at Kings Head Public House, Land at Summerfold House, Land at 67 Victoria Road, Land at 107 Fairfield Road and Land at 71 Victoria Road to facilitate the delivery of agreed projects within the Burgess Hill Place and Connectivity Programme. The remaining £515,540 s106 funding was approved at Cabinet Grants Panel on 23 August 2021. The 2021/22 project total has therefore now been amended to reflect the change in the 2021/22 phasing of the total project
37. The current condition of the pavilion at Cuckfield Recreation Ground is very poor throughout and requires updating and improvement. Externally, the southern façade has been a target of vandalism due to its covering of rough sawn timber. It is proposed to remove this and replace with timber feather boarding to match the other elevation and to insert a barrier within the wall to increase security in an attempt to prevent access being gained. The project will cost £34,522 to be funded by Community Buildings S106 contributions totalling £27,202 and existing revenue maintenance budget for the remaining £7,320. Further details are shown in the Capital Justification in Appendix B of this report. The programme has been amended accordingly.
38. The current programme includes £202,000 for the Telephony System Replacement Revenue Project. However, this project needed reshaping in response to other priority works, so whilst a portion of it may be allocated to some associated work this year, £180,000 will need to be slipped into 2022/23 to support these reshaped works as a council priority project. Therefore, the programme has been re-phased to reflect this.
39. Proposed capital variations are summarised in table 4 below:

Table 4: Capital Programme and Revenue Project Variations April to end July 2021

	<i>Apr to July</i> £'000	Ref
Capital Projects		
East Court Pavilion Sewage pump	85	Para 35
Burgess Hill Place & Connectivity Programme	583	Para 36
Cuckfield Pavilion refurbishment	35	Para 37
Total Capital Projects Variations	<u>703</u>	
Revenue Projects		
Telephony System Replacement	(180)	Para 38
Total Revenue Projects Variations	<u>(180)</u>	

40. Taking into account the changes detailed above, the overall effect is an increase to the current programme of Capital and Revenue Projects for 2021/22 of £523,000, being an increase in Capital projects of £703,000 and a decrease in Revenue Projects totalling £180,000. There will also be a net increase in the 2022/23 programme by £180,000 due to the slippage outlined above. Therefore, the overall revised programme total for 2021/22 now stands at £13,660,000.

Capital receipts and contributions received to the end of July 2021

41. Capital Receipts, S106s and grant contributions of £1,310,882 have been received in the period April to July 2021.

S106 contributions committed/utilised to the end of July 2021

42. The following S106 contributions have been utilised during this period:

Table 5 S106 utilisation 2021/22

	<i>Apr to July</i> £'000	Note
Cuckfield Parish Council	7	1
Worth Parish Council	9	2
Scaynes Hill Millennium Village Centre	2	3
Ashenground Community Centre	6	4
Sussex Clubs for Young People Ltd	171	5
Mid Sussex District Scout Council	<u>100</u>	6
Total	<u>295</u>	

Notes

- 1 Utilisation of Local Community Infrastructure (LCI) contribution (P35/708 £6,843.45) S106 monies the first phase of planting in Cuckfield Parish Council's Community Garden (Angela Fox Nature Garden), as agreed by the Leader of the Council on 21 June 2021 MIS 25 23 June 2021.
- 2 Utilisation of S106 Play contributions (P35/323 £0.81, P35/475 £293.00 and P35/728 £8,226.19). S106 monies for the installation of an inclusive roundabout at the Bowers Place Playground in Crawley Down for Worth Parish Council, as agreed by the Cabinet Member for Environment and Service Delivery on 23 June 2021 MIS 25 23 June 2021.

- 3 Utilisation of Community Buildings contribution (PL12-001487 £2,000) S106 monies for the upgrade of the existing air ventilation system with a purification unit to improve the facilities and encourage more users to take part in social and community activities in the centre in a Covid secure environment. As agreed by the Cabinet Grants Panel on 28 June 2021 MIS 26 30 June 2021.
- 4 Utilisation of Community Buildings contribution (PL12-001082 £3,396, PL13-002860 £2,418) S106 monies for the installation of LED lighting to improve energy efficiency and reduce overhead costs, as agreed by the Cabinet Grants Panel on 28 June 2021 MIS 26 30 June 2021.
- 5 Utilisation of Community Buildings contribution (P35/641 £1,498.55, PL13-000162 £3,072, P35/594 £33,127.77, PL13-000539 £4,819, PL3-000199 £85,744.33, P35/757 £2,704.19, PL13-000616 £3,601.51, PL13-001412 £12,346 and P35/768 £24,246.65) S106 monies to extend and refurbish the pavilion at Barn Cottage Recreation Ground to make it suitable for a wider range of activities and community management, as agreed by the Cabinet Grants Panel on 28 June 2021 MIS 26 30 June 2021.
- 6 Utilisation of Community Buildings contribution (PL3-000199 £18,501.03, PL13-001178 £6,893.00, PL13-000841 £46.63, PL13-001876 £5,316.71, P35/768 £24,740.46 and PL3-001439 £44,502.17) S106 monies for the construction of a new community centre at Barn Cottage Recreation Ground for use by the Scouts and other groups, as agreed by the Cabinet Grants Panel on 28 June 2021 MIS 26 30 June 2021.

TREASURY MANAGEMENT INTEREST

- 43. Treasury Management interest for this financial year was projected in the Budget Report to be £171,830 at an average rate of 0.4%. The Budget Report is prepared well before many of the cash flow items are known.
- 44. The interest receivable forecast continues to be below the budget due to the lower than anticipated interest rates available. As previously reported, this is partly caused by the large balances of grant funding held by Local Authorities, so that there is excess cash in the market. Whilst Mid Sussex's average balance is higher than forecast, a large proportion needs to be liquid to be distributed to local businesses and the money market funds rates are barely above zero. Therefore, a very cautious estimated year-end projection for Treasury Management to be earned in the year is £132,033 being £39,797 under target. This position will continue to be monitored closely as we progress through the year.

Local Authority Property Fund Dividends

- 45. Members will recall that £6m is invested in the Local Authorities' Property Fund administered by the CCLA. Dividends on these investments are paid to the Council on a quarterly basis being due for the quarters ending 30 June; 30 September; 31 December and 31 March. Dividends received for the quarter ending 30 June are £65,783 less management expenses of £9,398. Therefore, the net income to the Council is £56,385 as at the end of June 2021. £240,000 is budgeted to finance the Revenue Budget in the current year. Based on the first quarter dividend, this is likely to result in a shortfall of £14,460 by year-end, therefore any shortfall will need to be funded from General Reserve. However, this will continue to be monitored and further updates will be reported in future Budget Management Reports

POLICY CONTEXT

- 46. This report shows actual financial performance against the original budget, which was approved within the context of the Financial Strategy.

FINANCIAL IMPLICATIONS

- 47. The financial implications are detailed within the body of this report.

RISK MANAGEMENT IMPLICATIONS

48. There are no risk management implications.

EQUALITY AND CUSTOMER SERVICE IMPLICATIONS

49. There are none.

OTHER MATERIAL IMPLICATIONS

50. There are no legal implications as a direct consequence of this report.

SUSTAINABILITY IMPLICATIONS

51. There are no sustainability implications as a direct consequence of this report.

Background Papers

Revenue Budget 2021/22

Appendix A

Forecast Budget Variations for 2021/22 at the end of July 2021

	<i>Pressures in 2021/22</i>	<i>Notes</i>
	£'000	
April to May pressures Cabinet 26 July 2021	514	
Orchards Shopping Centre rents (Covid)	109	1
Housing Salaries	26	2
Leisure centre re-opening costs (Reversal of forecast pressure)	(43)	3
Strategic Management salaries	146	4
Recycling Bins	14	5
	766	

Notes:

- (1) See paragraph 20.
- (2) Additional cost of employing temporary cover through an agency for the Business Unit Leader role within Housing.
- (3) Following ongoing negotiations with the Leisure contractor, additional costs of reopening the Leisure Centres at reduced capacity are expected in 2021/22, subject to monthly open book reconciliations. The forecast pressure for the year has reduced from £308k previously reported, to £265k, an improvement of £43k, due to actual reconciliation costs for recent months being lower than forecast.
- (4) Additional cost of employing an interim Head of Digital and Customer Services through an agency.
- (5) Additional cost of bin replacement due to the age of existing operational stock.

Forecast Budget Variations for 2021/22 at the end of July 2021

	<i>Savings in 2021/22</i>	<i>Notes</i>
	£'000	
April to May savings Cabinet 26 July 2021	(46)	
Revenues and Benefits Salaries	(50)	6
Revenues and Benefits Enforcement Income	(43)	7
Environmental Health Salaries	(20)	8
Playground Cleansing	(48)	9
	(207)	

Notes:

- (6) Salary savings due to Vacant posts.
- (7) Additional court enforcement income generated through dealing with backlog of Council Tax collections accumulated during the pandemic.
- (8) Salary savings due to staff redeployment to additional grant funded work in respect of Covid.
- (9) A pressure was allowed for in 2021/22 budget for the further half year cost of additional Playground cleaning during the pandemic. Additional grant funding has since been made available from Covid 19 Contain Outbreak Management Funding(COMF), resulting in a saving against the budget..

Capital Project justification

East Court Pavilion – Sewage Pump	
Purpose of project :	
<p>The existing single pump system has failed, and the pump housing is now acting like a septic tank. The condition of the pump housing is poor and there is the risk of pollution leaching out into the surrounding area. In order to comply with current standards, we need to install a twin pump system within a newly formed, below ground, enclosure. The outlet is to be connected to a nearby (100m) public sewer.</p>	
Total Amount : £85,000	
<p>The project includes the installation of a 3 phase twin grinder (SEG.40) foul water pumping station (PU1835TG Kingspan) approximately 1.8m x 3.5m. To include 4 float control system duty/standby discharging onto a 63mm MDPE rising main (to be moled) approximately 100m to mains foul sewer inspection chamber. The excavations will need to be in the region of 3m deep and as such we have included for closed panel security fencing to create a safe and secure working compound as the location is in a public space. It will also include for temporary remote CCTV security coverage throughout the duration of the works.</p>	
<p>Capitalised Salaries included in the project total: N/A</p>	
<p>Other sources of funding: (ie s106/): NA</p>	
<p>Revenue Implications: If nothing is done to resolve this issue we could face a pollution event due to the failure of the existing pump and housing, this could have serious implications and possible intervention and fines from the Environment Agency.</p>	
Value For Money Assessment:	
<p>A do nothing approach could result in enforcement notices being issued by the Enforcement Agency and could damage the reputation of the Council due to the adverse publicity this may attract.</p>	
<p>Business Unit/Service : Corporate Estates and Facilities Business Unit</p>	
<p>Head of Service : Peter Stuart</p>	
<p>Project Manager: Darren Prior</p>	
<p>Cabinet Members: Cllr Llewellyn-Burke</p>	
<p>Ward Members : East Grinstead – Ashplats – Cllr Liz Bennet and Cllr Margaret Belsey</p>	
<p>This project contributes to achieving the Corporate Plan in the following ways :</p>	
<p>Ensuring that sewage is dealt with appropriately at East Court Pavilion which forms part of Mid Sussex District Council's estate.</p>	
<p>Summary of discussions with Cabinet Member: This project has been discussed and Cllr Llewellyn-Burke is supportive of the project</p>	

Risk Analysis :

The main risks of the project and the likelihood, severity and financial impact (rated low, medium, high) of each of these risks are:

Risk	Likelihood	Severity	Financial impact
1.Incidents during construction	low	high	low
2. incident following construction	low	low	low

Mitigation actions: Security and CCTV coverage of the site, Qualified contractors, Risk Assessments, Method Statements.

Capital Project justification

Cuckfield Pavilion Refurbishment														
Purpose of project:														
<p>The current condition of building is very poor throughout and requires updating and improvement. Externally, the southern façade has been a target of vandalism due to its covering of rough sawn timber. It is proposed to remove this and replace with timber feather boarding to match the other elevation and to insert a barrier within the wall to increase security in an attempt to prevent access being gained.</p>														
<p>Estates and Facilities have worked closely with our Landscapes and Leisure Colleagues to agree the brief for this project.</p>														
Costs:														
<p>Total project cost: £34,522 including fees of £1,200.00</p>														
<p>Other sources of funding: S106 of £27,202</p>														
<p>Planned Maintenance Revenue of £7,320</p>														
Revenue implications:														
<p>This project is considered to represent an appropriate expenditure of Community Buildings s106 contributions from the agreements below:</p>														
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; padding: 5px;">Application name</th><th style="text-align: center; padding: 5px;">S106 number</th><th style="text-align: center; padding: 5px;">Amount</th></tr> </thead> <tbody> <tr> <td style="padding: 5px;">Land at Bylanes Close</td><td style="padding: 5px; text-align: center;">P35/708</td><td style="padding: 5px; text-align: center;">20,270</td></tr> <tr> <td style="padding: 5px;">Land at Ardingly Road</td><td style="padding: 5px; text-align: center;">P35/737</td><td style="padding: 5px; text-align: center;">6,932</td></tr> <tr> <td style="padding: 5px;">Total</td><td></td><td style="padding: 5px; text-align: center;">27,202</td></tr> </tbody> </table>			Application name	S106 number	Amount	Land at Bylanes Close	P35/708	20,270	Land at Ardingly Road	P35/737	6,932	Total		27,202
Application name	S106 number	Amount												
Land at Bylanes Close	P35/708	20,270												
Land at Ardingly Road	P35/737	6,932												
Total		27,202												
<p>*contributions rounded to the nearest £</p>														
Legal Implications:														
<ul style="list-style-type: none"> • Land at Bylanes Close secured financial contributions for the extension or improvement of existing community buildings or new facilities in the central planning area. • Land at Ardingly Road secured financial contributions for the extension or improvement of existing community buildings or constructing new facilities in the Cuckfield/Haywards Heath area. 														
Value for money assessment:														

Although well used, the pavilion is in need of updating and improvement with finishes generally over 30 years old. This work will reduce ongoing maintenance costs whilst increasing revenue from letting the kiosk. The formation of a kiosk will attract revenue estimated at £1,200 per annum.

Business Unit/Service: Corporate Estates and Facilities

Head of Service: HOS Peter Stuart

Project Manager: Tony Johnson

Cabinet Member: Judy Llewellyn-Burke

Ward Members: Cuckfield – Pete Bradbury, Robert Salisbury

This project contributes to achieving the Corporate Plan in the following ways:

This project delivers value for money whilst also creating an opportunity for the local economy through formation of a kiosk and improves a facility well used by the community.

Summary of discussions with Cabinet Member:

Discussions have taken place with the Cabinet Member Judy Llewellyn-Burke who is supportive of the project.

Risk Analysis:

The main risks of the project and the likelihood, severity and financial impact (rated low, medium, high) of each of these risks are:

Risk	Likelihood	Severity	Financial impact
Further dilapidation of internal materials and fittings	high	medium	medium
If nothing is done, hirers will go elsewhere	high	medium	medium

Mitigation actions: Upgrade the facility to extend the life cycle of the building.

Agenda Item 7

SERVICE AND FINANCIAL PLANNING – GUIDELINES FOR 2022/23

REPORT OF: HEAD OF CORPORATE RESOURCES
Contact Officer: Peter Stuart
Email: peter.stuart@midsussex.gov.uk Tel: 01444 477315
Wards Affected: All
Key Decision: Yes
Report to: Cabinet
13 September 2021

Purpose of Report

1. This report sets out the service and financial context within which the authority will operate over the next two years and sets out guidelines for developing the Corporate Plan and Budget for 2022/23. It is intended to set a direction for the authority when considering future service and financial decisions, against a background of post-pandemic recovery.

Summary

2. Planning for the future is very uncertain, with many factors remaining very variable as a result of the pandemic and the financial and social havoc that has been wrought on the UK and the world.
3. It is likely that the financial reforms that would have taken place during the 2021/22 year will be put off for at least 12 months, meaning that 2022/23 will have a similar financial envelope to the current year with few, if any, surprises.
4. Whilst we are able to predict both business rates and council tax income with some degree of accuracy, assembling reasonable estimates of income from sales, fees and charges is subject to much estimation and sensitivity analysis has been applied in order to make a working figure for this paper.
5. The main component of this subjectivity is around the income derived from parking income and the contract to run the leisure centres in our three towns. The latter is discussed as a discrete item.
6. The effect of this uncertainty and disruption is that at this early stage the budget for 2022/23 is not in balance and we are projecting to use the general reserve to bridge an income/expenditure gap of some £1.0m
7. The main impact of the changes around the financial regime are felt in the following year, 2023/24, where the business rates baseline reset could lead to a large reduction in retained income, which would have a significant impact unless mitigated by a damping scheme.
8. Subject to discussion at Cabinet, the content of this report will guide the preparation of service plans and budget proposals through the autumn and will enable a draft Corporate Plan and Budget to be published for Members' consideration in December.

Recommendations

9. Cabinet is recommended to:

- (i) endorse the guidelines set out within this report and use these principles in preparing the 2022/23 Corporate Plan and Budget;

- (ii) **in the light of the severe financial challenges, note the need to increase Council tax levels by the maximum permissible level, without needing a referendum**
-

Background

10. Members will be aware that the financial outlook for local government as a whole remains very challenging given the effect that the pandemic has had on income and the wider economy.
11. Whilst the direct impacts are now starting to reduce, the effects will be felt for many years to come although we will have to wait until the Spending Review to find out more.
12. In the meantime we are starting with our Service and Financial planning with assistance from both Pixel Consulting and LG Futures who offer similar but complementary views on medium term forecasting.
13. The shared view is that the reforms that the government wished to bring in around the business rates regime and the Fair Funding Review will be put back at least one year. The government simply ran out of time (given the other calls on resources) to put together a coherent and rational set of proposals that could be adopted for 2022/23.
14. This being so, it is likely that this work will take place in the year, so that proposals can be adopted for 2023/24. Similarly, whilst not certain, it is likely that the business rates baseline will be reset in that year also. This is discussed later.
15. This paper takes all the presently available information and attempts to set out the next two years' financial envelope. It does however come with a 'health warning' in that it is possible that some of these assumptions may be wrong in fact or in degree. However, there remains time to amend and update these plans well before the Council sets a budget in March 2022.

Updating the latest published position

16. Members were last updated on the Council's position when adopting the Corporate Plan in March 2021. At that time the medium-term financial plan net position was as shown below:

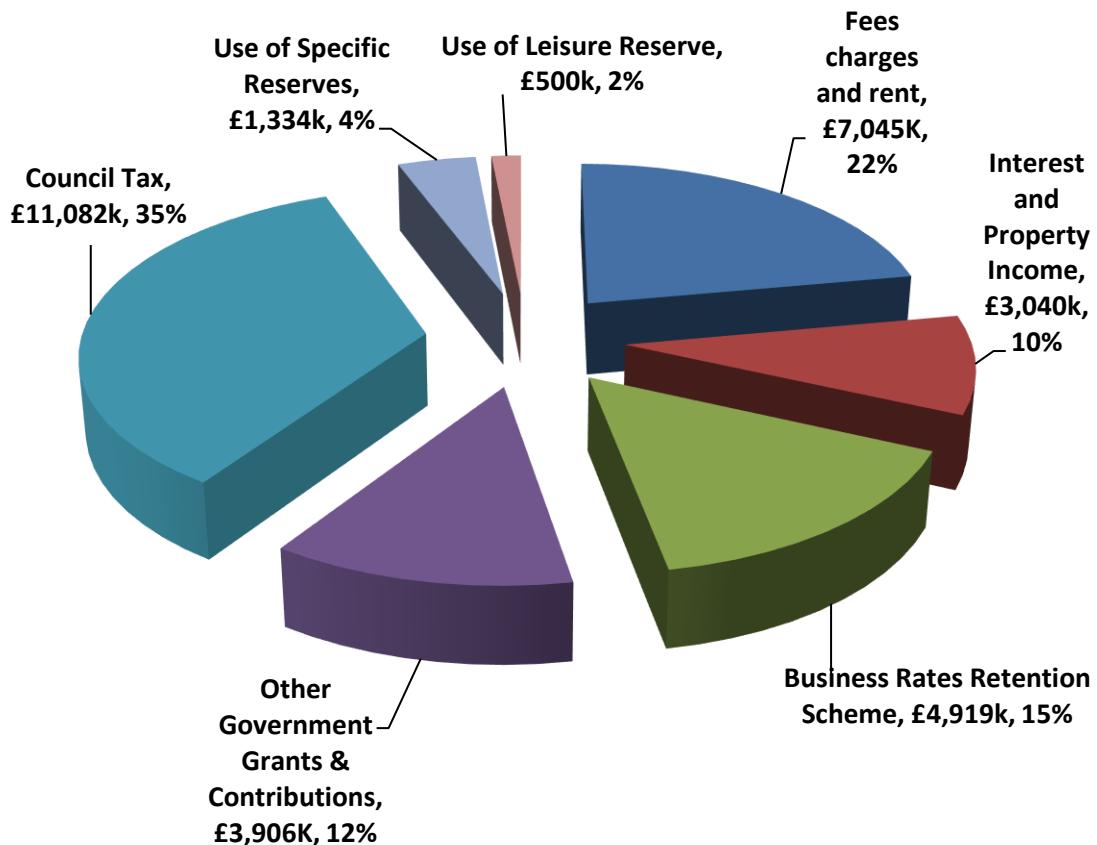
Year	2022/23	2023/24	2024/25
	£'000s	£'000s	£'000s
Deficit to be financed from General Reserve	3,076	3,071	3,036

17. Using the Reserve in this way is unsustainable over the medium term and the rest of this paper sets out the strategy for reducing reliance on such an arrangement.

Income from fees and charges

18. Income from revenue sources (which includes rent, sales, fees and charges), constitutes 22% of our total income of £31.826m, as the chart shows:

2021/22 Sources of Finance



19. It is vitally important then that every effort is made to retain and where possible, enhance this income.
20. The government has supported local authorities with their reduced income through the Income Compensation scheme which extended from 20/21 into the first three months of 21/22. That scheme has now ended and authorities must look to themselves to both generate and grow income for the future.
21. For the current year we have reduced our income projections and are carefully monitoring against these which will give us a view on the assumptions to make for the future.
22. Making such forecasts based on a very changeable environment does present an increased level of risk and it is likely that whatever projections are used, there will be some major variation to be accommodated.

INCOME	Key income items					To Note: *2021/22 Budget Unadjusted For Covid-19* £'000
	2020/21	2021/22	2021/22	2022/23		
	Original	Original	Forecast	Forecast		
	Budget	Budget	Outturn	Budget		
	£'000	£'000	£'000	£'000		
Car Park Charges	(2,151)	(1,481)	(1,433)	(1,481)		(2,151)
Development Management Fees	(1,494)	(1,209)	(1,209)	(1,209)		(1,494)
Building Control Fees	(549)	(446)	(446)	(446)		(446)
Land Charges	(153)	(153)	(153)	(153)		(153)
Licensing Act Fees	(145)	(145)	(145)	(145)		(145)
Hackney Carriage Fees	(139)	(139)	(139)	(139)		(139)
Outdoor Facilities Income	(279)	(279)	(279)	(279)		(279)
Garden Waste	(1,381)	(1,638)	(1,638)	(1,655)		(1,638)
Leisure Contract Income	(1,444)	0	0	0		(1,444)
Industrial Estates Rents	(1,344)	(1,340)	(1,340)	(1,340)		(1,340)
Town Centre Rents	(2,867)	(2,063)	(1,954)	(2,063)		(2,063)
Depot Rent	(80)	(77)	(77)	(77)		(77)
General/Miscellaneous Property	(291)	(293)	(293)	(293)		(293)
Total Income	(12,317)	(9,263)	(9,106)	(9,280)		(11,662)

*For information only - It shows the 21/22 budgets without the income reductions built in.
(i.e. Before budgets were reduced where demand has been affected by the pandemic).

23. As can be seen, income projections for the forthcoming year are still significantly down on the 20/21 (pre-pandemic) position. These figures will be updated as appropriate during the rest of the year, but currently these present a pressure to the revenue budget (compared to the baseline 20/21) and a new, lower baseline to be projected forward.

New Homes Bonus

24. The consultation on the future of the NHB has concluded but government has still to decide how to take this scheme forward, if at all.
25. In the absence of certainty, the approach from our retained consultants is that we should budget only for the legacy payment. This is a significant reduction in the Bonus that we have been awarded for previous years.
26. Members will be aware that we do not use any NHB in our day to day (revenue) spending but it does usefully contribute towards our general reserve.

New Homes Bonus (NHB)			
Year	2020/21 £000s	2021/22 £000s	2022/23 £000s
7	845		
8	878	878*	
9	548	548*	548*
10 (rollover settlement one-year payment only)	996		
11 (rollover settlement one-year payment only)		885	
12 Legacy payment only			
Total	3,267	2,311	548

*legacy payments

Business Rate Retention (BRR) scheme

27. This is an area that has proved successful for Mid Sussex, due to the levels of economic growth in the area.
28. We have seen our ratebase debit rise from £47.276m to £62.481m over the period from 2013 with corresponding increases in the level of retained income. Significantly, we have also benefited from the Rampion Windfarm substation being situated in the district, since this adds some £983k pa to our income, and is protected by specific legislation, designating that income as ours (i.e. it is not shared with either the government or WSCC, for some years to come).
29. In spite of the pandemic adversely affecting the retail and office sectors of the economy, we, with the help of our consultants, are able to forecast income, for 22/23 as shown below. Of course, this will need reviewing later in the process to ensure it remains prudent but does act as a good estimate for these strategy purposes.

Year	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m	£m
Retained income		3.4	5.2	5.1	3.4	3.5

30. Thus, income from retained business rates looks to be stable for 2022/23 but quite badly affected by the baseline 'reset' in the following year, assuming that actually takes place. However, the lost income may be partially 'damped' (see below) to ensure that the loss is not excessive in any one year.

Status of national reviews

31. The pandemic and associated increase in government workload has meant that resources at MHCLG have not been available to pursue the long-awaited reviews of the overall funding of the local government sector. Known as the Fair Funding Review, it is now expected that this will be worked up during 2022 ready for implementation from April 2023.

32. We expected the review to be detrimental to shire councils in the South East of the UK, so the delay is not unwelcome. Members will be updated as announcements are made but our consultants anticipate a 12% reduction in our overall funding upon its introduction and this has been factored into the medium term plans.
33. It is still anticipated that a Spending Review will take place in the autumn but there are as yet no details on its form or content, or impact upon the Sector. Given the uncertainty created by the pandemic this is not surprising and we must remain agile and willing to change our plans as the context in which the UK operates also changes.

Council tax base

34. The Council will set the taxbase at the December meeting. We see no reason to change our forecast of an increase of 1.4% for next year but this will be kept under review for 22/23 and future years.

Council tax levels

35. The government has in recent years been very clear in assessing the financial need of local authorities that it is assumed that council tax will rise by the maximum allowable. For districts that has been 2% or £5, whichever is higher.
36. Mid Sussex has followed that line and has increased tax at Band D by £5 per annum, each year since 2010. We will model that increase over the medium term also.
37. It is worth noting that the percentage increase is going down over time as the ratio of £5 to the overall Band D diminishes.

Inflation

38. Each year we recalculate the cost of inflation to the Council. The majority of this is pay inflation but there are also contract price increases arising from index linking; in use are CPI, Average Weekly Earnings, or fuel prices for example.
39. For the current year we forecast only limited, specific pay inflation for lower grades, taking our lead from the Chancellor's comments earlier in the financial year. Unfortunately for the budget process, this proved misleading and we have had at least £171k of extra cost to absorb in 21/22 resulting from a possible 1.75% pay award, although this has not yet been formally agreed.
40. We shall therefore have to add this to 22/23 as well as the pay award forecast for that year and future years, where we will use 2%.

Pension Fund

41. The triennial revaluation of the WSCC fund will take place as at 31st March 2022. Next year will be the last year of the current funding period where we have been able to reduce our deficit contributions by 1% year on year. This is because our part of the fund deficit was £504K and we were able to make this up over 20 years with a slightly reduced contribution compared to previously. Next year had already been factored into our medium-term plan (albeit at 1%), but we now need to plan for the following year.
42. Discussions with WSCC established that, assuming our part of the fund remains stable, i.e. liabilities and assets grow or reduce by similar rates, then contributions can also remain stable. This means paying £628k per year for each of the years to 2024/25, on top of our employer's contribution which is linked to our payroll.

43. This figure will be updated when the results of the valuation are known, later in 2022.

Movements to Reserves

44. The MTFP agreed by Council in early March included two regular transfers to reserves, totalling over £800k pa. The necessity for these to continue has been reviewed, as set out below.

Contribution to Development Plan Reserve

45. The Development Plan, with which Members will be familiar, is a long term strategic document that requires regular updating with specific and specialist studies and data, much of which requires specialist consultant input.
46. The Reserve was created to fund such input and the contribution has remained at £300k pa. The balance of the reserve at 31st July was £718k and it therefore requires topping up based on the programme of work to be continued over the next few years. The actual figure will be reviewed each year however.

Contribution to Job Evaluation Reserve

47. Implementing a Job Evaluation scheme has been a longstanding project for the authority and has been close enough to action for the last 18 months to require financing. Were it not for the pandemic radically altering workloads and priorities, it could be expected that implementation could have been agreed with the recognised trade union.
48. We therefore put aside £267k in 20/21 and £392k in 21/22 to finance the introduction, in the expectation that some grades would increase, and those that reduced would be protected for a period to be agreed. This represents a net increase in the overall payroll.
49. We continue to work towards implementation of a Job Evaluation scheme and have made the appropriate provision of £532k in 2022/23.

Savings from efficiency programme

50. In spite of demand increasing in some services (discussed below) a modest efficiency saving is planned against 2022/23 expenditure, shown as £250k in 2022/23 with no planned further savings made over the following years.

Grants

51. The MTFP approved by Council contained two one-year only grants in the form of Lower Tier Support Grant (£451k) and a Covid 19 Support Grant of £536k.
52. The continuation of these grants has not been confirmed but if this is to be a rollover settlement pending greater reforms ready for 2023/24, there would need to be some replication of 21/22 funding.
53. Our consultants are estimating that the Lower Tier Grant will increase to £618k but that the Covid Support Grant will not be replaced.
54. Other grants (HB administration and Local Council Tax Support) are presumed to continue at around the same figures as 21/22.

Leisure Contract

55. Members will know that we have been proactively supporting our leisure contractor during the pandemic as per our legal requirements, in the expectation that our contract will eventually return to near-normal conditions at some point in the near future.
56. Given the uncertainty surrounding the timescales for recovery of the local authority leisure sector, it is likely that we will need to continue to subsidise the contract this year, review its performance monthly and then reassess our forecasts later in the year.
57. If no residual operating and financial impact can be evidenced at the end of the current financial year, it would be reasonable to expect the management fee payment to the Council to return to contracted levels from the beginning of 2022/23, with Places Leisure taking full financial risks of operation.
58. For planning purposes however, we are NOT showing the full fee returning in 22/23.

Service Changes

59. The service planning process has been running over the summer but the detailed outcomes will not be known until after this report has been considered. Budget holders will be assessing the demands of and upon their service and any consequent financial implications right up until the draft corporate plan and budget is brought before Members. However, we do know that there are some service pressures arising already and these are detailed below.

Housing

60. The pandemic has seen a significant increase in both housing related enquiries, and in the need to house people on a temporary basis; i.e. in Temporary Accommodation. There is therefore an increased direct cost of tenancies plus the indirect cost of staff overhead to administer and manage those placements. This has not been included in the MTFP figures at this stage.

Development Management

61. The Development Management service is also experiencing higher work volumes related to the number of householder applications being made as opposed to the 'majors' that we have seen over the last few years. This larger number of smaller applications is putting pressure on the officers and generating less income, but has yet to translate into increased costs. The position will continue to be monitored.
62. At the same time, we are anticipating agreeing up to three Development Control Agreements. Due to their complexity this usually involves the more senior officers working together with consultants and could lead to increased costs which are not always balanced by the associated income. This will be reported upon later in the year and the effects built in as necessary.

General interactions

63. As a generality, we are seeing more customer contact around a range of services as more people spend more time at home and seem more willing to contact us. Until we have built more digital capability for self-service, this is leading to an increased need for customer contact and putting both the contact centre and frontline officers under more pressure with less time to concentrate of providing the service.

64. As the pandemic eases and people resume their normal life patterns this may ease but in the meantime it is being flagged as a possible pressure that may need a financial component to its solution.

Damping

65. In this context, damping is the method by which reductions in funding are phased in gradually over a number of years. It is designed to soften the impact of funding reductions and allow authorities to adjust on an incremental basis.
66. Opinions are divided on whether damping will be introduced from 2023/24 by way of mitigation against reductions in spending power. Where damping is thought likely, there are only educated guesses on the level of support that would be provided. One consultancy has suggested that a 5% reduction in spending power may be offered, and over a 3 year period but this is nothing more than speculation (which they are at pains to point out.)
67. We will therefore model our Plan to show no damping and estimate that this is the worst possible scenario.

Use of General Reserve

68. The MTFP shown at Appendix 1 is balanced in each year only by the use of general reserve; ie expenditure is still running above income each year across the period. This translates into a significant draw on the reserve which is unsustainable.
69. Without damping, the reserve reduces through use, as the table shows below;

	31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026
	£'000s	£'000s	£'000s	£'000s	£'000
Estimated General Reserve Balance	8,585	8,160	5,632	3,304	1,156

70. With damping (speculative as noted above), exemplified at a maximum reduction of 5%, this shows an improved picture of remaining estimated balances as below and at Appendix 2:

	31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026
	£'000s	£'000s	£'000s	£'000s	£'000
Estimated General Reserve Balance	8,585	8,160	7,449	5,909	3,761

The way forward

71. This paper presents a possible financial future for the Council where 2022/23 is something of a recovery year but the outlook beyond that remains difficult, even as a hypothetical model. The Council would be recommended to consider a longer term view than previously and to ensure that income sources are maximised, stabilised and grown where possible in order to provide a sound basis for service planning in the future.
72. The direction of travel set out in this report will form the basis for service planning over the remainder of the year and will be tested via the Scrutiny Committee in January as is our usual custom.

Policy Context

73. Setting a financial strategy and understanding the environment within which the authority operates is a fundamental requirement in preparing the annual Corporate Plan and Budget. The strategy and supporting service plans will be informed by the Councils' agreed corporate policies in the usual way.

Other Options Considered

74. The report outlines the context within which service and financial planning should take place this year but does not make a recommendation for a particular decision or course of action. Therefore no other options are considered.

Financial Implications

75. This report has no financial implications in itself. However, if the guidance is followed there will be implications and these will be set out in a draught corporate plan and budget due to be published in December.

Risk Management Implications

76. This report has no such implications in itself and the forecasts contained herein are based on the best information available to us at the time having been subjected to an appropriate level of due diligence in order to ascertain that the financial position is as described. In the event that the situation worsens, alternative strategies may have to be considered and employed but only after the appropriate decisions have been consulted upon.

Equality and Customer Service Implications

77. No impact assessment has been carried out on the subjects covered by this report; these will be drawn up and considered when such decisions are implemented.

Other Material Implications

78. None.

Sustainability Implications

79. None

Background Papers

None.

Appendix 1

Medium Term Financial Plan (No damping) Cabinet 13 September 2021

	Revenue Spending	Year 0 2021/22 £'000	Year 1 2022/23 £'000	Year 2 2023/24 £'000	Year 3 2024/25 £'000	Year 4 2025/26 £'000
Base Net Expenditure Benefits		17,066 (119)	16,972 (119)	17,026 (119)	17,107 (119)	17,138 (119)
Base Revenue Spending		16,947	16,853	16,907	16,988	17,019
Balance Unallocated		20	20	20	20	20
Council Net Expenditure		16,967	16,873	16,927	17,008	17,039
Contribution to Development Plan Reserve		243	300	300	300	300
Contribution to Job Evaluation Reserve		392	532	594	594	594
Net General inflation		135	270	405	540	
Inflation Allowance for 2% Pay award from 22/23 onwards		235	470	705	940	
Future year effect of 1.75% Pay Award in 21/22 (including £35k previously built into MTFP for salaries less than £24k)		35	206 (250)	206 (250)	206 (250)	206 (250)
Savings from efficiency programme						
Leisure Contract costs estimate for 21/22						
Total Revenue Spending		17,637	18,031	18,517	18,968	19,369
Rates Retention Scheme (RRS) funding		(5,203)	(5,146)	(3,423)	(3,530)	(3,612)
Damping payments to LA						
HB Admin Grant / LCTS Grant		(409)	(315)	(315)	(315)	(315)
Lower Tier Support Grant 21/22 only		(451)	-	-	-	-
Covid 19 Support Grant 21/22 only		(536)	-	-	-	-
Council Tax Requirement @ 2.8% in 22/23		(10,915)	(11,380)	(11,856)	(12,343)	(12,841)
Dividend income LAPF		(240)	(240)	(240)	(240)	(240)
Collection Fund:						
- Council Tax deficit / (surplus)		(167)	-	-	-	-
-Rates Retention Scheme deficit / (surplus)		8,633	481	481	-	-
Contribution from Rate Retention Scheme Equalisation Reserve including s31 Grant		(8,349)	(481)	(481)	-	-
SFC Grant (estimated for first quarter) for Leisure 21/22						
Use of General Reserve to balance budget		-	(951)	(2,684)	(2,541)	(2,361)
CUMULATIVE Balance deficit; / (surplus)		0	0	0	0	0
Difference year on year			(0)	(0)	(0)	0

	Financing Revenue Spending	Year 0 2021/22 £'000	Year 1 2022/23 £'000	Year 2 2023/24 £'000	Year 3 2024/25 £'000	Year 4 2025/26 £'000
Council Taxbase		62,223.8	63,094.9	63,978	64,874	65,782
Change in Taxbase		0.83%	1.40%	1.40%	1.40%	1.40%
Revenue Budget		17,637	18,031	18,517	18,968	19,369
Rates Retention Scheme (RRS) funding		(5,203)	(5,146)	(3,423)	(3,530)	(3,612)
Damping payments to LA				0	0	
HB Admin Grant / LCTS Grant		(409)	(315)	(315)	(315)	(315)
Lower Tier Support Grant 21/22 only		(451)	-	-	-	-
Covid 19 Support Grant 21/22 only		(536)	-	-	-	-
Council Tax Requirement		(10,915)	(11,380)	(11,856)	(12,343)	(12,841)
Dividend income LAPF		(240)	(240)	(240)	(240)	(240)
Collection Fund:						
- Council Tax deficit / (surplus)		(167)	-	-	-	-
-Rates Retention Scheme deficit / (surplus)		8,633	481	481	-	-
Contribution from Rate Retention Scheme Equalisation Reserve including s31 Grant		(8,349)	(481)	(481)	-	-
SFC Grant (estimated for first quarter) for Leisure						
Use of General Reserve to balance budget			(951)	(2,684)	(2,541)	(2,361)
Total Financing		(17,637)	(18,031)	(18,517)	(18,968)	(19,369)
<i>Balance [(deficit); /surplus]</i>		0	(0)	(0)	(0)	(0)
Council Tax at Band D		£ 175.41	£ 180.36	£ 185.31	£ 190.26	£ 195.21
Change from previous year		2.90%	2.80%	2.75%	2.65%	2.60%

Appendix 2

Medium Term Financial Plan (With Damping) Cabinet 13 September 2021

Revenue Spending	Year 0 2021/22 £'000	Year 1 2022/23 £'000	Year 2 2023/24 £'000	Year 3 2024/25 £'000	Year 4 2025/26 £'000
Base Net Expenditure					
Benefits	17,066 (119)	16,972 (119)	17,026 (119)	17,107 (119)	17,138 (119)
Base Revenue Spending	16,947	16,853	16,907	16,988	17,019
Balance Unallocated	20	20	20	20	20
Council Net Expenditure	16,967	16,873	16,927	17,008	17,039
Contribution to Development Plan Reserve	243	300	300	300	300
Contribution to Job Evaluation Reserve	392	532	594	594	594
Net General inflation	135	270	405	540	540
Inflation Allowance for 2% Pay award from 22/23 onwards	235	470	705	940	
Future year effect of 1.75% Pay Award in 21/22 (including £35k previously built into MTFP for salaries less than £24k)	35	206 (250)	206 (250)	206 (250)	206 (250)
Savings from efficiency programme					
Leisure Contract costs estimate for 21/22					
Total Revenue Spending	17,637	18,031	18,517	18,968	19,369
Rates Retention Scheme (RRS) funding	(5,203)	(5,146)	(3,423)	(3,530)	(3,612)
Damping payments to LA	-	-	(1,817)	(788)	-
HB Admin Grant / LCTS Grant	(409)	(315)	(315)	(315)	(315)
Lower Tier Support Grant 21/22 only	(451)	-	-	-	-
Covid 19 Support Grant 21/22 only	(536)	-	-	-	-
Council Tax Requirement @ 2.8% in 22/23	(10,915)	(11,380)	(11,856)	(12,343)	(12,841)
Dividend income LAPF	(240)	(240)	(240)	(240)	(240)
Collection Fund:					
- Council Tax deficit / (surplus)	(167)	-	-	-	-
- Rates Retention Scheme deficit / (surplus)	8,633	481	481	-	-
Contribution from Rate Retention Scheme Equalisation Reserve including s31 Grant	(8,349)	(481)	(481)	-	-
SFC Grant (estimated for first quarter) for Leisure 21/22	-	-	-	-	-
Use of General Reserve to balance budget	-	(951)	(867)	(1,753)	(2,361)
Cumulative Balance deficit; / (surplus)	0	0	0	0	0
Difference year on year		(0)	(0)	(0)	0

Financing Revenue Spending	Year 0 2021/22 £'000	Year 1 2022/23 £'000	Year 2 2023/24 £'000	Year 3 2024/25 £'000	Year 4 2025/26 £'000
Council Taxbase					
Change in Taxbase	62,223.8 0.83%	63,094.9 1.40%	63,978 1.40%	64,874 1.40%	65,782 1.40%
Revenue Budget	17,637	18,031	18,517	18,968	19,369
Rates Retention Scheme (RRS) funding	(5,203)	(5,146)	(3,423)	(3,530)	(3,612)
Damping payments to LA	-	-	(1,817)	(788)	-
HB Admin Grant / LCTS Grant	(409)	(315)	(315)	(315)	(315)
Lower Tier Support Grant 21/22 only	(451)	-	-	-	-
Covid 19 Support Grant 21/22 only	(536)	-	-	-	-
Council Tax Requirement	(10,915)	(11,380)	(11,856)	(12,343)	(12,841)
Dividend income LAPF	(240)	(240)	(240)	(240)	(240)
Collection Fund:					
- Council Tax deficit / (surplus)	(167)	-	-	-	-
- Rates Retention Scheme deficit / (surplus)	8,633	481	481	-	-
Contribution from Rate Retention Scheme Equalisation Reserve including s31 Grant	(8,349)	(481)	(481)	-	-
SFC Grant (estimated for first quarter) for Leisure					
Use of General Reserve to balance budget		(951)	(867)	(1,753)	(2,361)
Total Financing	(17,637)	(18,031)	(18,517)	(18,968)	(19,369)
Balance [(deficit); /surplus]	0	(0)	(0)	(0)	(0)
Council Tax at Band D	£ 175.41	£ 180.36	£ 185.31	£ 190.26	£ 195.21
Change from previous year	2.90%	2.80%	2.75%	2.65%	2.60%